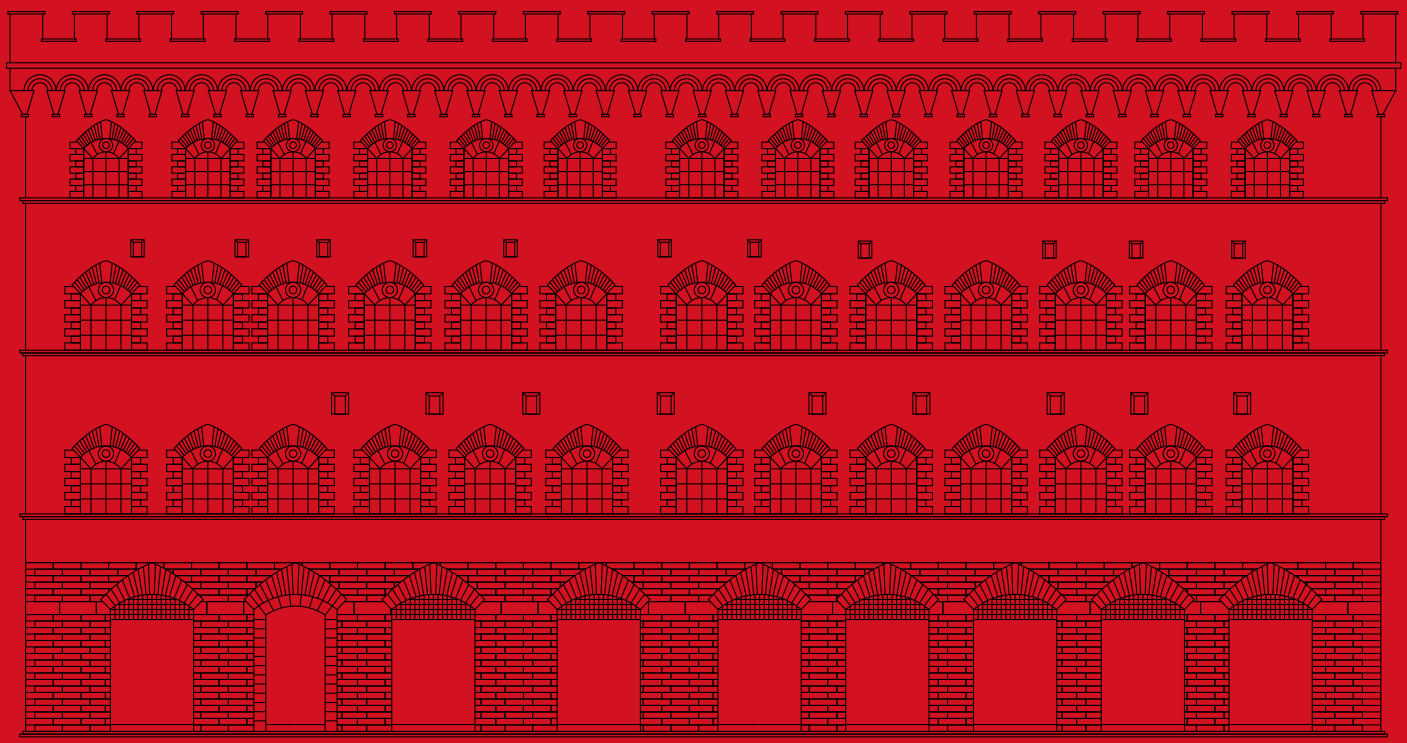


Annual Report 2023

FERRAGAMO

Salvatore Ferragamo Group Annual Report as at 31 December 2023

Salvatore Ferragamo S.p.A.
Florence

General information
Registered office Salvatore Ferragamo S.p.A. Via Tornabuoni, 2 - 50123 Firenze, Italia
Legal information Authorized, subscribed and paid-up share capital 16,879,000 Euro
Tax code and Florence Company Register no.: 02175200480
Registered with the Florence Chamber of Commerce under REA (Economic and Administrative Register) no. 464724
Corporate website *https://group.ferragamo.com/it/*

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

Letter from the Chair



Dear Shareholders,

In 2023, our Group continued the development process begun last year, inspired by its history, especially its founding values, its Italian and craftsmanship roots, and its international vocation that finds its energy precisely in its close ties with Florence.
In strengthening Ferragamo's identity in the vision of the future, we also found important confirmation in the appreciation of the new collections and the new creative direction, coming also from the important awards given to Maximilian Davis, our talented young Creative Director. In fact, Maximilian won the prestigious Best Designer of the Year award for womenswear from The Fashion Awards and was named Men of the Year by GQ Italia.

2023 marked the 100th anniversary of the opening of "our" first store in Hollywood, the Hollywood Boot Shop, which established our founder as the "Shoemaker to the Stars". One hundred years that we celebrated with an exhibition at our home, Palazzo Feroni Spini, dedicated to the life of our founder and his extraordinary creations. Creations stored in our archives that continue to inspire and guide our creative direction. In the same way, the values and teachings that it contains are a constant creative, professional and ethical motivation that has always permeated the company, stimulating it to strengthen and project it into the future.

Florence is also the focus of our new creative and communications direction. After his great success in the United States, Salvatore Ferragamo pursued the dream of unparalleled quality in his creations, which he knew he could only find in Italy. He chose this city because he was fascinated by its beauty, its many values, its history and art, but above all by the quality and diversity of its artisans.
So we have always felt privileged to be able to operate from this extraordinary place, and we are proud that our people continue to find so much of their inspiration here, projecting our identity into the future.

2023 is the year we improved our ESG ratings and updated our Sustainability Plan, setting important new environmental, social and governance goals.
Creating, re-imagining, being style icons and innovating, while remaining true to our core values: Innovation, Creativity, Craftsmanship, Sustainability, Authenticity, Independence, and the Italian spirit are the basis of our development process, which will continue and strengthen in 2024 and the years to come.
For all of this, I would like to thank the entire team led by Marco Gobbetti who, with love, dedication, tenacity, and enthusiasm, has accepted and embraced the challenge of continuously developing our brand, in Italy and around the world, so that Ferragamo will continue to be the "Dream brand".
And of course, and most importantly, I would like to thank our many customers who appreciate our values and products and who are and will always be at the center of everything we do.
We are grateful to them for placing their trust in a brand that will always want to put them at the center, because of our great and constant commitment to always want to express the best, to represent the best that our beloved Italy has to offer!

Leonardo Ferragamo,
Salvatore Ferragamo S.p.A. Chair

Letter from the Managing Director and General Manager



"Ferragamo has made significant progress in implementing its strategic priorities thanks to the energy and enthusiasm of our colleagues around the world."

Dear Shareholders,

2023 was a very busy year for the entire organization. Despite a particularly challenging market environment for the luxury sector, we made good progress in implementing our strategic priorities.

The new aesthetic vision, based on elegance, modernity, and the highest quality, was defined to respond to demanding and dynamic consumers, giving the brand new energy. The product range has been renewed, focusing on the main categories, namely footwear and leather goods, with a contemporary and fresh style and an enriched assortment. We have nurtured a strong craftsmanship characteristic and enhanced the brand's history as a source of ongoing inspiration. The new assortment launched in our boutiques has already shown encouraging signs in the second half of the year, with some new products establishing themselves as new icons alongside our classics. The talent of our Creative Director Maximilian Davis, who was named "British Womenswear Designer of the Year" at the end of 2023, is now being recognized internationally.

Progress was also made in terms of communication, both quantitatively, with significant coverage, visibility and interaction on digital channels, and qualitatively, with the confirmation of a strong, precise brand identity and powerful storytelling based on Ferragamo's exceptional DNA. The new image has also affected our digital channels, in particular the Ferragamo.com website, which has been completely redesigned. We have strengthened our digital ecosystem with a specific model for the Chinese market, which will enable us to seize and maximize local opportunities. Our story is told in the new exhibition "Salvatore Ferragamo 1898-1960", which opened in October at the Salvatore Ferragamo Museum, providing additional prominence to the company.

In terms of distribution, our retail and wholesale network has been optimized with the aim of aligning it with the brand development process, working on the quality of sales and strengthening the full price business with new collections. In parallel with the launch of Maximilian's first collection in February 2023, the renovation plan for our stores was launched. The launch of the new store concept in the Women's store in Milan in February 2024 marks an important moment in the relaunch journey, which will continue with numerous projects around the world in the coming years. The new décor in our boutiques is a distinctive and key element in further enhancing the experience and service to our customers. We also acquired minority interests in distribution joint ventures in China, Hong Kong, Macau and Taiwan as a strategic move to strengthen our activities in a highly relevant market.

People remain at the center of our development. In 2023, we renewed our Purpose, Vision, Values and Competencies to drive the evolution of our corporate culture. We continued to invest in our people, attracting excellent profiles from the market and structuring internal development plans to support the growth of our talent and ensure the sustainability of the organization over time. During the year, we defined and implemented a Diversity, Equity, Inclusion and Belonging action plan in line with our strategic and sustainability plan. We continue to strengthen our sense of belonging by celebrating human capital in everything we do and fostering a work environment where everyone is encouraged and supported to develop their skills and competencies and has the opportunity to learn and grow both personally and professionally.

During the year, we significantly accelerated our ESG agenda and achieved important results. For example, we purchased the majority of our energy from renewable sources and updated our strategic sustainability plan with more ambitious targets, including a Net-Zero target by 2050. These results were confirmed by the significant upgrades of our ESG ratings by the major industry agencies. We will continue to focus our efforts on initiatives that have a high positive impact. This will allow us to grow more responsibly while creating value for our brand.

FY 2023 PERFORMANCE

In a complex and volatile macroeconomic environment, 2023 was a year of strategic refocusing, during which we invested in sales quality, distribution network optimization, and marketing and communication activities.

In particular:

- Revenues amounted to 1,156 million Euro, down 7.6% at current exchange rates (-8.1% at constant exchange rates) compared to 2022, a result that was heavily impacted by the general pressure on the luxury market in the second half of the year and a limited recovery in international Chinese tourist flows.
- Gross profit amounted to 839 million Euro, increasing by 60 basis points as a percentage of revenues, from 72.0% in 2022 to 72.6% in 2023, mainly due to the improvement in the quality of sales.
- Operating costs amounted to 767 million Euro, down from 773 million Euro in 2022, as a result of an extensive efficiency program. This made it possible not only to contain operating costs, but also to continue to invest in communication and marketing, the cost of which increased from 92 million Euro in 2022 to 114 million Euro, accounting for 9.8% of revenues, up from 7.4% in 2022.

- Operating profit (EBIT) was 72 million Euro compared to 128 million Euro in 2022. The Net profit for the period, including minority interests, amounted to 26 million Euro, compared to 65 million Euro in 2022.
- In line with the strategic plan, the capital expenditure (CAPEX) program – mainly aimed at improving the client experience of the distribution network – continued, reaching 72 million Euro compared to 56 million Euro in 2022.

After a 2023 in which we laid the groundwork for product, visibility and brand positioning, 2024 presents a volatile and uncertain market environment in which the slowdown in demand for luxury goods could affect the sector's growth rates. Always guided by our values of creativity, quality, craftsmanship, care for people and the planet, 2024 will be an important year of strategic implementation in Ferragamo's path of high potential development.

I would like to take this opportunity to thank our Board of Directors, all our colleagues and our partners for the work they have done so far with professionalism, enthusiasm and passion, and to wish them a successful 2024.

Marco Gobbetti,
Salvatore Ferragamo S.p.A.
Managing Director and General Manager



BOARD OF DIRECTORS' REPORT ON OPERATIONS

as at 31 December 2023



Board of Directors' report on operations as at 31 December 2023

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Corporate boards

Board of Directors[1]	Leonardo Ferragamo[7][12]	Chair
	Angelica Visconti[8][12]	Deputy Chair
	Marco Gobbetti[9][10]	Managing Director and General Manager
	Giacomo Ferragamo[11]	
	Frédéric Biousse[12][13]	
	Patrizia Michela Giangualano[12][13]	
	Annalisa Loustau Elia[12][13]	
	Umberto Tombari[12][13]	
	Laura Donnini[12][13]	
Control and Risks Committee [2] *(responsible for Transactions with Related Parties and for Sustainability)*	Patrizia Michela Giangualano	Chair
	Umberto Tombari	
	Laura Donnini	
Nomination and Remuneration Committee[3]	Umberto Tombari	Chair
	Annalisa Loustau Elia	
	Frédéric Biousse	
Board of Statutory Auditors [4]	Andrea Balelli	Chair
	Paola Caramella	Acting Statutory Auditor
	Giovanni Crostarosa Guicciardi	Acting Statutory Auditor
	Roberto Coccia	Substitute Statutory Auditor
	Antonietta Donato	Substitute Statutory Auditor

Independent Auditors [5]	KPMG S.p.A.
Manager charged with preparing Company's Financial Reports[6]	Erika Peruzzi

(1) The members of the Board of Directors were appointed for a three-year term by resolution of the Shareholders' Meeting of 22 April 2021, except for the directors Frédéric Biousse and Annalisa Loustau Elia, co-opted by Board resolution passed pursuant to art. 2386, paragraph 1, of the Italian Civil Code on 29 September 2021 and appointed by resolution of the Shareholders' Meeting on 14 December 2021, the director Marco Gobbetti, co-opted pursuant to art. 2386, paragraph 1, of the Italian Civil Code by the Board resolution of 14 December 2021, effective 1 January 2022, and appointed by resolution of the Shareholders' Meeting on 12 April 2022, and the director Laura Donnini, appointed by resolution of the Shareholders' Meeting on 26 April 2023, following the resignation tendered by Director Anna Zanardi Cappon on 27 February 2023, effective as of the date of the Shareholders' Meeting of 26 April 2023, as per the notice issued to the market on 28 February 2023. Director Anna Zanardi Cappon was the Chair of the Nomination and Remuneration Committee and a member of the Control and Risks Committee. It should also be noted that Director Peter Woo Kwong Ching resigned on 13 November 2023, effective immediately. This Board of Directors will serve until the date of approval of the separate financial statements as at 31 December 2023

(2) Following the resignation of Director Anna Zanardi Cappon, the Board of Directors resolved on the new composition of the Control and Risks Committee on 26 April 2023, confirming as members Directors Patrizia Michela Giangualano, Chair, and Umberto Tombari, and appointing as member the newly elected director Laura Donnini. The Control and Risks Committee also acts as the Related Party Transactions Committee and is responsible for Sustainability.

(3) Following the resignation of Director Anna Zanardi Cappon, the Board of Directors resolved on the new composition of the Nomination and Remuneration Committee on 26 April 2023, confirming as members Directors Annalisa Loustau Elia and Umberto Tombari, appointing the latter as Chair, and appointing director Frédéric Biousse as a member.

(4) Appointed by the Shareholders' Meeting on 26 April 2023 and serving until the date of approval of the separate financial statements as at 31 December 2025.

(5) Appointed by the Shareholders' Meeting on 18 April 2019 for the nine years from 2020 through 2028.

(6) Appointed on an interim basis by the Board of Directors on 3 August 2023, effective as from 1 October 2023.

(7) Appointed as Chair by the Board of Directors on 22 April 2021.

(8) Appointed as Deputy Chair by the Board of Directors on 14 December 2021, effective as from 1 January 2022.

(9) Appointed as director by the Shareholders' Meeting on 12 April 2022. On the same date, the Board of Directors also confirmed him as Managing Director and General Manager.

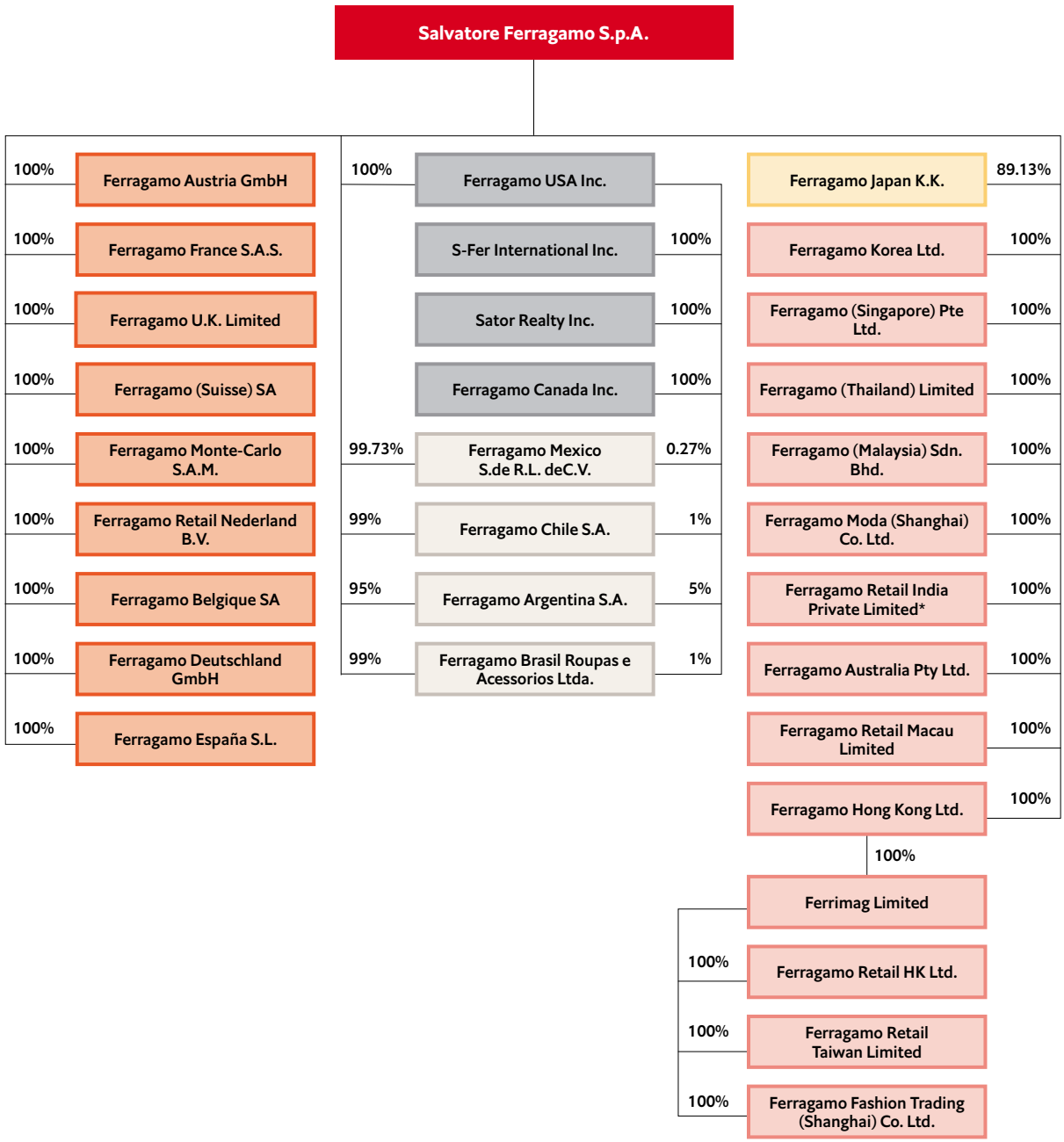
(10) Executive director.

(11) Executive director pursuant to the Corporate Governance Code as a manager of the Company.

(12) Non-executive director.

(13) Independent director pursuant to article 147-ter, paragraph 4 and article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance, "TUF") and the Corporate Governance Code for listed companies.

Group structure



Notes

European companies
North America companies
Centre an South America companies
Asia Pacific companies
Japanies companies

* Non operating company

Composition of the Salvatore Ferragamo Group

As at 31 December 2023, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (the "Parent company" and the "Company") and the following subsidiaries – consolidated on a line by line basis – in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

Salvatore Ferragamo S.p.A.	Parent company, owner of the "Ferragamo" and "Salvatore Ferragamo" brands, as well as of numerous other figurative and shape trademarks; it undertakes production activities and distributes products through retail channels in Italy as well as wholesale channels in Italy and abroad, and acts as a holding company

Europe	
Ferragamo Retail Nederland B.V.	It manages directly operated stores (DOS) in Holland
Ferragamo France S.A.S.	It manages directly operated stores (DOS) in France
Ferragamo Deutschland GmbH	It manages directly operated stores (DOS) in Germany
Ferragamo Austria GmbH	It manages directly operated stores (DOS) in Austria
Ferragamo U.K. Limited	It manages directly operated stores (DOS) in the United Kingdom
Ferragamo (Suisse) SA	It manages directly operated stores (DOS) in Switzerland
Ferragamo Belgique SA	It manages directly operated stores (DOS) in Belgium
Ferragamo Monte-Carlo S.A.M.	It manages directly operated stores (DOS) in the Principality of Monaco
Ferragamo Espana S.L.	It manages directly operated stores (DOS) in Spain

North America	
Ferragamo USA Inc.	It distributes and promotes products in the USA and acts as a sub-holding for North America (USA and Canada)
Ferragamo Canada Inc.	It manages directly operated stores (DOS) and the wholesale channel in Canada
S-Fer International Inc.	It manages directly operated stores (DOS) in the USA
Sator Realty Inc.	It manages directly operated stores (DOS) in the USA and real estate assets

Central and South America	
Ferragamo Mexico S. de R.L. de C.V.	It manages directly operated stores (DOS) and the wholesale channel in Mexico
Ferragamo Chile S.A.	It manages directly operated stores (DOS) in Chile
Ferragamo Argentina S.A.	It manages directly operated stores (DOS) in Argentina
Ferragamo Brasil Roupas e Acessorios Ltda.	It manages directly operated stores (DOS) in Brazil

Asia Pacific	
Ferragamo Hong Kong Ltd.	It distributes and promotes products in Asia and acts as a sub-holding for the Chinese area (Hong Kong)
Ferragamo Australia Pty Ltd.	It manages directly operated stores (DOS) in Australia
Ferrimag Limited	Sub-holding company for the Chinese area (Hong Kong, Taiwan, PRC)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) and the wholesale channel in the People's Republic of China
Ferragamo Moda (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) in the People's Republic of China
Ferragamo Retail HK Limited	It manages directly operated stores (DOS) in Hong Kong
Ferragamo Retail Taiwan Limited	It manages directly operated stores (DOS) in Taiwan
Ferragamo Retail Macau Limited	It manages directly operated stores (DOS) in Macau
Ferragamo Retail India Private Limited	Non-operating company
Ferragamo Korea Ltd.	It manages directly operated stores (DOS) and the wholesale channel in South Korea
Ferragamo (Singapore) Pte Ltd	It manages directly operated stores (DOS) in Singapore
Ferragamo (Thailand) Limited	It manages directly operated stores (DOS) in Thailand
Ferragamo (Malaysia) Sdn. Bhd.	It manages directly operated stores (DOS) in Malaysia

Japan	
Ferragamo Japan K.K.	It manages directly operated stores (DOS) in Japan

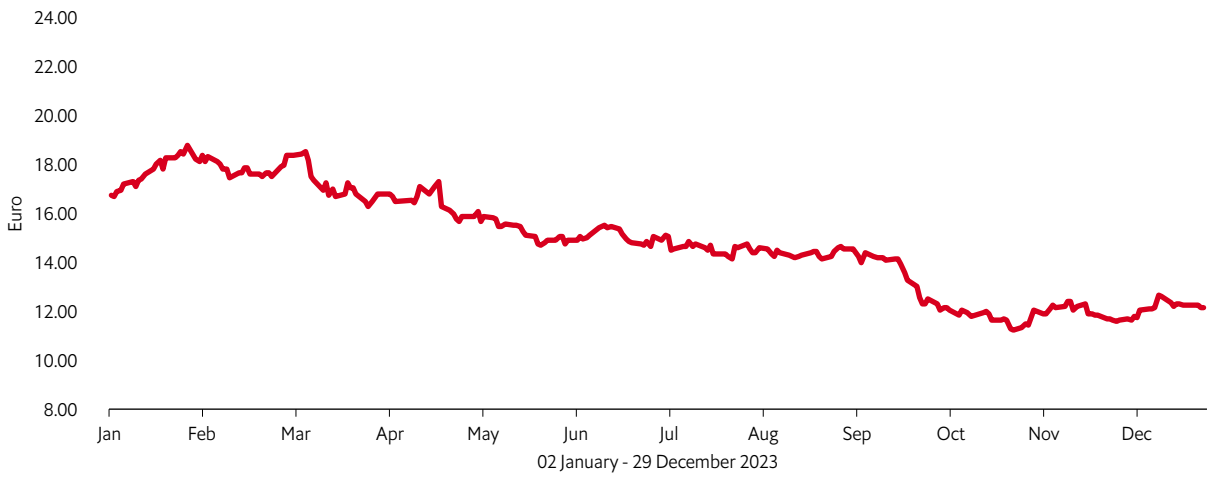
Main Stock Market indicators – Salvatore Ferragamo S.p.A.

Official price as at 31 December 2023 in Euro	12.21
Minimum price as at 27 October 2023 in Euro[1]	11.26
Maximum price as at 27 January 2023 in Euro[1]	18.83
Stock Market capitalization as at 31 December 2023 in Euro	2,060,925,900
Number of shares making up the share capital as at 31 December 2023	168,790,000
Number of outstanding shares (free float)* as at 31 December 2023	63,812,556

* determined as the number of shares that make up the share capital, excluding treasury shares and the shares held by the Parent company Ferragamo Finanziaria S.p.A. and by Majestic Honour Limited.

Here below is the trend in Salvatore Ferragamo's share price during 2023.

Share price (Official price)



[1] Minimum and maximum prices recorded during the day's trading session and, therefore, not coinciding with official and reference prices on the same date.

Alternative performance measures

In order to better assess its performance, the Salvatore Ferragamo Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the measurement basis applied by the Group may differ from that adopted by other groups, and the balance may not be comparable.

These alternative performance measures are derived exclusively from historical financial data and are determined in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015. They refer exclusively to the performance for the reporting period of this Annual Report as well as the comparative periods, and not to the Group's expected performance and are not to be considered as substitutes for IFRS measures.

The definitions of the alternative performance measures adopted in this report are provided below:

Net sales: it consists of revenues from the sale of products; it is therefore determined by excluding the following items from *Revenues: Rental income investment properties, Licenses and services* and the effect of hedging against exchange rate risk on Revenues (*Cash flow hedging effect on Revenues*).

Operating profit/(loss): it is the difference between *Revenues, Cost of goods sold*, and *Operating* costs net of *Other income*.

EBITDA: it is *Operating profit* before *Amortization and depreciation* and *Write-downs of tangible/intangible assets and Right-of-use assets*.

Net working capital: it is *Inventories*, plus *Right of return assets* and *Trade receivables* net of *Trade payables* and *Refund liabilities*.

Net invested capital: it is the total amount of *Non current assets*, *Current assets* and *Assets held for sale*, excluding financial assets (*Other current financial assets and Cash and cash equivalents*) net of *Non current liabilities*, *Current liabilities and Liabilities held for sale, excluding financial liabilities* (*Current and non current interest-bearing loans & borrowings, Other current and non current financial liabilities, and Current and non current lease liabilities*).

Adjusted net invested capital: it is *Net invested capital* excluding *Right-of-use assets* and *Right-of-use assets* classified as *Investment property*.

Net financial debt/(surplus): it is calculated as *Current and non current interest-bearing loans & borrowings* plus *Current and non current lease liabilities* and *Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedging component), net of *Cash and cash equivalents* and *Other current financial assets*, including the positive fair value of derivatives (non-hedging component).

Adjusted net financial debt/(surplus): it is *Net financial debt/(surplus)* excluding *Current and non current lease liabilities*.

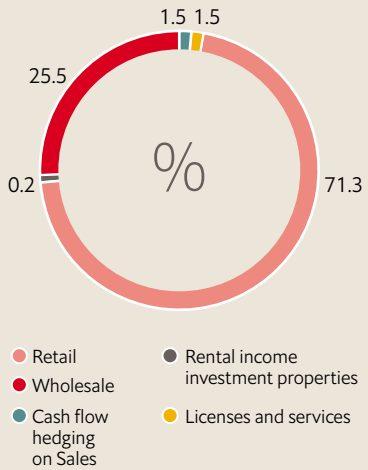
Adjusted cash flow from (used in) operating activities: it is *Net cash from (used in) operating activities* net of *Repayment of lease liabilities* (classified as *Cash flow from financing activities*).

Investments in tangible and intangible assets: include i) the increases in the historical cost of *Property, plant and equipment*, *Investment property* (excluding those relating to *Right-of-use assets*) and *Intangible assets with a finite useful life*, net of decreases in tangible assets and intangible assets in progress and the costs of restoring the premises rented from third parties; ii) the increases in the historical cost of *Right-of-use assets* relating to the direct initial costs incurred to rent the premises from third parties.

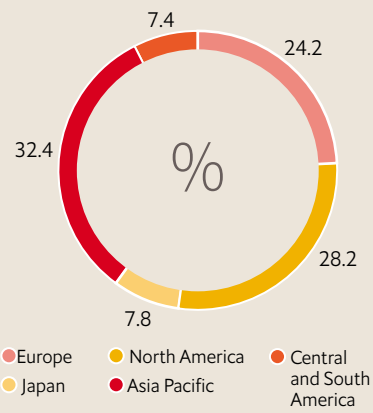
1. The Group's main income and financial results for the year 2023

(In millions of Euro)	2023	2022	% change 2023 vs 2022
Revenues	1,156.3	1,251.8	(7.6%)
Gross profit	839.4	901.1	(6.8%)
Gross profit %	72.6%	72.0%	
EBITDA	251.8	298.9	(15.8%)
EBITDA %	21.8%	23.9%	
Operating profit/(loss)	72.0	127.9	(43.7%)
Operating profit/(loss) %	6.2%	10.2%	
Net profit/(loss) for the period	26.2	65.4	(59.9%)
Net profit/(loss) – Group	*26.1*	*69.6*	*(62.6%)*
Net profit/(loss) – minority interests	*0.2*	*(4.3)*	

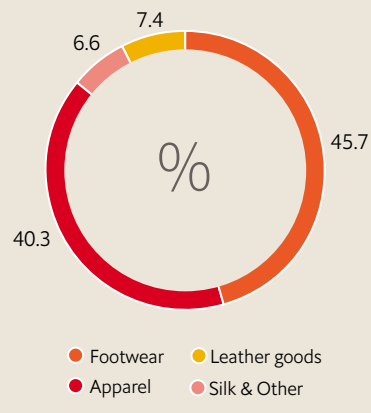
Revenue by distribution channel as at 31 December 2023



Net Sales by geographic area as at 31 December 2023



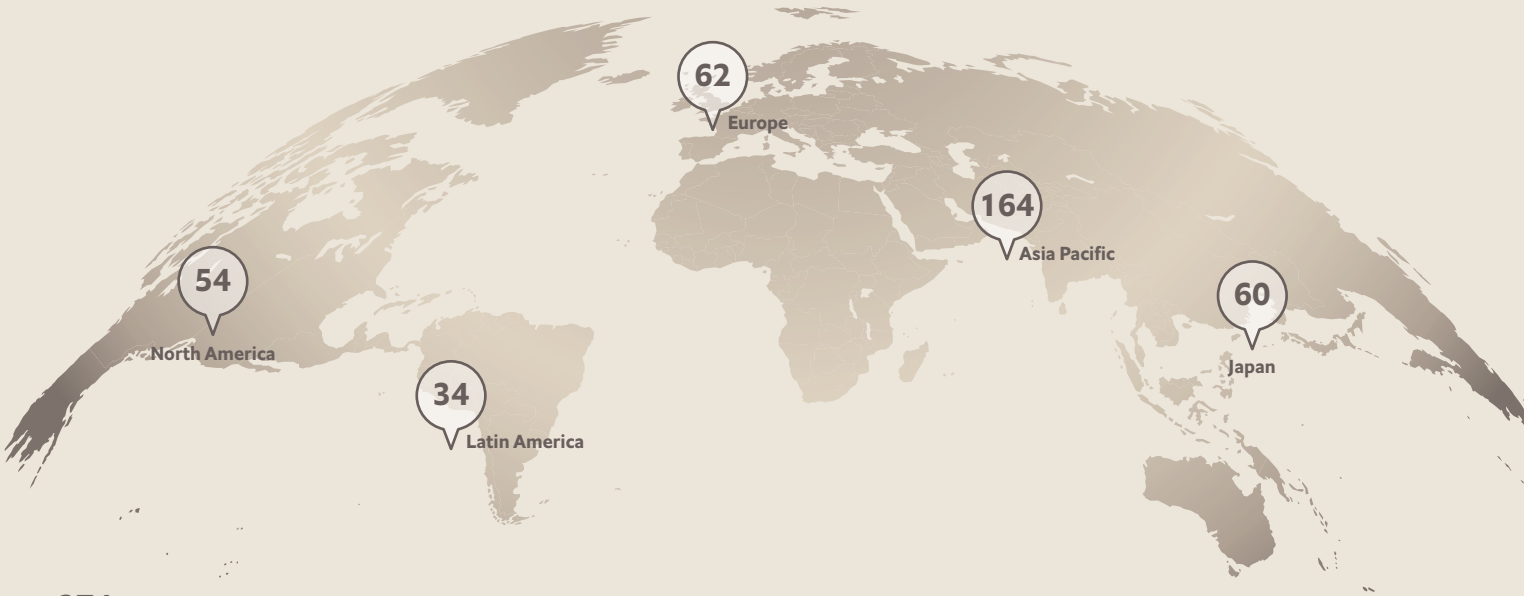
Net Sales by geographic area as at 31 December 2023



(In millions of Euro)	31 December 2023	31 December 2022
Investments in tangible/intangible assets	71.7	55.9
Net working capital	228.3	191.4
Shareholders' equity	722.2	775.4
Adjusted net financial debt/(surplus)	(224.4)	(371.2)
Adjusted cash flow from/(used in) operating activities	1.1	152.5

	31 December 2023	31 December 2022
Staff as at the reporting date	3,677	3,830
Number of DOS	374	389

Geographical distribution of DOS (31 December 2023)
No. of stores:



374 *Ferragamo* monobrand stores managed directly

Disclaimer

This document contains forward-looking statements, in particular in the sections headed "Macroeconomic situation and outlook", "Significant events occurred after 31 December 2023", and "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016" relating to future events and the operating, income, financial, social, and environmental results of the Salvatore Ferragamo Group. These statements are based on the Salvatore Ferragamo Group's current expectations and forecasts regarding future events and, by their nature, involve risks and uncertainties, since they refer to events and depend on circumstances which may, or may not, happen or occur in the future. As such, they must not be unduly relied upon. The actual results could differ significantly from those contained in these statements due to a variety of factors, including the volatility and deterioration in the performance of securities and financial markets, changes in raw material prices, changes in macroeconomic conditions and in economic growth, and other changes in business conditions, in the legal and institutional framework (both in Italy and abroad), and many other factors, most of which are beyond the Group's control.

2. Introduction

The Parent company Salvatore Ferragamo S.p.A. is a legal entity set up under Italian law and, pursuant to art. 40, paragraph 2 bis, of Legislative Decree 127/91, it prepares the Directors' report on operations of both the Separate Financial Statements and the Consolidated Financial Statements in a single document.

The Directors' report on operations, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group's performance, as detailed in a specific section. In addition, this Directors' report on operations includes the Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016 on non-financial statements, covering: environmental, social and employee-related matters, respect for human rights, and anti-corruption and anti-bribery matters.

3. The Salvatore Ferragamo Group's activities

The Salvatore Ferragamo Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, jewels, and other accessories. The product range also includes fragrances, eyewear, and watches manufactured under license by third parties. The product range stands out for its uniqueness, which is the result of the combination of creative and innovative style with the quality and craftsmanship that are the hallmark of luxury goods made in Italy.

The Salvatore Ferragamo Group is present in more than 90 countries around the world, directly through subsidiaries in 26 countries, and sells its products primarily through a network of Salvatore Ferragamo single-brand stores, either directly operated (DOS) or operated through third parties, as well as through a significant and well-established presence in department stores and multi-brand specialty stores, and through the e-commerce channel.

The Group is also active in the licensing of the Ferragamo trademark and in real estate management.



History of the Group

1898

Salvatore Ferragamo is born in Bonito, in the province of Avellino.

1923

After joining his siblings in America, Salvatore Ferragamo opens the Hollywood Boot Shop marking the start of his career as "shoemaker to the stars".

1927

Salvatore Ferragamo Italia is set up, producing women's shoes. The first laboratory is opened in Florence.

1936

Salvatore Ferragamo transfers the shoe laboratory to Palazzo Spini Feroni, which he then bought in 1938 and is still the registered office of the Group.

1938

Salvatore Ferragamo makes the famous Rainbow model for Judy Garland, the year after having invented and patented the cork wedge heel.

1947

In Dallas, Salvatore Ferragamo receives the Neiman Marcus Prize for his "Invisibile" sandal.

1950s

Launch of the women's Leather Goods and women's Ready-To-Wear lines. The success is now international and the shop in Florence is visited by celebrities such as Audrey Hepburn and the Dukes of Windsor.



1960s

After the death of the Founder, his widow Wanda took over the reins of the Company In 1965 the production of bags starts.

1970s

Launch of the first men's Ready-To-Wear collections, men's footwear, silk and accessories.



2022
Appointment of Maximilian Davis as Salvatore Ferragamo S.p.A.'s Creative Director

2021
Licensing of the Salvatore Ferragamo trademark for the production and distribution of the Fragrances line.

2011
Salvatore Ferragamo S.p.A. is listed on the Mercato Telematico Azionario (screen-based stock exchange, currently known as Euronext Milan) organized and operated by Borsa Italiana S.p.A.

2003
Realization of the first Salvatore Ferragamo watches.

1998
Launch of the Salvatore Ferragamo Fragrances and Eyewear lines.

1995
Inauguration of the Salvatore Ferragamo Museum at Palazzo Spini Feroni, dedicated to the shoes and history of the Company.

1990
Creation of the bag with the famous Gancini decorative symbol.

1978
Creation of Vara, one of the most famous shoes by Salvatore Ferragamo.

1986
Opening of the first DOS in Asia (Hong Kong) and entry into the Asian market.

Distinctive features of the Parent company and the Group

The main factors which have enabled the development and consolidation of the Group's competitive positioning can be summarized as follows:

Brand heritage as a synonym of glamour, elegance, craftsmanship, creativity and innovation

- the legendary status of the founder Salvatore Ferragamo which is inseparably linked to the world of luxury footwear;
- over 80 years' history associated with high quality, luxury products which have always been known for their "Made in Italy" excellence;
- continuous product innovation with a high level of customization and use of rare and high-quality materials;
- abundant archive of designs and models to draw on as inspiration for new collections;
- use of Ferragamo products by leading personalities from the world of cinema, theatre and entertainment.

Global brand awareness

- high and consolidated level of brand awareness;
- worldwide distribution of products and presence, through tailored single brand stores, in the key shopping streets and prestigious locations for the luxury sector;
- significant and consolidated presence in Europe, America and Asia.

Sustainable Thinking

- incorporation of sustainability throughout the value chain, in keeping with the core values of creativity, innovation, and world-class craftsmanship, through stakeholder engagement and the promotion of partnerships;
- a governance model that takes into account the context of reference and the balance/mitigation of environmental, social and governance ("ESG") risks, with responsibility for sustainability assigned to the Control and Risks Committee – composed entirely of independent directors – and to the Board of Directors, the creation of the corporate Transformation & Sustainability function, and the establishment of an ESG Steering Committee to provide in-depth oversight of the progress of the Sustainability Plan;
- review and approval of the Salvatore Ferragamo Group Sustainability Plan by the Board of Directors, with a three-year time horizon. The Plan, whose targets were last updated by the Board of Directors at its meeting on 20 December 2023 for the 2024-2026 three-year period, is based on the following five pillars: *i) carbon emission reduction; ii) sustainable materials with focus on leather; iii) circular economy and recycling; iv) supply chain transparency and local focus; v) foster diversity, equity, inclusion & belonging*;
- alignment of the Remuneration Policy with the Strategic Plan and the Sustainability Plan.

Ongoing search for quality applied to the whole "Made in Italy" product range

- "Made in Italy" production process realized through a number of expert and carefully selected suppliers which have been working with the Group for several years;
- particular attention to quality control, both in choosing and processing materials, and on the finished product;
- granting of a limited number of licenses solely to highly qualified and prestigious companies.

Consolidated and extended distribution network, diversified across different channels

Consolidated, extended distribution network that is diversified across different channels (DOS-TPOS-multi-brand channel):

- consolidated presence of single-brand stores (mainly DOS) in the world's main luxury locations, with a balanced geographical exposure in both developed and emerging markets;
- presence in department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Salvatore Ferragamo Group has its own network of directly operated stores; the business in the United States is of particular importance;
- presence (mainly TPOS) in the travel retail channel with Ferragamo single-brand stores in the main airports around the globe;
- presence in the digital channel (Internet) with a website (www.ferragamo.com) in seven languages (Italian, French, Spanish, English, Chinese, Korean and Japanese) with e-commerce functions for various European countries (Eurozone and United Kingdom), United States, South Korea, Japan, Mexico, People's Republic of China and Australia.

Strategy

The Group's strategy is to strengthen its competitive position among the leaders in the global luxury market, to respond to the ever-changing environment in which it operates and to create value for its shareholders through sustainable and profitable growth.
The main strategic guidelines can be summarized as follows:

- the product always at the center;
- new energy for the brand;
- enrichment of the customer experience;
- focus on the digital domain.

Product at the heart of the strategy

The Group aims to maintain and strengthen its position in the global luxury segment by putting the product at the heart of its strategy, creating products that are always desirable and in tune with consumer tastes:

- integrating the collections to meet new purchasing occasions and focusing on a younger clientele;
- increasing the focus on the product categories that form the core of the Group's offer (footwear, leather goods), but also on Ready-To-Wear.

A new energy for the brand, an increase in the relevance of the digital channel and an enrichment of the customer experience

The Group intends to continue its brand enhancement strategy by enriching the customer experience:
- by evolving the way and speed with which the Group communicates its products;
- by updating the communication language and clearly communicating the creative vision;
- prioritizing digital communication as a tool to attract and inspire new customers in the current market context;
- enriching the consumer experience through omnichannel services and innovating the physical store experience.

During 2024, as part of the brand's relaunch project, the new store concept will be gradually implemented in the main store locations, starting with the Milan store on Via Monte Napoleone, inaugurated for the February 2024 fashion show.

Ongoing modernization of the supply chain and the organizational structure to allow Salvatore Ferragamo S.p.A. and the Group to achieve its objectives

The Group intends to continue leveraging the Italian spirit, sustainability, and flexibility of its production structure, based on integration with the external manufacturing workshops with which it maintains consolidated and long-standing relations.
In order to achieve its strategic objectives, the Group seeks to focus even more on the development of its human resources, who have always been one of its main assets, through a series of initiatives to train and develop in-house staff, as well as to recruit new, expert professionals. The Group also seeks to strengthen its IT and logistics infrastructure.

Please note that the "Logistics Hub" in the Osmannoro facility, in the Municipality of Sesto Fiorentino (province of Florence), featuring innovative, highly automated systems that enable greater distribution efficiency, capacity and flexibility, has been operational since 2018.

The strategic/organizational model

The success of the Salvatore Ferragamo Group is based on pursuing a long-term value creation strategy, centered on constant monitoring of the value chain through the adoption of a shared Group organizational model for the various product categories. In particular, the Salvatore Ferragamo Group has always operated with the aim of offering its customers products that are characterized by a high quality level, based on a solid tradition of craftsmanship, exclusive design and a style aimed at preserving the brand's strong identity. This approach has been applied in the choice of materials, in the design phase, in production processes and in the design and architecture of stores.

The production system

The organizational model adopted by the Group entrusts the production process entirely to specialized Italian production facilities, while keeping the management and organization of the main stages of the value chain in-house.
The Group's operating model ensures flexibility and efficiency in the production and logistics cycle through the use of a broad network of selected and expert Italian manufacturers which have been working with the Group for many years.
With reference to production, the Group directly manages the product development and industrialization stage and undertakes quality controls, both during the production process and on almost all finished products in the footwear and leather goods categories.

The distribution system

The organization of distribution and sales is one of the Group's strengths, thanks to its extensive and consolidated presence both in so-called traditional markets (Europe, United States and Japan) and in emerging markets (such as Asia Pacific and Latin America), as well as thanks to its store locations.
The Group attributes great importance to monitoring distribution, which is done through: a network of single-brand directly operated stores (DOS), which as at 31 December 2023 numbered 374 (the so-called retail channel), and a network of tailored single-brand stores and/or stores-in-stores operated by third parties (TPOS), as well as through a multi-brand channel (taken as a whole, the so-called wholesale channel).

Through the retail channel, the Group directly markets all product lines to end customers. Directly operated stores (DOS) are located across all the main markets served by the Group in exclusive and strategic locations, both from a reputational and commercial point of view.
Wholesale sales are targeted exclusively at retailers and, to a lesser extent, distributors. Wholesale customers consist of:

- department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Group has its own network of directly operated stores. The business in the United States is of particular importance;
- franchisees, ensuring a foothold in markets for which a direct retail presence is currently not possible or not deemed necessary, such as the Middle East, some areas of Africa, and some areas of the People's Republic of China;
- travel retail/duty free stores opened inside airports and other "duty free" locations.

Stores are selected on the basis of their consistency with the positioning of the "Ferragamo" brand, their location, and the visibility which they can guarantee to the brand.

Changes to the Group structure

During 2023, the composition of the Salvatore Ferragamo Group saw the following changes:

- on 3 November 2023, the Ferragamo Group completed the purchase of minority interests in the subsidiaries Ferragamo Moda (Shanghai) Co. Limited, Ferragamo Retail Macau Limited and Ferrimag Limited (sub-holdings of Ferragamo Retail HK Ltd., Ferragamo Retail Taiwan Limited and Ferragamo Fashion Trading (Shanghai) Co. Ltd.), held by Imaginex Holdings Limited and Imaginex Overseas Limited, which are controlled by Peter K. C. Woo (who subsequently resigned as director on 13 November 2023), through the transfer of the equity investments and the simultaneous payment of the agreed consideration of 42 million USD (equal to approximately 39 million Euro).

For more details, please refer to the section "Significant events occurred during the year".

Effect of exchange rate changes on operations

The Ferragamo Group has a strong presence in international markets, including through commercial companies located in countries with currencies other than the Euro, mainly the US Dollar, the Chinese Renminbi, the Japanese Yen, the South Korean Won, and the Mexican Peso. Therefore, the Group is exposed to both settlement and translation risk.

The first months of 2023 were marked by high economic and geopolitical uncertainty worldwide. Central banks tightened monetary policies to contain rising inflation resulting from the reopening of post-pandemic markets and the outbreak of the Russian-Ukrainian conflict. Market rates have risen significantly in both the US and the Eurozone. In the second half of the year, better-than-expected US economic growth led to expectations of further interest rate hikes. Signs of a slowdown were only confirmed at the end of 2023.

The US Dollar started the year lower due to market tensions caused by the failure of US primary banks. The exchange rate started at 1.0683 in January and peaked at 1.1255 in July. In the following months, the trend reversed and, in October, EUR/USD reached 1.0469. The Dollar then weakened again and closed the year at 1.1050, in line with rate expectations.

As a result of the strengthening of the Euro, the EUR/CNY exchange rate rose in the first part of the year from 7.4 to 8.1. However, in the second half of the year it decreased, closing at 7.85. The Yuan also weakened against the Dollar, going from 6.9 to 7.1.

Similarly, the South Korean Won – linked to the economic cycle and to the trade balance – weakened against the Dollar, starting from 1,271 in January and reaching 1,297 in December. On the other hand, against the Euro it went from 1,358 to 1,434, fluctuating between a minimum value of 1,330 and a maximum value of 1,481.
The Yen, which continued to track movements in long-term US yields, depreciated against both the Dollar (from 131 to 141) and the Euro (from 140 to 156).

The Mexican peso experienced a significant strengthening: The EUR/MXN exchange rate went from 20.8 to 18.7, while the USD/MXN exchange rate went from 19.5 to 16.9.

The Argentine Peso, a currency that is not relevant to the Group's exposure to exchange rate risk, depreciated significantly during the year, particularly in December, as a result of local political measures. The EUR/ARS exchange rate went from 189 to 895.

The exchange risk management policy and the hedging arrangements put in place by the Ferragamo Group (for details, please refer to section 3 "Management of financial risks" of the Explanatory notes to the Consolidated Financial Statements and the Separate Financial Statements) mitigated the effects of the above fluctuations on the expected industrial margin.

4. The Group's operating performance

The Salvatore Ferragamo Group's results for 2023 show an operating profit of 72.0 million Euro, albeit down 43.7% from 2022 (127.9 million Euro). Operating profit was, in fact, adversely impacted by the decline in revenues (-7.6% at current exchange rates and -8.1% at constant exchange rates compared to 2022) which were mainly affected by the measures taken to optimize and rationalize the Group's distribution network (both in the retail and wholesale channels) and by the operating costs for the implementation of the strategic plan to relaunch the brand (in particular, we note the increase in communication and marketing costs), substantially in line with the previous year. Gross margin for 2023 stood at 72.6% of revenues, an improvement from 72.0% in the previous year. The net profit for the period was Euro 26.2 million, compared to a net profit of Euro 65.4 million in the previous year, a decrease of 59.9%.

The Group's adjusted net financial position (surplus), amounting to 224.4 million Euro, remains solid and positive, albeit down from 371.2 million Euro as at 31 December 2022, after the payment of dividends in the amount of 46.4 million Euro, the outlay for the purchase of minority interests in Greater China distribution companies of approximately 39 million Euro, and investments in non current assets of 71.7 million Euro.



The following table shows the main income statement data:

(In thousands of Euro)	2023	% of Revenues	2022	% of Revenues	% change
Revenues	**1,156,271**	**100.0%**	**1,251,808**	**100.0%**	**(7.6%)**
Gross profit	**839,432**	**72.6%**	**901,115**	**72.0%**	**(6.8%)**
Style, product development and logistics costs	(53,086)	(4.6%)	(49,263)	(3.9%)	7.8%
Sales & distribution costs	(454,649)	(39.3%)	(453,167)	(36.2%)	0.3%
Marketing & communication costs	(113,695)	(9.8%)	(92,064)	(7.4%)	23.5%
General and administrative costs	(137,142)	(11.9%)	(168,819)	(13.5%)	(18.8%)
Other operating costs	(29,721)	(2.6%)	(29,024)	(2.3%)	2.4%
Other income	20,883	1.8%	19,160	1.5%	9.0%
Total operating costs (net of other income)	**(767,410)**	**(66.4%)**	**(773,177)**	**(61.8%)**	**(0.7%)**
Operating profit/(loss)	**72,022**	**6.2%**	**127,938**	**10.2%**	**(43.7%)**
Net financial income and charges	(26,438)	(2.3%)	(26,776)	(2.1%)	(1.3%)
Profit/(loss) before taxes	**45,584**	**3.9%**	**101,162**	**8.1%**	**(54.9%)**
Income taxes	(19,349)	(1.7%)	(35,810)	(2.9%)	(46.0%)
Net profit/(loss) for the period	**26,235**	**2.3%**	**65,352**	**5.2%**	**(59.9%)**
Net profit/(loss) – Group	26,060	2.3%	69,609	5.6%	(62.6%)
Net profit/(loss) – minority interests	175	0.0%	(4,257)	(0.3%)	(104.1%)
Amortization, depreciation and write-downs	179,789	15.5%	170,962	13.7%	5.2%
EBITDA	**251,811**	**21.8%**	**298,900**	**23.9%**	**(15.8%)**

In 2023, **revenues** reached 1,156,271 thousand Euro, compared to 1,251,808 thousand Euro in 2022, down 7.6%. The five main currencies other than the Euro in which the Group generates most of its revenues, i.e., US dollar, Chinese Renminbi, Japanese Yen, Mexican Peso and South-Korean Won, performed as follows in 2023 compared to the previous year: the US dollar depreciated by 2.7%[2], the Chinese Renminbi depreciated by 8.2%[3], the Japanese Yen depreciated by 10.1%[4] and the South-Korean Won depreciated by 4.0%[5], whereas the Mexican Peso appreciated by 9.5%[6] against the Euro, the currency in which the amounts in the consolidated financial statements are expressed. Revenues were down 8.1% at constant exchange rates (applying the average exchange rate for 2023 to the revenues for 2022 – net of the hedging impact). With reference to the fourth quarter of 2023 only, revenues amounted to 312,085 thousand Euro, down 5.7% compared to the same quarter of the previous year (-4.9% at constant exchange rates). Currency hedges of revenues resulted in a positive 16,845 thousand Euro adjustment to revenues in 2023, compared to a negative 25,664 thousand Euro adjustment in 2022.

In 2023, **gross profit** totaled 839,432 thousand Euro, down 6.8% from 901,115 thousand Euro in the prior year. Gross profit amounted to 72.6% of revenues, up slightly from 72.0% in 2022, continuing the improvement trend already recorded in the prior year.

Total **operating costs** (net of other income) amounted to 767,410 thousand Euro in 2023, slightly down by 0.7% from 2022 (773,177 thousand Euro), and totaled 66.4% as a percentage of revenues. Selling and distribution costs, substantially in line with 2022, include 6,439 thousand Euro for the impairment loss on Property, plant and equipment, as a result of the impairment tests carried out to measure the recoverable amount of these assets on the CGUs of Ferragamo (Singapore) Pte Ltd, Ferragamo (Thailand) Limited, Ferragamo Australia Pty Ltd. and Ferragamo Retail Macau Limited. The increase in Marketing & communication costs, whose incidence on revenues rose from 7.4% in the previous year to 9.8% in 2023, is mainly due to the actions taken by management to implement the brand relaunch strategy, which has already begun in 2022. On the other hand, General and administrative costs decreased by 18.8% compared to the previous year, when they included some costs incurred to strengthen the new organizational structure.

Because of the decrease in revenues, **EBITDA** dropped from 298,900 thousand Euro in 2022 to 251,811 thousand Euro, down 15.8%, amounting to 21.8% as a percentage of revenues compared to 23.9% in 2022.

[2] With reference to the average EUR/USD exchange rate in 2023	1.0813;	2022	1.0530
[3] With reference to the average EUR/CNY exchange rate in 2023	7.6600;	2022	7.0788
[4] With reference to the average EUR/YEN exchange rate in 2023	151.9902;	2022	138.0274
[5] With reference to the average EUR/KRW exchange rate in 2023	1,412.8884;	2022	1,358.0683
[6] With reference to the average EUR/MXN exchange rate in 2023	19.1830;	2022	21.1869

The Group reported an operating profit of 72,022 thousand Euro, compared to an operating profit of 127,938 thousand Euro in 2022, down 43.7%.

Net financial income and charges shifted from 26,776 thousand Euro in charges in 2022 to 26,438 thousand Euro in charges in 2023, improving by 338 thousand Euro compared to the prior year. For ease of reference, financial income and charges are shown net; reference should be made to the Explanatory notes to the consolidated financial statements for separate and detailed information on charges and income.

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Net interest	6,206	707	5,499
Other net income/(charges)	(1,778)	(1,666)	(112)
Net interest and expenses on lease liabilities	(21,010)	(10,915)	(10,095)
Net gains/(losses) on exchange rate differences	(11,223)	3,024	(14,247)
Net financial income/(charges) for fair value adjustment of derivatives	1,367	(17,926)	19,293
Total	**(26,438)**	**(26,776)**	**338**

Net interest income increased by 5,499 thousand Euro compared to 2022, due to higher yields obtained on invested cash, as a result of the general increase in interest rates.

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Changes in net gains and losses on exchange rate differences should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives. The net impact of these two line items – Net gains/(losses) on exchange rate differences and Net financial income/(charges) for fair value adjustment of derivatives – shifted from a negative 14,902 thousand Euro in 2022 to a negative 9,856 thousand Euro in 2023.

Net interest and expenses on lease liabilities increased from 10,915 thousand Euro in 2022 to 21,010 thousand Euro in 2023, as a result of both the renewal or signing of leases and the increase in the discount rate applied in determining lease liabilities.

The 45,584 thousand Euro profit before taxes gave rise to 19,349 thousand Euro in income taxes. The taxes recorded in the income statement were as follows:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Profit/(loss) before taxes	**45,584**	**101,162**	**(55,578)**
Current and deferred taxes	(21,267)	(33,875)	12,608
Use/(provision) for taxes from previous years	1,918	(1,935)	3,853
Tax rate	**42.4%**	**35.4%**	

The effective tax rate for 2023 was 42.4%. The item "Use/(Provision) for taxes from previous years" mainly refers to the tax audit of Ferragamo Deutschland GmbH, relating to the 2011-2021 tax periods, the cost of which was accrued in 2022 and released in 2023 against the payment of taxes due; for details, please refer to the section "Significant events occurred during the year – Tax and customs disputes and audits" of this document. The increase in the effective tax rate in 2023 is attributable to certain Group companies with negative results, for which it was decided not to recognize deferred tax assets on losses.

The Group reported a 26,235 thousand Euro consolidated **net profit** for 2023, compared to a 65,352 thousand Euro net profit for 2022. The Group share amounted to a consolidated profit of 26,060 thousand Euro, compared to a 69,609 thousand Euro profit in the prior year.

The **adjusted net financial position (surplus)** of 224,389 thousand Euro remained solid and positive, although lower than the positive adjusted net financial position of 371,249 thousand Euro as at 31 December 2022. During the second half of 2023, the adjusted net financial position went from a 277,534 thousand Euro surplus as at 30 June 2023 to 224,389 thousand Euro as at the 31 December 2023, a worsening of 53,145 thousand Euro due to the cash absorption resulting from the investments in non current assets of 54.4 million Euro in the second half of 2023 and the outlay for the purchase of minority interests in Greater China distribution companies of 38.9 million Euro, net of the positive cash generation from adjusted operating activities in the second half of the year for a total of 36.6 million Euro.

Revenues

For a more detailed performance analysis, the representation of Net sales by distribution channel, geographic area and product category is shown below, excluding the effect of hedging against exchange rate risk on Revenues (Cash flow hedging effect on revenues).

The breakdown of revenues by **distribution channe**l was as follows:

(In thousands of Euro)	2023	% of Revenues	2022	% of Revenues	% change	at constant exchange rates % change
Retail	824,204	71.3%	923,507	73.8%	(10.8%)	(7.7%)
Wholesale	295,290	25.5%	336,174	26.9%	(12.2%)	(10.3%)
Net sales	**1,119,494**	**96.8%**	**1,259,681**	**100.7%**	**(11.1%)**	**(8.4%)**
Cash flow hedging effect on revenues	16,845	1.5%	(25,664)	(2.1%)	na	na
Licenses and services	17,218	1.5%	14,890	1.2%	15.6%	15.6%
Rental income investment properties	2,714	0.2%	2,901	0.2%	(6.4%)	(3.9%)
Total	**1,156,271**	**100.0%**	**1,251,808**	**100.0%**	**(7.6%)**	**(8.1%)**

In 2023, retail sales declined by 10.8% at current exchange rates and 7.7% at constant exchange rates, also penalized by a general weakening of the market in the last months of the year. The retail channel accounted for 71.3% of total revenues in 2023 (73.8% in 2022).

The number of directly operated stores (DOS) decreased by 15 units (from 389 to 374) compared to 31 December 2022, as a result of the implementation of the new strategic plan to optimize the Group's distribution network.
The wholesale channel recorded a decrease in sales of 12.2% at current exchange rates and 10.3% at constant exchange rates, also due to the planned rationalization of the distribution network.

The item "Cash flow hedging effect on revenues" represents the effect of the revenue hedging policy against the risk of exchange rate fluctuations and resulted in a positive adjustment on revenues in 2023 amounting to 16,845 thousand Euro, compared to a negative adjustment of 25,664 thousand Euro in 2022.

In 2023, revenues from licenses and services increased by 15.6% at both current and constant exchange rates; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo trademark to the Marchon group in the eyewear industry, the Timex group in the watch industry, and the Inter Parfums group in the fragrances industry.

Revenues from rental income investment properties refer solely to the management of property located in the United States and leased/sub-leased to third parties; the item decreased by 6.4% at current exchange rates and 3.9% at constant exchange rates.

The following table shows Net sales by **geographic area** and the change over the previous year:

(In thousands of Euro)	2023	% of Revenues	2022	% of Revenues	% change	at constant exchange rates % change
Europe	270,596	24.2%	261,800	20.8%	3.4%	3.4%
North America	315,882	28.2%	391,308	31.1%	(19.3%)	(17.0%)
Japan	86,646	7.8%	99,123	7.9%	(12.6%)	(3.7%)
Asia Pacific	362,974	32.4%	417,632	33.1%	(13.1%)	(8.3%)
Central and South America	83,396	7.4%	89,818	7.1%	(7.2%)	(11.5%)
Net sales	**1,119,494**	**100.0%**	**1,259,681**	**100.0%**	**(11.1%)**	**(8.4%)**

In Europe, net sales increased by 3.4% at both current and constant exchange rates compared to the previous year, despite the reduced scope in both channels and against a backdrop of weak local demand and tourist spending still below pre-Covid levels.

In North America, net sales were down 19.3% at current exchange rates and 17.0% at constant exchange rates.

Japan saw revenues fall by 12.6% at current exchange rates and by 3.7% at constant exchange rates, amid a general market slowdown.

The Asia-Pacific region made once again the largest contribution to the Group's revenues, accounting for 32.4% of the total, although it was penalized by the weak performance in Korea and the delayed recovery of the wholesale channel, recording a decrease of 13.1% at current exchange rates (-8.3% at constant exchange rates) compared to 2022.
The Central and South American market was down 7.2% at current exchange rates and 11.5% at constant exchange rates in 2023, also due to the reduced scope. The revenues generated in 2023 and 2022 by Ferragamo Argentina S.A. (which operates in a country classified as a hyperinflationary economy since 1 July 2018) were adjusted in accordance with the relevant international accounting standards (see note 2 "Basis of presentation" in the Explanatory Notes to the Consolidated Financial Statements), resulting in a positive impact of 669 thousand Euro in 2023 and 776 thousand Euro in 2022. The exchange rate between the Argentine Peso and the Euro suffered a net depreciation in December 2023; for more details see the section "Effect of exchange rate changes on operations" in this Directors' report on operations, which led to a decrease in revenues of approximately 3 million Euro.

The following table shows Net sales by **product category** and the change over the previous year:

(In thousands of Euro)	2023	% of Net sales	2022	% of Net sales	% change	at constant exchange rates % change
Footwear	511,801	45.7%	564,263	44.8%	(9.3%)	(6.6%)
Leather goods	451,233	40.3%	525,520	41.7%	(14.1%)	(11.4%)
Apparel	73,506	6.6%	83,672	6.6%	(12.1%)	(9.4%)
Silk and Other	82,954	7.4%	86,226	6.9%	(3.8%)	(1.1%)
Net sales	**1,119,494**	**100.0%**	**1,259,681**	**100.0%**	**(11.1%)**	**(8.4%)**

All main product categories saw a decrease in turnover compared to 2022, with footwear and leather goods accounting for 45.7% and 40.3% of turnover in 2023, respectively.

Cost of goods sold and gross profit

(In thousands of Euro)	2023	% of Revenues	2022	% of Revenues	Var %
Consumables	(172,860)	(14.9%)	(186,333)	(14.9%)	(7.2%)
Services	(138,046)	(11.9%)	(158,088)	(12.6%)	(12.7%)
Personnel	(5,931)	(0.5%)	(6,262)	(0.5%)	(5.3%)
Depreciation	(2)	(0.0%)	(10)	(0.0%)	(80.0%)
Cost of goods sold	**(316,839)**	**(27.4%)**	**(350,693)**	**(28.0%)**	**(9.7%)**
Gross profit	**839,432**	**72.6%**	**901,115**	**72.0%**	**(6.8%)**

In 2023, the **cost of goods** sold amounted to 316,839 thousand Euro, down 9.7% compared to 2022. Gross profit amounted to 72.6% of revenues in 2023 compared to 72.0% in 2022, continuing the positive trend already seen in the previous year.

Statement of financial position and Investments

Below is the statement of financial position as at 31 December 2023 reclassified by sources and uses, compared to the position as at 31 December 2022.

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life and goodwill	266,905	260,893	2.3%
Right-of-use assets	616,612	479,724	28.5%
Net working capital	228,324	191,400	19.3%
Other non current assets/(liabilities), net	86,668	78,489	10.4%
Other current assets/(liabilities), net	10,244	(31,023)	na
Assets/(liabilities) held for sale, net	63	-	na
Net invested capital	**1,208,816**	**979,483**	**23.4%**
Group shareholders' equity	721,166	751,810	(4.1%)
Minority interests	997	23,599	(95.8%)
Shareholders' equity (A)	**722,163**	**775,409**	**(6.9%)**
Net financial debt/(surplus) (B)	**486,653**	**204,074**	**>100%**
Total sources of financing (A+B)	**1,208,816**	**979,483**	**23.4%**
Net financial debt/(surplus) (B)	**486,653**	**204,074**	**>100%**
Lease liabilities (C)	711,042	575,323	23.6%
Adjusted net financial debt/(surplus) (B-C)	**(224,389)**	**(371,249)**	**(39.6%)**
Adjusted net financial debt/(surplus)/ Shareholders' equity	**(31.1%)**	**(47.9%)**	

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Net invested capital (a)	**1,208,816**	**979,483**	**23.4%**
Right-of-use assets recognized under Investment property (b)	17,563	22,395	(21.6%)
Right-of-use assets (c)	616,612	479,724	28.5%
Adjusted net invested capital (a-b-c)	**574,641**	**477,364**	**20.4%**

Property, plant and equipment, Investment property, Goodwill, and Intangible assets with a finite useful life

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Property, plant and equipment	**200,688**	**191,564**	**4.8%**
Investment property	22,666	27,747	(18.3%)
Goodwill	6,679	6,679	-
Intangible assets with a finite useful life	36,872	34,903	5.6%
Total	**266,905**	**260,893**	**2.3%**

The item Property, plant and equipment as at 31 December 2023 consisted of:
- the Sesto Fiorentino industrial complex, the portions of the American properties used in operating activities, and the property owned in Seoul, for a total net value of 84,130 thousand Euro;
- furnishings and renovation work for the chain of directly operated stores, totaling 73,656 thousand Euro;
- other assets, mainly for IT equipment, plant and equipment and tangible assets in progress, for a total net value of 42,902 thousand Euro.

Investment property represents the portion of American properties not used for operations, which generates income through leases. This item also includes Right-of-use assets relating to lease contracts for property leased in the United States, amounting to 17,563 thousand Euro as at 31 December 2023.

The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l. and is attributable to the synergies and other economic benefits arising from the combination of the assets of the acquirees with those of Salvatore Ferragamo S.p.A., with respect to the design and manufacturing of men's footwear.

Intangible assets with a finite useful life largely consist of capitalized costs for the development of business software applications (SAP, ERP, reporting systems, shipping system, e-commerce platform), the know-how acquired in the business combination with Arts S.r.l. and Aura1 S.r.l., finalized in 2020 (for a net residual value of 3,389 thousand Euro as at 31 December 2023), and the costs incurred to acquire the right to enter into store lease contracts (the so-called "key money", for a net residual value of 557 thousand Euro as at 31 December 2023). The remainder refers to registration expenses for trademarks, industrial patents and intellectual property rights (software licenses) and intangible assets with a finite useful life in progress.

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Investments in fixed assets

During 2023, the Group made investments in tangible and intangible assets for a total amount of 71,741 thousand Euro, of which 58,086 thousand Euro in tangible assets and 13,655 thousand Euro in intangible assets, compared to a total of 55,863 thousand Euro in the previous year.

The most significant investments in tangible assets were allocated to the opening and renovation of stores (41.8 million Euro, approximately 72% of total investments in tangible assets), the renovation of the Milan showroom and offices on Corso Matteotti, and other improvements at the Parent company's facility (10.6 million Euro, about 18.2% of total investments in tangible assets). The main investments in intangible assets refer to the development of software to support business processes (totaling 11.5 million Euro, or approximately 84.2% of total investments in intangible assets), including the developments related to the e-commerce platform, the "New Pos Solution" project aimed at implementing the new cash and back office system, "Oracle Xstore" for the Group's retail channel, and the Enterprise Business Intelligence project (aimed at rationalizing corporate reporting and analytics systems by creating a single shared Data Warehouse), as well as the purchase of software licenses. Investments in intangible assets also include the initial direct costs incurred in 2023 mainly by Ferragamo France S.A.S. (0.3 million Euro) for the extension of the lease period for a store in Paris.

Investments in tangible assets under construction, amounting to 18.5 million Euro, mainly concerned the investments made for the renovation and opening of new stores that were not yet operational as at the reporting date (including works on the Via Monte Napoleone store in Milan, where the new store concept was created and opened on the occasion of the fashion show in February 2024) as well as work for the construction of a building to be used for general interest production activities at the area owned by Salvatore Ferragamo S.p.A. in the municipality of Sesto Fiorentino – Osmannoro.

Investments in intangible assets under construction, amounting to 5.4 million Euro, are mainly represented by the investment in software development to support business processes; they also include advances for architectural consulting for the creation of the new concept store, which will be gradually implemented in the main store locations as part of the brand relaunch project, starting with the store in Milan as mentioned above.

During 2023, the Group did not make any investments in financial assets, except as noted below under Net financial debt. Amortization and depreciation (excluding depreciation of the Right-of-use assets) totaled 50,146 thousand Euro as at 31 December 2023, down from 50,266 thousand Euro in 2022 (-0.2%).

Right-of-use assets

The item, totaling 616,612 thousand Euro as at 31 December 2023, refers to the "Right-of-use assets" recognized against "Lease liabilities" following the application of the accounting standard IFRS16.
Right-of-use assets relating to lease contracts for property leased in the United States are included under "Investment property".

Net working capital

Below is the breakdown and change in net working capital as at 31 December 2023 compared to the figure as at 31 December 2022.

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Inventories and Right of return assets	**304,389**	**281,026**	**8.3%**
Trade receivables	106,821	94,490	13.1%
Trade payables and Refund liabilities	(182,886)	(184,116)	(0.7%)
Total	**228,324**	**191,400**	**19.3%**

Net working capital was up 19.3% compared to 31 December 2022, mainly due to the increase in Trade receivables and Inventories.

Specifically, inventories of finished products were up 17,064 thousand Euro compared to 31 December 2022 (+6.8%), while raw materials for production were up 26.1%, or 5,958 thousand Euro, compared to 31 December 2022, and depend on production volumes for the period.

Trade receivables increased 12,331 thousand Euro from 31 December 2022 (+13.1%) and essentially referred to sales in the wholesale channel and, to a lesser extent, to e-commerce or retail sales in department stores.

Trade payables mainly refer to purchases of production materials (raw materials and accessories), finished products, and costs relating to outsourced manufacturing.

Shareholders' equity

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Group shareholders' equity	**721,166**	**751,810**	**(4.1%)**
Minority interests	997	23,599	(95.8%)
Total	**722,163**	**775,409**	**(6.9%)**

The changes in the Group's share of shareholders' equity are due to the combined effect of the following:

- increase of 26,060 thousand Euro in the profit for the period;
- decrease of 46,348 thousand Euro as a result of the dividends paid by the Parent company Salvatore Ferragamo S.p.A.;
- increase of 4,548 thousand Euro attributable to the translation into Euro of the financial statements of subsidiaries denominated in other currencies, and decrease of 80 thousand Euro resulting from other translation effects;
- increase of 5,173 thousand Euro related to the Stock Grant reserve, for the three outstanding share-based payment plans;
- decrease of 2,996 thousand Euro resulting from the valuation of hedging derivatives net of the relevant tax effect;
- decrease of 16,217 thousand Euro due to the purchase of the remaining minority interests in the companies consolidated on a line-by-line basis (Ferragamo Retail Macau Limited, Ferragamo Moda (Shanghai) Co. Ltd., Ferragamo Fashion Trading (Shanghai) Co. Ltd., Ferragamo Retail HK Limited, Ferragamo Retail Taiwan Limited and Ferrimag Limited), details of which are provided in the section "Significant events occurred during the year";
- decrease of 898 thousand Euro due to the accounting of the put option on the minority interests of the Japanese company;
- minor positive effects totaling 114 thousand Euro.

Net financial debt

Net financial debt as at 31 December 2023 and 31 December 2022 was as follows:

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Cash and cash equivalents (A)	268,988	391,354	(31.3%)
Other current financial assets (B)	36,812	10,255	>100%
Interest-bearing loans & borrowings (C)	80,129	29,264	>100%
Other financial liabilities (D)	1,282	1,096	17.0%
Lease liabilities (E)	711,042	575,323	23.6%
Net financial debt/(surplus) (C + D + E – A – B)	**486,653**	**204,074**	**>100%**

Net financial debt as at 31 December 2023, including lease liabilities, was up from 204,074 thousand Euro as at 31 December 2022 to 486,653 thousand Euro as at 31 December 2023, mainly due to an increase in lease liabilities arising from the conclusion or extension of leases during the period. After Salvatore Ferragamo S.p.A., with a view to moderately diversifying its cash management, had made an insurance investment in a readily adjustable Type I policy of 9,999 thousand Euro in 2022, Salvatore Ferragamo S.p.A. continued its diversification process in 2023, increasing this insurance investment by an additional 5 million Euro and making an investment in short-term Italian government bonds (*Buoni Ordinari* del Tesoro) of 20 million Euro.

Net financial debt, excluding lease liabilities, as at 31 December 2023 and 2022 was restated as follows:

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Net financial debt/(surplus) (a)	**486,653**	**204,074**	**>100%**
Non current lease liabilities	596,603	468,737	27.3%
Current lease liabilities	114,439	106,586	7.4%
Lease liabilities (b)	**711,042**	**575,323**	**23.6%**
Adjusted net financial debt/(surplus) (a-b)	**(224,389)**	**(371,249)**	**(39.6%)**

2023 ended with a positive adjusted net financial position (surplus) of 224,389 thousand Euro, down 146,860 thousand Euro from the prior year. This was largely due to a positive 1,100 thousand Euro in adjusted cash flows from operating activities, net of the cash used for investments in tangible and intangible assets in 2023 (71,741 thousand Euro), the payment of dividends (46,350 thousand Euro) approved by the Parent company, and the purchase of minority interests in Greater China companies consolidated on a line-by-line basis for 38,904 thousand Euro (Ferragamo Retail Macau Limited, Ferragamo Moda (Shanghai) Co. Ltd., Ferragamo Fashion Trading (Shanghai) Co. Ltd., Ferragamo Retail HK Limited, Ferragamo Retail Taiwan Limited and Ferrimag Limited).

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the years ended 31 December 2023 and 2022.

These indicators are based on the data from the consolidated financial statements. To better understand them, they should be read in conjunction with the alternative performance measures and financial statements prepared in accordance with the relevant accounting standards (IFRS) described in this document.

Profitability ratios	**2023**	**2022**
ROE *(Group net profit/(loss) for the period/Average Group shareholders' equity)*	3.5%	9.2%
ROI *(Operating profit/(loss)/Net average invested capital)*	6.6%	12.9%
ROIC *(Net profit/(loss)/Average adjusted net invested capital)*	5.0%	13.6%
ROS *(Operating profit/(loss)/Revenues)*	6.2%	10.2%

Financial ratios	**2023**	**2022**
Coverage of shareholders' equity ratio *(Shareholders' equity/Non current assets)*	70.5%	89.0%
Liquidity ratio *(Current assets excluding Inventories/Current liabilities)*	111.4%	135.3%

Turnover ratios expressed in days	**2023**	**2022**
Turnover of Trade receivables *(Average value of Trade receivables in the period/Revenues x days)*	32	30
Turnover of Trade payables *(Average value of Trade payables in the period/Purchases of goods and services x days)*	96	96
Inventory turnover *(Average value of Inventories in the period/Cost of goods sold x days)*	330	286
Turnover of Average invested capital *(Average value of Net invested capital/Revenues x days)*	345	290

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

5. Operating performance of the Parent company Salvatore Ferragamo S.p.A.

The tables set out below and the relevant comments have been prepared on the basis of the separate financial statements as at 31 December 2023, to which reference should be made. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, as well as in compliance with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005.

The following table shows the main income statement indicators:

(In thousands of Euro)	2023	% of Revenues	2022	% of Revenues	% change
Revenues	**734,820**	**100.0%**	**740,234**	**100.0%**	**(0.7%)**
Change in inventories of finished products	(297)	(0.0%)	8,033	1.1%	(103.7%)
Costs for raw materials, goods and consumables	(185,853)	(25.3%)	(190,138)	(25.7%)	(2.3%)
Costs for services	(255,208)	(34.7%)	(269,309)	(36.4%)	(5.2%)
Personnel costs	(86,646)	(11.8%)	(98,425)	(13.3%)	(12.0%)
Amortization, depreciation and write-downs	(42,316)	(5.8%)	(39,288)	(5.3%)	7.7%
Other operating costs	(63,596)	(8.7%)	(29,752)	(4.0%)	113.8%
Other income	13,794	1.9%	22,519	3.0%	(38.7%)
Total costs (net of other income)	**(620,122)**	**(84.4%)**	**(596,360)**	**(80.6%)**	**4.0%**
Operating profit/(loss)	**114,698**	**15.6%**	**143,874**	**19.4%**	**(20.3%)**
Net financial (charges)/income	(1,350)	(0.2%)	(18,165)	(2.5%)	(92.6%)
Profit/(loss) before taxes	**113,348**	**15.4%**	**125,709**	**17.0%**	**(9.8%)**
Income taxes	(26,348)	(3.6%)	(36,470)	(4.9%)	(27.8%)
Tax rate	*23.2%*		*29.0%*		
Net profit/(loss) for the period	**87,000**	**11.8%**	**89,239**	**12.1%**	**(2.5%)**
EBITDA	**157,014**	**21.4%**	**183,162**	**24.7%**	**(14.3%)**

The Company's **revenues** totaled 734,820 thousand Euro and were essentially in line with 2022 (740,234 thousand Euro), down 0.7%.

The increase in **operating costs (net of other income)** was mainly due to the greater negative impact of the application of the Advance Pricing Agreement for EBIT adjustments by Salvatore Ferragamo S.p.A. to its foreign subsidiaries that perform distribution operations (net negative contribution of 51,542 thousand Euro in 2023 compared to 13,890 thousand Euro in 2022). Net operating costs as a percentage of revenues increased from 80.6% to 84.4%, thereby resulting in **operating profit** worsening by 29,176 thousand Euro, since revenues were essentially in line with the previous year.

In 2023, **EBITDA** fell from 183,162 thousand Euro to 157,014 thousand Euro, and from 24.7% in 2022 to 21.4% as a proportion of revenues.

The following table shows **net financial income and charges** and the change compared to 2022. For ease of reference, financial income and charges are shown net; reference should be made to the Explanatory notes to the separate financial statements for separate and detailed information on charges and income.

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Dividends from investments	25,512	11,212	14,300
Financial income/(charges) for fair value adjustment of derivatives	1,447	(17,925)	19,372
Restatement value/(write-downs) of investments	(23,564)	(14,536)	(9,028)
Net gains/(losses) on exchange rate differences	(8,586)	5,538	(14,124)
Net interest on lease liabilities	(5,625)	(2,701)	(2,924)
Other net income/(charges)	(1,482)	(1,266)	(216)
Net interest	10,948	1,513	9,435
Total	**(1,350)**	**(18,165)**	**16,815**

Total Net financial income and charges improved over 2022, totaling 1,350 thousand Euro in charges compared to 18,165 thousand Euro in charges in the prior year. Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Changes in net gains and losses on exchange rate differences should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Company, and the changes in the fair value of non-hedging derivatives.

The 113,348 thousand Euro **profit before taxes** caused the Company to recognize 26,348 thousand Euro in taxes, whereas in 2022 the Company had posted a 125,709 thousand Euro profit before taxes, recognizing 36,470 thousand Euro in taxes.

Compared to 2022, the Company's tax rate decreased from 29.0% to 23.2%, mainly due to the recognition in 2023 of a total of 3,577 thousand Euro related to the Patent Box benefit for the 2021 tax year and the recognition of the best estimate of the Patent Box benefit for the years 2022 and 2023. For more details, please refer to the Directors' report on operations, paragraph "Significant events occurred during the year – Patent Box and Research and development, design, and innovation credits".

The Company reported a **net profit for the period** of 87,000 thousand Euro, compared to 89,239 thousand Euro in 2022.

Revenues

The following table shows revenues by distribution channel and the change over the previous year:

(In thousands of Euro)	2023	% of Revenues	2022	% of Revenues	% change
Wholesale	615,482	83.8%	671,317	90.7%	(8.3%)
Retail+e-commerce	65,746	8.9%	62,489	8.5%	5.2%
Net sales	**681,228**	**92.7%**	**733,806**	**99.1%**	**(7.2%)**
Cash flow hedging effect on revenues	16,845	2.3%	(25,664)	(3.5%)	(165.6%)
Revenues from royalties	13,532	1.8%	11,898	1.6%	13.7%
Other income and services	23,215	3.2%	20,194	2.7%	15.0%
Revenues	**734,820**	**100.0%**	**740,234**	**100.0%**	**(0.7%)**

"Wholesale" revenues refer mainly to sales to Group companies and, to a lesser extent, sales to retailers, and show a decrease of 8.3% compared to the previous year.

"Retail+e-commerce" sales, which refer to the revenues generated by directly operated stores (DOS) in Italy and e-commerce sales in Europe, were up 5.2% from 2022.

"Revenues from royalties" refer mainly to revenues from the licensing of the Ferragamo trademark with reference to the eyewear, watches, and fragrances product categories.

The item "Other income and services" mainly includes other revenues to Group companies and the recovery of freight and packaging costs.

The following table shows Net sales by geographic area and the change over the previous year.

(In thousands of Euro)	2023	% of Net sales	2022	% of Net sales	% change
Italy	120,777	17.7%	117,534	16.0%	2.8%
Europe (excluding Italy)	112,316	16.5%	92,518	12.6%	21.4%
North America	164,433	24.1%	231,523	31.6%	(29.0%)
Asia Pacific	201,760	29.6%	208,849	28.5%	(3.4%)
Japan	35,722	5.3%	46,411	6.3%	(23.0%)
Central and South America	46,220	6.8%	36,971	5.0%	25.0%
Net sales	**681,228**	**100.0%**	**733,806**	**100.0%**	**(7.2%)**

The Italian market grew by 2.8%, while the European market reported a 21.4% increase. The other geographic areas recorded a slowdown in net sales compared to 2022, with the exception of the Central and South American market, which showed a 25.0% increase.

Asia Pacific is the market that contributed the most to the Company's sales, with a share of 29.6%.

The following table shows Net sales broken down by product category and the change over the previous year.

(In thousands of Euro)	2023	% of Net sales	2022	% of Net sales	% change
Footwear	311,075	45.7%	308,608	42.1%	0.8%
Leather goods	257,784	37.8%	324,014	44.2%	(20.4%)
Apparel	70,171	10.3%	52,550	7.1%	33.5%
Silk and Other	42,198	6.2%	48,634	6.6%	(13.2%)
Net sales	**681,228**	**100.0%**	**733,806**	**100.0%**	**(7.2%)**

Among the product categories, apparel increased by 33.5% and footwear by 0.8%, while leather goods and the category Silk and Other decreased by 20.4% and 13.2%, respectively.

Statement of financial position and Investments

Below is the statement of financial position as at 31 December 2023 reclassified by sources and uses, compared to the position as at 31 December 2022.

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Property, plant and equipment, intangible assets with a finite useful life, and goodwill	144,102	134,472	7.2%
Right-of-use assets	144,677	117,210	23.4%
Net working capital	72,985	81,105	(10.0%)
Other non current assets/(liabilities), net	123,867	117,838	5.1%
Other current assets/(liabilities), net	2,890	(28,620)	(110.1%)
Net invested capital	**488,521**	**422,005**	**15.8%**
Shareholders' equity (A)	**717,585**	**674,881**	**6.3%**
Net financial debt/(surplus) (B)	**(229,064)**	**(252,876)**	**(9.4%)**
Total sources of financing (A+B)	**488,521**	**422,005**	**15.8%**
Net financial debt/(surplus) (B)	**(229,064)**	**(252,876)**	**(9.4%)**
Lease liabilities (C)	158,889	125,925	26.2%
Adjusted net financial debt/(surplus) (B-C)	**(387,953)**	**(378,801)**	**2.4%**
Adjusted net financial debt/Shareholders' equity	**(54.1%)**	**(56.1%)**	

Investments in fixed assets

During 2023, the Company made investments in tangible and intangible assets for a total amount of 31,540 thousand Euro, of which 18,855 thousand Euro in tangible assets and 12,685 thousand Euro in intangible assets, compared to a total of 20,820 thousand Euro in the previous year.

The most important investments in tangible assets referred to the works carried out at the Osmannoro-Sesto Fiorentino facility, to the renovation of the showroom and offices in Milan, as well as to the refurbishment of some stores of the Italian chain.

The main investments in intangible assets refer to the development of software to support business processes, including the developments related to the e-commerce platform, the "New Pos Solution" project aimed at implementing the new cash and back office system, "Oracle Xstore" for the Group's retail channel and the Enterprise Business Intelligence project (aimed at rationalizing corporate reporting and analytics systems by creating a single shared Data Warehouse), as well as the purchase of software licenses.

Investments in tangible assets under construction, amounting to 6.7 million Euro, mainly concerned: i) the investments made for the renovation and opening of new stores which were not yet operational as at the reporting date

(including works on the Woman store in Milan, via Monte Napoleone, where Ferragamo's new store concept was created and opened on the occasion of the fashion show in February 2024), ii) works for the construction of a building to be used for general interest production activities at the area owned by Salvatore Ferragamo S.p.A. in the municipality of Sesto Fiorentino – Osmannoro, and iii) other improvements at the Parent company's facility.

Investments in intangible assets under construction, amounting to approximately 5.4 million Euro, are mainly represented by the investment in software development to support business processes; they also include advances for architectural consulting for the creation of the new concept store, which will be gradually implemented in the main store locations as part of the brand relaunch project, starting with the store in Milan as mentioned above.

Amortization and depreciation (excluding depreciation of the Right-of-use assets) totaled 21,608 thousand Euro as at 31 December 2023, compared to 22,321 thousand Euro as at 31 December 2022.

On 21 March 2023, Ferragamo Singapore Pte Ltd issued new shares for a total of 43 million SGD, fully subscribed by Salvatore Ferragamo S.p.A. through the conversion of financial receivables for a total of 29,957 thousand Euro.
On 3 November 2023, the Ferragamo Group completed the purchase of minority interests in the subsidiaries Ferragamo Moda (Shanghai) Co. Limited, Ferragamo Retail Macau Limited and Ferrimag Limited (sub-holdings of Ferragamo Retail HK Ltd., Ferragamo Retail Taiwan Limited and Ferragamo Fashion Trading (Shanghai) Co. Ltd.), held by Imaginex Holdings Limited and Imaginex Overseas Limited, which are controlled by Peter K. C. Woo (who subsequently resigned as director on 13 November 2023), through the transfer of the equity investments and the simultaneous payment of the agreed consideration of 42 million USD (equal to approximately 39 million Euro). In particular, Salvatore Ferragamo S.p.A. acquired 24.8% of Ferragamo Retail Macau Limited for a consideration of 1,159 thousand Euro, and 25% of Ferragamo Moda (Shanghai) Co. Limited for a total of 1 USD.

For further information on investments in financial assets, please refer to the following comments under "Net financial debt/(surplus)".

Net working capital

Below is the breakdown and change in **net working capital** as at 31 December 2023 compared with 31 December 2022.

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Inventories and Right of return assets	91,694	86,032	6.6%
Trade receivables	182,345	161,114	13.2%
Trade payables and Refund liabilities	(201,054)	(166,041)	21.1%
Total	**72,985**	**81,105**	**(10.0%)**

Net working capital decreased by 10.0%.

Inventories and right of return assets were up 5,662 thousand Euro overall, i.e. 6.6%, mainly due to the 5,958 thousand Euro net increase in inventories of raw materials for production, while inventories of finished products were substantially in line with 2022 (+0.7%); finally, right of return assets showed a decrease of 645 thousand Euro (the item amounted to Euro 12,009 thousand as at 31 December 2023).

Trade receivables totaled 182,345 thousand Euro, showing an increase of 13.2% over 2022, and included 149,206 thousand Euro in receivables from subsidiaries (135,492 thousand Euro in 2022) and 33,139 thousand Euro in receivables from third parties (25,622 thousand Euro in 2022, up 29.3%).

Trade payables and Refund liabilities amounted to 201,054 thousand Euro (including 22,915 thousand Euro in refund liabilities). They largely referred to purchases of production materials, outsourcing costs, and purchases of finished goods. The increase is attributable for 29,698 thousand Euro to the higher negative adjustment related to the Advance Pricing Agreement on subsidiaries compared to 2022, recorded in Other operating costs.

Net financial debt/(surplus)

Net financial debt/(surplus) as at 31 December 2023 and 31 December 2022 was as follows:

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Cash and cash equivalents (A)	203,180	268,833	(24.4%)
Other current financial assets (B)	185,142	132,454	39.8%
Interest-bearing loans & borrowings (C)	-	21,390	(100.0%)
Other current financial liabilities (D)	369	1,096	(66.3%)
Lease liabilities (E)	158,889	125,925	26.2%
Net financial debt/(surplus) (C+D+E–A–B)	**(229,064)**	**(252,876)**	**(9.4%)**

The net financial surplus increased from 252,876 thousand Euro as at 31 December 2022 to 229,064 thousand Euro as at 31 December 2023. As of 2022, in order to manage cash and liquidity more efficiently at the Group level, the Company has entered into a cash pooling agreement with a number of subsidiaries. Finally, at the end of 2023, the Company, with a view to moderately diversifying its cash management, had an insurance investment in a readily adjustable Type I policy and an investment in short-term Italian government bonds (Buoni Ordinari del Tesoro) for a total of 35,240 thousand Euro.

Net financial debt/(surplus), excluding lease liabilities, as at 31 December 2023 and 31 December 2022 was restated as follows:

(In thousands of Euro)	31 December 2023	31 December 2022	% change
Net financial debt/(surplus) (a)	**(229,064)**	**(252,876)**	**(9.4%)**
Non current lease liabilities	140,633	111,674	25.9%
Current lease liabilities	18,256	14,251	28.1%
Lease liabilities (b)	**158,889**	**125,925**	**26.2%**
Adjusted net financial debt/(surplus) (a-b)	**(387,953)**	**(378,801)**	**2.4%**

2023 ended with a positive adjusted net financial position (surplus) of 387,953 thousand Euro, up from 378,801 thousand Euro as at 31 December 2022. The net financial position of the Company is very positive; the change was mainly affected by the cash generation from adjusted operating activities of 116,097 thousand Euro, net of the cash absorption resulting from i) investments in tangible and intangible assets made during the year 2023 (amounting to 31,540 thousand Euro), ii) the payment of dividends (for 46,350 thousand Euro), iii) the subscription of new shares of Ferragamo Singapore Pte Ltd by offsetting outstanding financial receivables totaling 29,957 thousand Euro, and finally iv) the purchase of minority interests in Greater China companies for 1,159 thousand Euro.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators of the Parent company for the years ended 31 December 2023 and 2022.

These indicators are based on the data from the separate financial statements. To better understand them, they should be read in conjunction with the alternative performance measures and financial statements prepared in accordance with the relevant accounting standards (IFRS) described in this document.

Profitability ratios	**2023**	**2022**
ROE (Net profit for the period/Average shareholders' equity)	12.5%	13.3%
ROI (Operating profit/Net average invested capital)	25.2%	33.7%
ROS (Operating profit/Revenues from sales and services)	15.6%	19.4%

Financial ratios	**2023**	**2022**
Coverage of shareholders' equity ratio (Shareholders' equity/Non current assets)	156.5%	160.6%
Liquidity ratio (Current assets excluding inventories/Current liabilities)	246.9%	231.4%

Turnover ratios expressed in days	**2023**	**2022**
Turnover of trade receivables *(Average value of Trade receivables in the period/Revenues from sales and services x days)*	85	80
Turnover of trade payables *(Average value of Trade payables in the period/Costs for raw materials, goods and consumables and Costs for services x days)*	133	116
Inventory turnover *(Average value of Inventories in the period/cost of goods sold x days)*	89	85
Turnover of average invested capital *(Average value of invested capital/Revenues from sales and services x days)*	226	211

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

6. Reconciliation between the Parent company's net profit/(loss) for the period and shareholders' equity and the Group's figures

The reconciliation statement between the Parent company's net profit/(loss) for the period and shareholders' equity, and the corresponding consolidated figures, is provided below:

	31 December 2023	
(In thousands of Euro)	Shareholders' equity	Net profit/(loss) for the period
Parent company Salvatore Ferragamo S.p.A. data	**717,585**	**87,000**
Elimination of investments and subsidiaries' contribution to Consolidated Shareholder's Equity	164,251	(39,775)
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(179,545)	(22,537)
Other consolidation adjustments	19,872	1,547
Total shareholders' equity and net profit/(loss)	**722,163**	**26,235**
Minority interests – shareholders' equity and net profit/(loss)	997	175
Group – shareholders' equity and net profit/(loss)	**721,166**	**26,060**

7. Results of Group companies

The main highlights of subsidiaries are shown in the table below.

(In thousands)		2023		2022	
Company	Currency	Revenues	Shareholders' equity	Revenues	Shareholders' equity
Ferragamo Australia Pty Ltd.	AUD	22,757	23,076	26,810	22,665
Ferragamo Japan K.K.	JPY	13,139,599	1,430,279	13,705,863	1,177,142
Ferragamo Korea Ltd.	KRW	98,392,189	81,574,307	140,377,040	80,285,051
Ferragamo Espana S.L.	EURO	15,768	4,247	14,963	4,441
Ferrimag Limited	HKD	-	130,253	-	127,507
Ferragamo Retail HK Limited	HKD	220,174	(397,162)	127,242	(309,254)
Ferragamo Retail Taiwan Limited	TWD	628,732	429,300	740,028	435,405
Ferragamo Mexico S. de R.L. de C.V.	MXN	1,145,802	856,699	1,365,210	816,688
Ferragamo Retail Nederland B.V.	EURO	4,287	1,613	4,836	1,401
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,067,029	783,214	1,090,683	801,592
Ferragamo (Singapore) Pte. Ltd.	SGD	17,352	(8,861)	24,900	(40,079)
Ferragamo (Thailand) Limited	THB	234,984	(222,472)	279,863	(127,460)
Ferragamo (Malaysia) Sdn Bhd	MYR	42,586	16,786	54,214	17,906
Ferragamo Hong Kong Ltd.	USD	181,927	93,593	177,660	119,202
Ferragamo USA Group	USD	344,737	91,352	415,461	100,300
Ferragamo Deutschland GmbH	EURO	8,123	2,881	9,194	2,594
Ferragamo Belgique SA	EURO	1,090	685	1,591	714
Ferragamo Monte-Carlo S.A.M.	EURO	732	(1,358)	830	(828)
Ferragamo (Suisse) SA	CHF	7,383	1,866	8,553	1,653
Ferragamo U.K. Limited	GBP	16,648	6,187	17,643	5,939
Ferragamo France S.A.S.	EURO	18,739	10,950	20,238	10,787
Ferragamo Chile S.A.	CLP	1,574,334	681,769	1,193,648	790,193
Ferragamo Austria GmbH	EURO	2,920	4,242	4,215	4,187
Ferragamo Retail India Private Limited	INR	-	(467,175)	-	(468,541)
Ferragamo Retail Macau Limited	MOP	78,586	235	43,611	25,555
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	198,562	(105,957)	207,974	(44,921)
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	63,848	21,888	59,455	22,538
Ferragamo Argentina S.A.	ARS	1,371,660	(1,205,826)	418,529	48,413

8. Significant events occurred during the year

Ordinary and Extraordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. was held on 26 April 2023 and:

- approved the Separate Financial Statements as at 31 December 2022 and the distribution of a dividend of 0.28 Euro per outstanding ordinary share on the ex-dividend date (net of treasury shares);
- approved the "Performance and Restricted Shares 2023-2025 Plan" in favor of employees and/or directors and/or collaborators of the Company and/or of other companies belonging to the Group, for the details of which please refer to note 41 "Share-based payments" in the Explanatory Notes to these Consolidated Financial Statements, and the documentation made available on the Company's website *http://group.ferragamo.com/en, section governance/shareholders-meetings/2023 and section governance/corporate-governance/remuneration/stock-incentive-plans*;
- amended the "Restricted Shares" plan approved by the Shareholders' meeting of 14 December 2021 in favor of the Managing Director and General Manager, who became the sole recipient, for the details of which please refer to note 41 "Share-based payments" in the Explanatory Notes to these Consolidated Financial Statements, and the documentation made available on the Company's website *http://group.ferragamo.com/en, section governance/shareholders-meetings/2023 and section governance/corporate-governance/remuneration/stock-incentive-plans*;
- approved the policy concerning the remuneration of the members of the governing body, managers with strategic responsibilities, and members of the control body for the year 2023, and voted in favor with regard to Section II of the report on the remuneration policy and fees paid, which includes, among other things, a list of the fees paid to said individuals in any capacity and in any form for the year ended 31 December 2022;
- appointed, based on a slate-voting system, the members of the Board of Statutory Auditors for the 2023-2025 period, which is composed as follows: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and subsequently appointed as Chair of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonietta Donato and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively. Finally, the Meeting set the gross annual fee for the Chair of the Board of Statutory Auditors at 64,000 Euro and the gross annual fee for each Acting Statutory Auditor at 48,000 Euro;
- appointed Laura Donnini as Director, following the resignation of Anna Zanardi Cappon, effective as from the date of the Shareholders' Meeting of 26 April 2023, as per the press release issued to the market on 28 February 2023. The term of office of Director Laura Donnini will expire together with the entire Board of Directors on the date of the Meeting convened to approve the separate financial statements as at 31 December 2023;
- approved the reasoned proposal of the Board of Statutory Auditors for the adjustment of the total annual fee for 2022 to be paid to the Independent Auditors KPMG S.p.A. for carrying out the statutory audit of financial statements, and for the adjustment of total annual fees for each year of the 2022-2028 period.

On the same date, the Extraordinary Shareholders' Meeting was held, which approved the proposed amendment to the Bylaws with reference to Article 5, namely:

- elimination of the explicit reference of the unit par value of the shares representing the Company's share capital;
- elimination – subject to the revocation of the resolutions under items 1 and 2 on the agenda passed by the Extraordinary Shareholders' Meeting on 21 April 2016 – of the reference to the share capital increase to service the "2016-2020 Stock Grant Plan" due to the failure to achieve the objectives set forth in such plan.

Board of Directors

At the meeting held on 2 March 2023, the Board of Directors approved (i) the draft Separate Financial Statements as at 31 December 2022, the Consolidated Financial Statements as at 31 December 2022, and the Board of Directors' report on operations for 2022, containing the consolidated Non-Financial Statement for 2022 that includes non-financial information pursuant to Italian Legislative Decree no. 254 of 30 December 2016; (ii) the Corporate Governance Report, referring to the year 2022 and prepared by the Company pursuant to art. 123-bis of the Consolidated Law on Finance; (iii) the Report on the remuneration policy for 2023 and fees paid in 2022, prepared pursuant to art. 123-ter of the Consolidated Law on Finance, art. 84-quater and Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as amended, and art. 5 of the Corporate Governance Code for listed companies; (iv) the "Performance and Restricted Shares 2023-2025" incentive plan and the Information Document related to the First Cycle of the plan as well as the amendments to the "Restricted Shares" incentive plan intended for the Managing Director and General Manager and the related Information Document; (v) the proposed change in the independent auditors' fees starting from 2022, for approval by the next Shareholders' Meeting; and resolved (vi) to convene the Ordinary and Extraordinary Shareholders' Meeting for 26 April 2023, approving the explanatory reports on the items on the agenda.

At the same meeting, the Board of Directors also resolved to propose that the Shareholders' Meeting allocate the profit for the year 2022, totaling 89,239,108 Euro, to the Extraordinary Reserve and approve the distribution of part of the profits set aside in the Extraordinary Reserve to shareholders, with a gross dividend of 0.28 Euro per share for each of the ordinary shares outstanding.

On 26 April 2023, the Board of Directors, which met after the Shareholders' Meeting, on the basis of the information available and the declarations made, made sure that the newly appointed Director Laura Donnini met the independence requirements set forth by the applicable provisions of Italian Legislative Decree 58/98 (the Consolidated Law on Finance), the Corporate Governance Code for listed companies and the Rules of the Board of Directors.

On this occasion, the Board of Directors also assessed the independence of all the remaining non-executive Directors and the Board of Statutory Auditors checked the correct application of the assessment criteria adopted by the Board of Directors to determine whether the independence requirements are met.

Taking into account the outcomes of these checks, the Board of Directors has therefore decided on the new composition of the Board Committees as follows:

- Control and Risks Committee, responsible also for Transactions with Related Parties and Corporate Sustainability: Patrizia Michela Giangualano (Chair), Umberto Tombari and Laura Donnini;
- Nomination and Remuneration Committee: Umberto Tombari (Chair), Annalisa Loustau Elia and Frédéric Biousse.

Moreover, at the meeting held on 26 April 2023, the Board of Directors decided to appoint the newly appointed Board of Statutory Auditors as the Supervisory Body in the persons of Andrea Balelli (Chair), Paola Caramella (Acting Statutory Auditor) and Giovanni Crostarosa Guicciardi (Acting Statutory Auditor).

At the meeting held on 3 August 2023, the Board of Directors, in consideration of the resignation of the CFO and Manager charged with preparing Company's Financial Reports, Alessandro Corsi, whose employment relationship with the Company ended on 30 September 2023, with the favorable opinion of the Board of Statutory Auditors appointed Erika Peruzzi as interim Manager charged with preparing Company's Financial Reports pursuant to and for the purposes of Article 154-bis of the Consolidated Law on Finance, effective as from 1 October 2023.

On 13 November 2023, as announced to the market on the same date, the Company's non-executive and non-independent director Peter K. C. Woo, who holds 10,104,600 shares of Salvatore Ferragamo S.p.A. through the company Majestic Honour Limited, resigned with immediate effect.

On 22 January 2024, the Company then notified the market of the appointment of Pierre La Tour as Group CFO effective 18 March 2024, who was also appointed by the Company's Board of Directors as Manager with strategic responsibilities, due to the privileges and duties assigned to him in the Administration, Finance, Control and Investor Relations areas.

Performance and Restricted Shares 2023-2025 Plan and amendments to the Restricted Shares plan intended for the Managing Director

The Ordinary Shareholders' Meeting of 26 April 2023 approved a new share incentive plan for the top management of the Ferragamo Group, called "Performance and Restricted Shares 2023-2025 Plan", which commenced in the second half of 2023.

The Shareholders' Meeting held on 26 April 2023 also approved the amendments to the Restricted Shares plan intended for the Managing Director and General Manager and, at the Board of Directors meeting held on the same date, it was resolved to grant the recipient of the Plan the right to receive, free of charge, 147,732 shares of Salvatore Ferragamo S.p.A. under and in pursuance of the provisions of the Restricted Shares Plan for 2023. These shares, all of which come from the stock of treasury shares purchased by Salvatore Ferragamo S.p.A., will be transferred to the securities account in the name of the Managing Director and General Manager, after the Board of Directors has verified the achievement of the targets at its meeting on 6 March 2024. The shares are subject to a 12-month lock-up period effective 1 January 2024. Finally, it should be noted that, again in implementation of the Restricted Shares Plan, the Board of Directors at its meeting held on 25 January 2024 granted Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 205,255 shares of Salvatore Ferragamo S.p.A. for 2024.

For more information on both plans, see Note 41 "Share-based payments" of these Consolidated Financial Statements and the relevant documentation about the Meeting, which is available on the Company's website *https://group.ferragamo.com/en*, sections *governance/shareholders-meetings/2023* and *governance/shareholders-meetings/2024, as well as section governance/corporate-governance/remuneration*.

Renewal of shareholders' agreement between Ferragamo Finanziaria S.p.A. and *Majestic Honour Limited*

On 30 June 2023, Ferragamo Finanziaria S.p.A., which holds a controlling interest in the share capital of Salvatore Ferragamo S.p.A. equal to 54.276%, and Majestic Honour Limited, a company incorporated under Hong Kong law, which holds a 5.986% interest in the share capital of Salvatore Ferragamo S.p.A., indirectly controlled by Peter K. C. Woo, entered into a new shareholders' agreement, whereby they intended to renew the one signed on 29 June 2017, which was renewed on 29 June 2020 and expired on 29 June 2023. The agreement will run until 29 June 2026 and may be extended for an additional three years upon expiration.

By virtue of this Agreement, the parties have undertaken certain commitments in relation to the corporate governance of Salvatore Ferragamo S.p.A.. In particular, for so long as Majestic Honour Limited is directly or indirectly controlled by Peter K. C. Woo and provided that Majestic Honour Limited holds a shareholding of at least 4% of the Company's share capital, Majestic Honour Limited will be entitled to appoint a member of the Board of Directors of the Company in the person of Peter K. C. Woo or another member of his family. It should be noted that following the resignation of Peter K.C. Woo as a Director of the Company on 13 November 2023, Majestic Honour Limited has stated that it does not intend to appoint a replacement for this role.

Finally, by signing the Agreement, the parties have also regulated the dividend distribution policy and the exercise of their option rights.

For further details, please refer to the documents available on the Company's website *https://group.ferragamo.com/en, section governance/shareholding/shareholders-agreement*.

Purchase of equity investments

On 3 November 2023, the agreement signed on 25 October 2023 between the Ferragamo Group and Imaginex Holdings Limited and Imaginex Overseas Limited, concerning the purchase by the Ferragamo Group of minority interests in distribution companies operating in the strategic market of Greater China, was finalized. The agreed and duly paid consideration was 42 million USD (or 39 million Euro). The transaction involved 25% of Ferrimag Limited (sub-holding that owns 100% of Ferragamo Retail Hong Kong Ltd, Ferragamo Fashion Trading (Shanghai) Ltd. and Ferragamo Retail Taiwan Ltd.), 25% of Ferragamo Moda (Shanghai) Ltd and 24.8% of Ferragamo Retail Macau Ltd.

Please note that Imaginex Holdings Limited and Imaginex Overseas Limited are controlled by Peter K.C. Woo, a director of the Company who resigned on 13 November 2023. Therefore, as this was a related party transaction of major significance, it was examined by the Control and Risks Committee, which is also responsible for Transactions with Related Parties, which expressed its binding favorable opinion. For further information, please refer to the Information Document on the Transaction, prepared pursuant to Article 7.1.6 of the Company's Related Party Transaction Procedure and Annex 4 of the Regulation adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently amended and supplemented, in accordance with Article 5 of the Regulation itself, available on the Company's website *https://group.ferragamo.com/en, section governance/corporate-governance/procedure*.

At the date of this report, Peter K.C. Woo is a significant shareholder of the Company, as he holds 5.986% of the share capital of Salvatore Ferragamo S.p.A. through Majestic Honour Limited. For more information, please refer to the previous paragraph "Renewal of shareholders' agreement between Ferragamo Finanziaria S.p.A. and Majestic Honour Limited".

Development of the Covid-19 pandemic

On 5 May 2023, the World Health Organization officially declared the pandemic over and, already during the first half of 2023, all remaining restrictions and barriers on people and commercial activities were lifted, recording some upswing in tourist flows.

Direct exposure of the Salvatore Ferragamo Group to the Russian-Ukrainian conflict

The conflict in Ukraine, which began in February 2022, has had limited direct impact on the majority of luxury brands, although it has important global implications.

It should be noted that the Group does not hold investments in companies located in the areas currently affected by the conflict, where it operated only through local distributors and with a turnover that did not represent a significant percentage at the Group level. In addition, the Group does not have any suppliers of raw materials in Russia or Ukraine, nor production sites located there. The Group has always complied with the requirements of the sanctions package adopted by the European Union against Russia.

The future evolution of the conflict and its effects in neighboring territories are not foreseeable at this time.

Tensions in the Israeli-Palestinian territories

With regard to the renewed tensions between Israel and Palestine from October 2023, it should be noted that the Group has no direct or indirect operations in the territories affected by the conflict. The main impact on the Group is the effect that the resulting geopolitical tensions may have on consumption levels.

Tax and customs audits and disputes

Updates on ongoing audits

- With reference to the tax audit carried out on Salvatore Ferragamo S.p.A. relating to the pass-through mechanism for CFCs for the years 2012, 2013, and 2014, we report the following. As regards 2012, it should be noted that both the Florence Provincial Tax Commission (in a ruling filed on 24 January 2019) and the Tuscany Court of Second Instance (in a ruling filed on 11 November 2022) agreed with the Company. The Company took advantage of the institution of the "definition of pending litigation" introduced by the 2023 Budget Law (Italian Law no. 197/2022, Article 1, paragraphs 186-202), which allows the settlement of pending litigation with an amount that varies depending on the progress of the last dispute on the merits. In the case under review (defeat of the Office in the second instance), the dispute was settled by an appeal lodged on 5 June 2023 and payment, on 1 June 2023, of 15% of the disputed tax (in the present case amounting to 19 thousand Euro). For the years 2013 and 2014, the dispute has been settled, as disclosed in the 2020 Annual Report.

- With regard to the agreement reached between Ferragamo Deutschland GmbH and the German tax authorities, following several tax audits and covering the years 2011 to 2021, please note that, as detailed in the 2022 Annual Report to which reference is made, in 2022 Ferragamo Deutschland GmbH set aside a total of 3,022 thousand Euro (of which corporate income taxes of 1,132 thousand Euro, regional company tax of 785 thousand Euro and interest of 1,105 thousand Euro), reserving the right to appeal to the courts to reduce the interest rate applied. During 2023, the company has gradually paid the amounts due and is filing appeals to reduce interest.
- With regard to the dispute of Ferragamo France S.A.S. concerning the transfer pricing policy applied by Salvatore Ferragamo S.p.A. for the 2008-2010 tax years, which has already been discussed in the 2022 Annual Report and to which reference should be made, the following should be noted: in September 2022, the Company, convinced of the correctness of its actions, appealed to the Council of State against the unfavorable decision of the Court of Appeal. On 8 June 2023, a public hearing on the admissibility of the Company's appeal was held before the Council of State, which rejected it by decision of 30 June 2023. Therefore, this act is considered to be a final settlement of the dispute. As the Company had paid the required amounts (totaling 3,120 thousand Euro) in full upon the issuance of the Court of Appeals' decision, no further amounts are due for this dispute.
- With regard to the audit into Ferragamo France S.A.S, concerning the income tax and VAT for the tax years from 2015 to 2017, concluded with an assessment for higher taxable income of 688 thousand Euro, it should be noted that on 18 December 2020, Salvatore Ferragamo S.p.A. applied to the Inland Revenue Office for a unilateral downward adjustment pursuant to Article 31-quarter, paragraph 1, letter c) of Presidential Decree no. 600 of 29 September 1973, as well as to Decision of 30 May 2018, paragraph 2.3. On 31 January 2024, Salvatore Ferragamo S.p.A. received notice of the positive outcome of the request, with the consequent right to recover the taxes paid in Italy on the income corresponding to the adjusted income to Ferragamo France S.A.S., after submitting the relative refund claim to the Regional Unit of the Tuscany.
- With regard to the request for documents relating to four different canceled export transactions, notified to Salvatore Ferragamo S.p.A. on 23 March 2017, by the Regional Unit of the Tuscany Inland Revenue Office, which was already reported in the 2022 Annual Report, please note the following. Given the unfavorable outcome of a similar dispute related to 2006, the Company took advantage of the institution of the "definition of pending litigation" introduced by the 2023 Budget Law (Italian Law no. 197/2022, Article 1, paragraphs 186-202), which allows the settlement of pending litigation with an amount that varies depending on the progress of the last dispute on the merits. In the case under review (defeat of the Office in the first instance), the dispute was settled by an appeal lodged on 31 March 2023 and payment, on the same date, of 40% of the disputed tax, amounting to 27 thousand Euro.
- On 20 September 2022, the Regional Unit of the Tuscany Inland Revenue Office – Large Taxpayers Department started a documentary inspection on the tax credits related to research and development activities (pursuant to Article 3 of Italian Law Decree no. 145 of 23 December 2013) from which Salvatore Ferragamo S.p.A. benefited for the fiscal years from 2015 to 2019. The company provided the requested documents and a cross-examination meeting was held on 10 October 2023, followed by further discussions. The Company then decided to set aside an amount deemed appropriate in the provision for risks and charges, as supported by the opinion of an independent external tax advisor.

Tax and customs audits commenced during the period

On 27 November 2023, the Tokyo Metropolitan Government Bureau of Taxation initiated a general audit of Ferragamo Japan K.K. for the years 2019 to 2023. Ferragamo Japan K.K. has provided the requested documentation and is awaiting a response from the auditors.

In addition to the above, concerning such disputes and audits, the Group believes that, at present, the risk of defeat is no more than possible.

Patent Box and Research and development, design and innovation credits

With respect to the R&D Tax Credit, please note that, starting from the tax year 2020, the tax credit for investments in research and development as per art. 3 of Italian Law Decree no. 145 of 23 December 2013 (in force until 2019) has been replaced by three separate tax credits, for R&D, design and aesthetic conception, and technological innovation, introduced by art. 1 paragraph 198-209 of Italian Law no. 160 of 27 December 2019 (known as 2020 Budget Law) as amended by art. 1, paragraph 1064 of Italian Law no. 178 of 30 December 2020 (known as 2021 Budget Law). During 2023, Salvatore Ferragamo S.p.A.:

- finalized the calculation of credits for 2021, which totaled 1,401 thousand Euro (1,659 thousand Euro were recognized in 2021, as reported in the Annual Report 2021);
- started the activities regarding credits for 2022, estimated at 1,301 thousand Euro (1,611 thousand Euro were recognized in 2022, as reported in the Annual Report 2022);
- estimated and recognized credits for 2023 in the amount of 1,101 thousand Euro.

Please note that, as clarified by the Inland Revenue Office in Circular No. 5/E of 24 February 2023, tax credits for research and development, design and aesthetic conception, and technological innovation must be calculated net of the IRES and IRAP benefits deriving from the Patent Box.
As already stated in the Annual Report 2022, as a result of the changes introduced by art. 6 of Italian Law Decree no. 146 of 21 October 2021, converted with the relevant amendments into Law no. 215 of 17 December 2021 (known as 2021 Tax Decree), as amended by Law no. 234 of 30 December 2021 (known as 2022 Budget Law), the Company determined it would benefit from the new Patent Box regime, which raises to 110% the deduction, for IRES and IRAP purposes, for research and development costs associated with copyrighted software, industrial patents, designs, and models (excluding trademarks) used directly or indirectly in business operations. Therefore, starting from the tax year 2021, Salvatore Ferragamo S.p.A. can benefit from the Patent Box only with respect to designs and models and potentially other intangible assets referred to in the relevant regulation.

In relation to the new Patent Box regime, Salvatore Ferragamo S.p.A., in 2023:

- finalized the calculation of the benefit for the 2021 tax year, with IRES and IRAP benefits totaling 1,419 thousand Euro;
- estimated the tax benefit for the 2022 tax year at 1,292 thousand Euro;
- estimated the tax benefit for the 2023 tax year at 866 thousand Euro.

These amounts were fully recognized in 2023.

Advance Pricing Agreements (update)

As already stated in the Annual Report 2022, it should be noted that on 20 December 2022 Salvatore Ferragamo S.p.A. and the Inland Revenue Office -– Large Taxpayer Central Assessment Department and International, Control Sector, Office for Advance Agreements, signed the renewal of the Advance Pricing Agreement (or "APA" for short), which is effective for the five-year period from 2022 to 2026 and is substantially in line with the agreement in force for the previous five-year period from 2017 to 2021.
With regard to the relationship between Salvatore Ferragamo S.p.A. and its subsidiary Ferragamo USA Inc., it should be noted that in recent years the two companies have filed a request for a bilateral advance pricing agreement with the two relevant tax authorities, which reached an agreement on the transfer pricing method and the relevant values as early as June 2022. On 16 April 2023, the US tax authorities and Ferragamo USA Inc. signed the advance agreement for the years 2019-2023, while Salvatore Ferragamo S.p.A. is waiting to sign the corresponding agreement with the Italian tax authorities. The two companies plan to apply for an extension for an additional five-year period.

Other information

Adopting the Cooperative Compliance regime

On 31 May 2022, Salvatore Ferragamo S.p.A. submitted a request to adopt the Cooperative Compliance regime referred to in Italian Legislative Decree No. 128 of 5 August 2015, a procedure that allows the company to maintain a direct, continuous and preventive dialog with the Inland Revenue Office on the most significant transactions that may give rise to tax risks, in order to share the stances to be taken. Adherence to this regime is part of the Group's broader tax strategy, which has always been based on the preventive management of tax risk, in the belief that tax compliance is a fundamental value of sustainable and ethical business.

In order to be eligible for the regime, the Company adopted a Tax Control Framework (TCF), i.e., a system of internal control of tax-related processes to monitor proper compliance and proactively manage tax risk, which meets the requirements of the relevant OECD recommendations and Italian regulations. Salvatore Ferragamo S.p.A.'s Tax Control Framework is structurally integrated with the Company's other internal control systems, in order to create synergies in monitoring activities. In particular, the Tax Control Framework is integrated with:

- the control system on financial reporting risks pursuant to Italian Law no. 262 of 28 December 2005, identifying the controls that mitigate both administrative and accounting risks and tax risks;
- the Organizational Model pursuant to Italian Legislative Decree no. 231 of 8 June 2001, identifying the appropriate controls also for the prevention of tax crimes.

Under the Tax Control Framework, Salvatore Ferragamo S.p.A. adopted the following measures:

- preparation of a tax strategy, both for the Group (Global Tax Strategy) and for the parent company Salvatore Ferragamo S.p.A. (Tax Strategy), both approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 7 September 2021 and published on the institutional website of Salvatore Ferragamo S.p.A.;
- appointment, by the Board of Directors on 8 March 2022, of a Tax Risk Officer (TRO), in charge of monitoring and updating the TCF and of preparing an annual report for the Company's Board of Directors on the progress of the TCF;
- preparation of the Tax Compliance Model, a document that defines the roles and responsibilities within the corporate organization in relation to tax risks and their control (currently under approval);
- preparation of an interpretative risk management policy to be applied in cases of significant uncertainty in the interpretation of tax regulations (currently under approval).

As part of the preliminary investigation activities prior to admission to the regime, the Inland Revenue Office verified the adequacy of the tax governance and Tax Control Framework adopted by Salvatore Ferragamo S.p.A.

On 9 October 2023, Salvatore Ferragamo S.p.A. received the measure for admission to the Cooperative Compliance regime, effective as from the 2022 tax year.

In January 2024, the procedure opening meeting with the officials of the Inland Revenue Office was held at the company's headquarters.

Participating in the R&D credit amnesty 2015-2019

Salvatore Ferragamo S.p.A. opted for the R&D credit amnesty procedure, introduced by Article 5, paragraphs 7 to 12, of Decree Law No. 146 of 21 October 2021 for the tax years from 2015 to 2019, in order to adjust the calculation of its credit to the clarifications made on software after the calculation of the receivables, and to correct other calculation errors. With a request sent electronically on 28 October 2022, the amnesty procedure for the years 2015 to 2018 was started (for a total of 2,012 thousand Euro), while for 2019 the adjustment was made directly in the "Redditi SC 2022" form (tax year 2021) submitted on 30 November 2022 (for 71 thousand Euro). The Company will pay the amounts due for the years 2015 to 2018 within the extended deadline of 16 December 2024. Depending on the outcome of the audit of the Inland Revenue Office on the tax credit in question, the Company may also consider participating for additional amounts, within the current deadline of 30 July 2024.

Sustainable Growth Fund Incentives – Innovation Agreement

On 13 December 2019, Salvatore Ferragamo S.p.A. submitted a proposal for an Innovation Agreement pursuant to the Decree of the Ministry of Economic Development of 24 May 2017: the Agreement represents a public funding instrument to promote research and development projects of strategic importance for the competitiveness of the production system, with investments exceeding 5 million Euro. The Ministry of Economic Development (today MIMIT, Ministry of Business and Made in Italy) and the Region(s) in which the investment is made are parties to the Agreement.

The Company thus intended to partially finance the so-called Intelligent Supply Chain and Customer Experience from Extended Data ("I-SUCCEED") project, which consists of investments in innovation and development activities to be carried out at the Sesto Fiorentino site (Florence) in the 2019-2022 three-year period. The objective of I-SUCCEED is the implementation of the technical infrastructure of an integrated and evolved supply chain model that makes it possible to react, promptly and efficiently, to the changes and expectations of the market and of the reference context, through the adoption of a new distribution model.

On 12 January 2021, the Company, the Ministry of Economic Development and the Tuscany Region signed the Innovation Agreement, with effect until 16 December 2022, a term subsequently extended to 16 December 2023 due to the slowdown of investments on the project owing to the impact of the Covid-19 pandemic.

On 1 June 2022, the relative Concession Decree was issued, which assigns Salvatore Ferragamo S.p.A. a non-repayable grant. The subsidies will be provided by the MIMIT and the Tuscany Region in the form of a direct contribution to the expenditure for approximately 27% of the expenses actually incurred and reported. In view of the costs already incurred, Salvatore Ferragamo S.p.A. recognized a grant of 2.3 million Euro in 2022 and an additional 1.2 million Euro in 2023 under "Other income". In January 2023, the Company received 2.1 million Euro as an advance on the grant.

9. Information on corporate governance and ownership structure

Disclosure pursuant to art. 123-bis of Italian Legislative Decree no. 58/1998 (TUF)

On 6 March 2024, the Company's Board of Directors approved the report on corporate governance and ownership structure (Corporate Governance Report) for the year ended 31 December 2023, prepared also pursuant to art. 123-bis of the Consolidated Law on Finance (TUF).

The Corporate Governance Report includes a description of the corporate governance system adopted by the Company in 2023, information on the ownership structure and the adoption of the Corporate Governance Code as at the date of the Corporate Governance Report, the Company's main governance practices, and the characteristics of the risk management and internal control system with respect to the financial reporting process.

Corporate Governance

For more information on the Company's corporate governance structure, adopted also in accordance with the principles in the Corporate Governance Code, see the document "Corporate Governance Report", published on the Company's website *group.ferragamo.com/en*, section *governance/corporate-governance/corporate-governance-reports*. Below is a summary of key information on the Company's corporate governance.

Issuer profile
The Company is structured according to the traditional management and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors.
The Company's Bylaws in force were last approved by the Extraordinary Shareholders' Meeting on 26 April 2023. The Bylaws establish the essential features of the Company and set the main rules for its management and operation, as well as provide a description of the membership of corporate bodies, their powers, and their relationships. The Bylaws also include the description of shareholders' rights and how to exercise them.

The Company abides by the Corporate Governance Code, in force as of 1 January 2021. Previously, the Company abode by the Corporate Governance Code adopted by the Italian Committee for the Corporate Governance of listed companies.

Board of Directors
The main corporate governance body is the Board of Directors, which has the power and the duty to direct the Company's operations, pursuing the goal of creating value for shareholders. Pursuant to the Bylaws, the Board runs business operations and is vested with all the powers of ordinary and extraordinary administration, except for those reserved to the Shareholders' Meeting under the law and the Bylaws.

The Board of Directors leads the Company by pursuing its sustainable success, defines the strategies of the Company and the Group in accordance with said goal, monitors their implementation, defines the corporate governance system considered to be most appropriate to the Company's operations and the pursuit of its strategies, and promotes the engagement with shareholders and the Company's other significant stakeholders.

The Shareholders' Meeting of 22 April 2021 elected the Board in office as at the date of this Annual Report, setting the number of its members at 10 and fixing their term of office at three years, until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2023. The following directors were not appointed by the Shareholders' Meeting of 22 April 2021:

(i) Frédéric Biousse and Annalisa Loustau Elia, already co-opted pursuant to Article 2386 of the Italian Civil Code by the Board of Directors held on 29 September 2021, were appointed as non-executive members of the Company's Board of Directors by the resolution of the Shareholders' Meeting of 14 December 2021;
(ii) Marco Gobbetti, already co-opted pursuant to Article 2386 of the Italian Civil Code by the Board of Directors held on 14 December 2021, with effect from 1 January 2022, was confirmed as a member of the Company's Board of Directors by the resolution of the Shareholders' Meeting of 12 April 2022; on the same date, the Board of Directors also confirmed Mr. Gobbetti as Managing Director and General Manager, granting him all the powers of ordinary administration, except those expressly reserved for the exclusive competence of the Board of Directors;
(iii) Laura Donnini, appointed as a Director by the Shareholders' Meeting held on 26 April 2023, following the resignation from the position as Director of Salvatore Ferragamo S.p.A. tendered by the independent non-executive Director Anna Zanardi Cappon with effect from the date of the Shareholders' Meeting convened to approve the financial statements for the year 2022, as per the press release issued on 28 February 2023.

Finally, it should be noted that the non-executive and non-independent director Peter K.C. Woo resigned on 13 November 2023 and the Board of Directors did not replace him.

As at the date of this Annual Report, the Board of Directors thus consists of 9 members: Leonardo Ferragamo (Chair), Angelica Visconti (Deputy Chair), Marco Gobbetti (Managing Director), Laura Donnini (Independent), Giacomo Ferragamo, Patrizia Michela Giangualano (Independent), Annalisa Loustau Elia (Independent), Umberto Tombari (Independent) and Frédéric Biousse (Independent).

Below is the composition of the Board of Directors as at 31 December 2023:

MEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY - 31 DECEMBER 2023

	<30		30-50		>50		Tot	
	Men	Women	Men	Women	Men	Women	Men	Women
Members of the Board of Directors	-	-	-	11.10%	55.56%	33.33%	55.56%	44.44%
Of which executive*	-	-	-	-	-	-	22.22%	-
Of which independent	-	-	-	-	-	-	22.22%	33.33%

* In accordance with the definitions in the Corporate Governance Code, also the directors vested with management powers and/or who hold executive positions in the company or a subsidiary with strategic importance, or in the holding company, should the position concern also the Company, were considered to be executive directors

Following the resignation of Director Anna Zanardi Cappon and the appointment of Director Laura Donnini, the Board of Directors, having assessed that she meets the independence requirements set out in the applicable provisions of the Consolidated Law on Finance, the Corporate Governance Code for listed companies and the Rules of the Board of Directors, on 26 April 2023 resolved on the new composition of the Board Committees as follows:

- Control and Risks Committee, responsible also for Transactions with Related Parties and Corporate Sustainability: Patrizia Michela Giangualano (Chair), Umberto Tombari and Laura Donnini;
- Nomination and Remuneration Committee: Umberto Tombari (Chair), Annalisa Loustau Elia and Frédéric Biousse.

After the Shareholders' Meeting of 22 April 2021 appointed the new Board of Directors, the Company did not appoint a Lead Independent Director.

As of 1 January 2022, the role of director responsible for setting up and maintaining the internal control and risk management system, with the tasks and responsibilities provided for by the Corporate Governance Code, is held by Managing Director Marco Gobbetti.

With respect to the Company's governance, the Board of Directors also confirmed the responsibilities and tasks of the various parties involved in the internal control and risk management system, as defined under Article 6 of the Corporate Governance Code, including with specific reference to the role of the governing body, to the Managing Director (in the sense given in the Corporate Governance Code, as the person mainly responsible for managing the company), as primarily responsible for setting up and maintaining the internal control and risk management system, to the Control and Risks Committee, as well as to the heads of internal audit and the other functions involved in the control system.

Control body and managers with strategic responsibilities

With respect to the control body and managers with strategic responsibilities, please note that:

- the current Board of Statutory Auditors was elected by the Shareholders' Meeting on 26 April 2023 based on a slate-voting system for the 2020-2025 period, and shall remain in office until the Meeting convened to approve the financial statements as at 31 December 2025. Currently, the members of the Board of Statutory Auditors are: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and subsequently appointed as Chair of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; and Antonietta Donato and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively;
- in consideration of the resignation of the CFO and Manager charged with preparing Company's Financial Reports, Alessandro Corsi, whose employment relationship with the Company ended on 30 September 2023, on 3 August 2023 the Board of Directors, with the favorable opinion of the Board of Statutory Auditors, also appointed Erika Peruzzi as interim Manager charged with preparing Company's Financial Reports (Manager in Charge) pursuant to and for the purposes of Article 154-bis of the Consolidated Law on Finance, effective as from 1 October 2023;
- on 22 January 2024, the Company informed the market of the appointment of Pierre La Tour as Group CFO effective 18 March 2024. La Tour was also appointed by the Company's Board of Directors as a Manager with strategic responsibilities, due to the privileges and duties assigned to him in the Administration, Finance, Control and Investor Relations areas.

Therefore, at the date of this Report, the Strategic Manager appointed by the Board of Directors of the Company and employed by the Company is the Chief Transformation & Sustainability Officer, Giacomo (James) Ferragamo.

Change of Control Clauses
The medium/long-term incentive plan known as "Special Award 2022-2026" approved by the Shareholders' Meeting on 14 December 2021 under article 114-bis of the Consolidated Law on Finance, under which, upon satisfying specific conditions, ordinary shares in the Company are to be awarded to the Managing Director and General Manager, includes a change of control clause (defined as "the exercise of control, pursuant to art. 2359 of the Italian Civil Code, over the Company by an entity other than Ferragamo Finanziaria S.p.A."). Under said clause, should such circumstance occur during the "Vesting Period", as defined in said plan, the Managing Director and General Manager shall be entitled to receive a "Special Award Bonus", as defined in said plan, in a lump sum and for an amount calculated by reference to 0.50% of the Company's equity value based on the valuation of the Company as part of the transaction that caused the "Change of Control". For more information, see the Report to the Shareholders' Meeting of 14 December 2021 on the second item on the agenda and the information document "Special Award 2022-2026 Plan" available on the Company's website *http://group.ferragamo.com/en, section governance/shareholders-meetings/2021/december-14 and section governance/corporate-governance/remuneration/stock-incentive-plans*.

The stock incentive plan called "Performance and Restricted Shares 2023-2025" – approved by the Shareholders' Meeting on 26 April 2023 under Article 114-bis of the Consolidated Law on Finance, concerning the free assignment of ordinary shares of Salvatore Ferragamo S.p.A. in favor of certain employees and/or directors and/or collaborators of the Company and/or of other companies belonging to the Salvatore Ferragamo Group, who will be individually identified, for each of the three cycles in which the Plan is divided – includes a Company change of control clause (meaning exclusively a transaction in which a third party other than the current reference shareholder acquires legal control of the Company). Pursuant to this clause, upon the occurrence of this circumstance, the beneficiaries will be entitled to the allocation of the shares, with the lifting of the lock-up restriction (including through the payment of the relevant monetary consideration), prior to the terms set forth in the relevant Information Document and Regulations and regardless of the fulfillment of the conditions therein provided; in particular, they will be re-proportioned *ratione temporis* on the basis of the portion of the vesting period that has already elapsed and in relation to their "target" value. For more information, see the Report to the Shareholders' Meeting of 26 April 2023 on the third item on the agenda and the information document "Performance and Restricted - Shares 2023-2025 Plan" available on the Company's website *http://group.ferragamo.com/en*, section *governance/shareholders-meetings/2023* and *section governance/corporate-governance/remuneration/stock-incentive-plans*.

Credit Lines – During the year, the Group opened or maintained, as the case may be, medium/long-term committed, revolving credit lines in Euro with various counterparties. As at 31 December 2023, the outstanding lines totaled approximately 380,000 thousand Euro. Credit facilities can be used by the Company. In general, existing loan agreements provide that, in the event of a change in the Company's form or controlling shareholder, the lending bank has the right to terminate the agreement early or request early repayment of the loan.

In addition, the Group uses credit lines made available in the currency and country of residence of the foreign companies in order to meet financial needs that are generally short-term and with fixed maturity or uncommitted. The relevant agreements generally contain clauses that, in the event of a change in the controlling shareholder, entitle the lending bank to demand the early repayment of the loan.

Main features of the risk management and internal control systems

The Board of Directors, which is responsible for the internal control and risk management system as a whole – which is understood as the set of rules, organizational procedures and structures, and processes intended to monitor the efficiency of business operations, the reliability of the information provided to the corporate bodies and the market, compliance with laws and regulations, and the safeguarding of the Company's assets – defines, including through the support of the Control and Risks Committee, the guidelines for the internal control and risk management system, so that the main risks facing the Company and the Group – including risks that could become material in terms of the sustainability of the Group's operations over the medium/long term – are identified, measured, managed, and monitored in line with Italian and international reference models.

When defining the guidelines of the internal control and risk management system, the Board approved the organizational structure of the Company in order to support the Company's strategies and contribute to its sustainable success.

The Company adopts an integrated risk management model, in line with Enterprise Risk Management ("ERM") standards and best practices, inspired by the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as CoSO ERM). The methodological references and guidelines for the governance of the Enterprise Risk Management system have been formalized in the "ERM Framework" Policy, approved by the Board of Directors at its meeting on 26 January 2023.

The ERM process is intended to help top management identify the main business risks and how they can be managed, as well as define how to organize the system of measures protecting against such risks.
The ERM model analyzes the main risk areas that have a direct/indirect impact on the achievement of the Strategic Plan objectives. Notably, the ERM Framework requires the identification of specific forward-looking scenarios for each relevant risk, which are then assessed in terms of estimated net risk, with the aim of sorting them by relevance.
Risk identification and measurement processes require the necessary involvement of the company's top management, i.e., the Risk Owners and, more generally, all the heads of the functions involved in the ERM process, who are periodically asked to express their views on risk factors that may jeopardize the achievement of the organization's objectives.

During 2023, the company strengthened the analysis of ESG factors within its risk management model, through the implementation of specific methodological solutions consistent with the main recommendations in the area (for example CoSO ERM). Risk scenarios with potential direct impacts that also influence the achievement of the targets defined by the Company in the Sustainability Plan were classified as "Sustainability-Relevant".

With reference to climate change, a project was launched in 2023 aimed at introducing and integrating a specific framework into the ERM model. The framework is aligned with the main international references[7] and is focused on the analysis of the related risk factors, both in the area of physical risks, as well as with reference to so-called transition risks and opportunities.

The analyses concluded in 2023 provided an assessment of the risk associated with climate change, namely the main

[7] TCFD (Task Force on Climate-related Financial Disclosure) for categorizing risks and opportunities, European Taxonomy for defining the scope of natural events for the analysis of physical risks, CSRD (Corporate Sustainability Reporting Directive) for identifying appropriate time horizons (i.e. short-term, such as the reporting period, up to one year; medium-term, up to five years from the end of the short-term reporting period; and long-term, beyond five years), IPCC (Intergovernmental Panel on Climate Change) integrated with other complementary references for climate-related and socio-economic scenarios and forecast climate data for long-term risk assessment.

climate-related exposures conducted on the most relevant sites for the Group in a short/medium-term horizon and the Group's exposure to possible legislative-regulatory, market, technological and reputational discontinuities. During 2024, the Company will continue to strengthen its assessment of the risk of climate change on the potential impacts on the Group's assets and processes. For more details, please refer to the section "Main risks and uncertainties" below. Again in 2023, with regard to Cyber Risk Management, the Company, with the support of an external consultancy firm, carried out a specific assessment aimed at evaluating the adequacy of the existing security safeguards against the phishing threat, through a framework based on the NIST Cybersecurity Framework and the ISO 27001 standard. In addition, it identified the most relevant cyber-related business processes, the most significant cyber threats and the security measures implemented, integrating the risk analysis into the ERM Model.

At its meeting of 19 October 2023, the Board of Directors approved the "Cyber Security Incident" Policy for the management of critical events of a cyber nature and, subsequently, on 25 January 2024, the "Crisis Management Model" Policy for the management of the Company's responses in the event of critical events of a different nature, in order to reduce the risks related to the development of situations and minimize losses or impacts. In fact, both Policies define roles, responsibilities, levels of severity and criticality of events and information flows between internal and external parties that may be involved, and also provide for the ad hoc creation of two committees to which specific tasks are assigned, i.e., in the first case, the Cyber Security Committee, and in the second case, the Crisis Committee.

The following are integral parts of the overall internal control system:
- the Code of Ethics, which aims to promote and maintain an appropriate level of fairness, transparency and ethics in the conduct of the Group's business, was last updated on 6 July 2023 to bring its content into line with the Group Whistleblowing Policy and the provisions of 10 March 2023, no. 24 implementing Directive (EU) 2019/1937;
- the risk management system in relation to the financial disclosure process adopted in compliance with the provisions of art. 154-bis of the Consolidated Law on Finance;
- the organization, management and control model adopted for the purposes of preventing the crimes as set out in Italian Legislative 231/2001, last updated on 6 March 2024 to reflect the legislative and organizational changes made in 2023;
- the system for managing and controlling tax risk, understood as the risk of operating in violation of tax regulations or in contrast with the principles or purposes of the tax system (known as the Tax Control Framework) implemented in accordance with the guidelines of the Inland Revenue Office as part of the "cooperative compliance regime" regulated by Italian Legislative no. 128/2015;
- the Anticorruption Policy;
- the Group's whistleblowing system, which was updated by the resolutions of the Board of Directors on 6 July 2023 and on 20 December 2023, to bring it into line with the provisions of Italian Legislative no. 24 of 10 March 2023, implementing Directive (EU) 2019/1937 concerning the protection of individuals who, on well-founded grounds, report misconduct that violates European and national provisions and is detrimental to the public interest or the integrity of the entity to which they belong, of which they have become aware in the course of their work. In this regard, it should be noted that the Board of Directors appointed the Company's Ethics Committee as an autonomous internal office dedicated to receiving and processing reports sent through the whistleblowing channel.

The Company's internal control and risk management system is structured as follows:
Director in charge of establishing and maintaining the internal control and risk management system: he/she has the duty of supervising the system, i.e., identifying the main business risks – presenting them to the Board for consideration on a regular basis – as well as designing, implementing, and managing the internal control system, in compliance with the Board of Directors' guidelines, continuously verifying its adequacy and effectiveness and adjusting it to changes in operating conditions and the legal and regulatory landscape.

Control and Risks Committee: it supports the assessments and decisions of the Board of Directors – in an advisory and consultative role – concerning the internal control and risk management system as well as the approval of periodic financial and non-financial reports, and, among other duties, expresses its views on its design, implementation, and management, as well as the adequacy of the internal control system, reporting on the work carried out to the Board of Directors every six months. Specifically, the Control and Risks Committee performs the following duties:
(i) supports the Board in performing the duties associated with the internal control and risk management system, and specifically:
   a) in defining the guidelines of the internal control and risk management system, so that the main risks facing the Company and its subsidiaries are properly identified as well as adequately measured, managed, and monitored, also assessing the level of compatibility of such risks with business operations that are consistent with the identified strategic objectives;
   b) in assessing, at least annually, the adequacy and effectiveness of the internal control and risk management system relative to the characteristics of the business and the risk profile assumed;
   c) in describing, as part of the corporate governance report, the main features of the internal control and risk management system and the way in which it is coordinated between the parties involved in it, giving its opinion on the system's overall adequacy;
   d) in assessing, at least annually, the work plan prepared by the Head of the Internal Audit function, after consulting with the control body and the Chief Executive Officer;
   e) in assessing the findings of the auditor in the letter of recommendations, if any, and the additional report for the control body, after consulting with the latter;
   f) in assessing the measures intended to ensure the corporate functions involved in controls use effective and impartial judgment, ensuring they have the required professional skills and resources, and
   g) in assigning the supervisory functions as per art. 6, paragraph 1, lett. b) of Italian Legislative no. 231/2001 to the Supervisory Body created specifically for this purpose;
(ii) after consulting with the Manager in Charge, the independent auditors and the control body, assesses whether accounting standards are used properly and consistently for the purposes of preparing the consolidated financial statements;
(iii) assesses whether periodic financial and non-financial reporting is suited to presenting fairly the business model, the Company's strategies, the impact of its operations, and performance;
(iv) examines the content of periodic non-financial reporting relevant to the internal control and risk management system;
(v) gives opinions on specific aspects concerning the identification of the main business risks and supports the assessments and decisions of the governing body related to the management of risks arising from adverse events the latter has become aware of, including risks that may be relevant to the medium/long-term sustainability of the Company's operations, by conducting appropriate investigations;
(vi) examines the periodic reports on the assessment of the internal control and risk management system and the particularly relevant reports prepared by the Internal Audit function;
(vii) monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
(vii) may task the Internal Audit function with auditing specific operational areas, notifying the Chair of the Board of Statutory Auditors;
(ix) reports to the Board of Directors on the activities undertaken as well as the adequacy of the internal control and risk management system at least at the time of the approval of the annual and half-year financial report; and
(x) gives the Board of Directors its opinion on the appointment, removal and remuneration of the Head of the Internal Audit function, as well as the resources made available to the latter to perform his/her duties.

Head of Internal Audit: he/she reports to the Board of Directors and is responsible for ensuring the internal control and risk management system is operational, adequate, and consistent with the guidelines defined by the Board, liaising with the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body regarding the management of the system and its suitability in order to achieve an acceptable overall risk profile. The Head of Internal Audit is a permanent invitee to the Control and Risks Committee.

Tax Risk Officer: monitors the Tax Control Framework, ensuring that it is up to date and effective, by implementing forms of monitoring to ensure that the internal control system for tax risks is up to date and adequate for the mitigation purposes assigned to it. The Tax Control Framework function is assigned to the Head of Internal Audit, who reports directly to the Board of Directors. He/she works in coordination with the other functions responsible for the Company's internal control system and with the Tax Management function, and reports at least annually to the Control and Risks Committee, the Board of Statutory Auditors and the Board of Directors.

Head of Risk Management: he/she coordinates the risk management process and provides systematic support to all management involved in the risk assessment process. He/she works in coordination with the other system actors, such as Internal Audit, the General Counsel Department in charge of regulatory compliance activities, the Manager charged with preparing Company's Financial Reports, and all the other subjects that, for different reasons, contribute to the identification, evaluation, management and monitoring of business risks.

Head of Regulatory Compliance: this function is located within the General Counsel Department and is in charge of monitoring the risk of non-compliance with the regulations applicable to the Group, assessing the requirements contained therein and verifying that internal procedures and processes are adequate to prevent potential violations. In these activities, he/she works in conjunction with the other functions that make up the Company's internal control system, namely the Heads of Risk Management and Internal Audit, reporting to the Control and Risks Committee and directly reporting to the Board of Directors.

Manager charged with preparing Company's Financial Reports (in accordance with art. 154-bis of the Consolidated Law on Finance): He/She is responsible for defining, implementing and maintaining suitable and effective control procedures to manage risks entailed in financial reporting, i.e., the activities undertaken to identify and assess the actions or events whose occurrence or absence may hinder, in part or in whole, the achievement of the goals of trustworthiness, accuracy, reliability, and timeliness of financial reporting.

Supervisory Body pursuant to Italian Legislative no. 231/2001: it is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Italian Legislative no. 231/2001 and ensuring it is constantly updated. In accordance with the recommendations of the Corporate Governance Code, and with the aim of making controls and information flows easier and more efficient, the Company has decided to assign the functions of Supervisory Body to the Board of Statutory Auditors.

Ethics Committee: set up to manage reports referred to in Italian Legislative Decree 23/2024, its task is to manage reports concerning (i) violations of the laws applicable to Group Companies; (ii) violations of organizational models (including Ferragamo's Organizational Model), procedures, regulations, codes of conduct, codes of ethics and policies of Group Companies, acts or omissions that, even outside the provisions of the Organizational Model, Code of Ethics or internal policies and/or procedures of Group Companies, may result in the violation of human rights or damage and detrimental effects on health, the environment, security or fundamental rights and freedoms; (iii) any form, threat or attempt to retaliate against the Whistleblower. At the date of this report, the Ethics Committee consists of the Chief People Officer, the General Counsel, the Chief Transformation & Sustainability Officer, and the Head of Internal Audit.

Board of Statutory Auditors: it is responsible for (i) supervising the effectiveness of the internal control and risk management system; and (ii) supporting the Board of Directors in assessing the findings of the independent auditors in the additional report for the control body. To always ensure a timely exchange of relevant information between the Board of Statutory Auditors and the Control and Risks Committee, so that they may perform their respective duties, all members of the control body regularly take part in the work of the Control and Risks Committee.
For further information on corporate governance and the main features of the risk management and internal control systems adopted, reference should be made to the Corporate Governance Report published on the Company's website *https://group.ferragamo.com/en*, section *governance/corporate-governance/corporate-governance-reports*.

Disclosure pursuant to art. 15 of the Markets Regulation

Salvatore Ferragamo S.p.A. has taken the steps required to comply with the provisions set out in article 15 of Consob Regulation no. 20249 of 28 December 2017, which contains rules implementing the Consolidated Law on Finance with respect to markets (Markets Regulation); this Regulation governs the requirements for listing shares of companies which control entities that have been set up under and are governed by the law of countries not belonging to the European Union and which are significant for the purposes of preparing the consolidated financial statements. As at 31 December 2023, the aforementioned regulatory provision applied to the following foreign non-EU subsidiaries: Ferragamo USA Inc., Ferragamo Hong Kong Ltd, Ferragamo Fashion Trading (Shanghai) Co Ltd, Ferragamo Korea Ltd, Ferragamo Japan KK, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Retail HK Limited, Ferragamo Moda (Shanghai) Co. Ltd., Ferragamo UK Limited and Ferragamo Australia Pty Ltd..

In particular, Salvatore Ferragamo S.p.A.:
a) discloses, pursuant to the procedures and deadlines established by relevant regulations, the accounting records of the subsidiaries prepared for the purposes of drawing up the consolidated financial statements, including at least the statement of financial position and the income statement;
b) receives from the subsidiaries their bylaws and information about the structure and powers of the corporate bodies;
c) verifies that the subsidiaries:

- provide the Independent Auditors with the information they need to audit the annual and interim financial statements of the Holding company;
- adopt an administrative and accounting system suitable to regularly provide management and the Independent Auditors of the Parent company with the income, equity and financial data needed to prepare the consolidated financial statements.

In order to fulfill its own regulatory obligations, the control body of the Parent company Salvatore Ferragamo S.p.A. has verified the suitability of the administrative and accounting system to regularly provide management and the Independent Auditors of the Parent company Salvatore Ferragamo S.p.A. with the income, equity and financial data needed to prepare the consolidated financial statements and ensure the effective flow of information through meetings with both the Independent Auditors and the Manager charged with preparing Company's Financial Reports.

10. Other information

Relations with shareholders and financial reporting

Salvatore Ferragamo S.p.A., in accordance with the recommendations in the Corporate Governance Code and in order to maintain a constant dialog with its Shareholders, potential investors and financial analysts, has set up the Investor Relators function as well as adopted a policy aimed at managing dialog with all shareholders. On 8 March 2022, the Board of Directors of Salvatore Ferragamo S.p.A. approved the Engagement Policy of the Company, considering, inter alia, the recommendations of the Corporate Governance Code and the engagement policies adopted by institutional investors; the engagement policy is available on the Company's website *(https://group.ferragamo.com/en/governance/corporate-governance/engagement-policy)*. For details of the meetings held with investors and the topics discussed, see the document "Corporate Governance Report", which is published on the Company's website, in the section *governance/corporate-governance/corporate-governance-reports*.

Financial data, corporate presentations, interim reports, official press releases, and real-time share price information are also available on the Group's website *http://group.ferragamo.com/en*.

Stakes in Salvatore Ferragamo S.p.A.

As at 31 December 2023 , Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 54.276%, as disclosed by Ferragamo Finanziaria S.p.A. pursuant to article 120 of the Consolidated Law on Finance through form 120/A as per Attachment 4 to Consob Regulation no. 11971/1999 as amended and supplemented (the "Issuers' Regulation") corresponding to a number of shares equal to 91,611,810. Please note that Ferragamo Finanziaria S.p.A. has requested to register the Salvatore Ferragamo ordinary shares it owns in the Special List set up by the Company pursuant to article 127-quinquies, paragraph 2, of the Consolidated Law on Finance to benefit from increased voting rights, as described below:

- on 2 July 2018, 86,499,010 shares, accounting for 51.246% of the Company's share capital; and
- on 14 January 2019, 5,112,800 shares, accounting for 3.029% of the Company's share capital.

Pursuant to article 6 of the Bylaws and article 9 of the Company's Rules for Increased Voting Rights, the increased voting rights attached to the ordinary shares held by Ferragamo Finanziaria S.p.A. and included in the Special List on 2 July 2018 and 14 January 2019 became effective on 7 August 2020 and 5 February 2021, respectively, as they have met the requirements under applicable law for increasing voting rights.

Considering the above, as at the date of this Annual Report, Ferragamo Finanziaria S.p.A. owned 172,998,020 voting rights, accounting for 62.17% of the Company's share capital, attached to the mentioned 86,499,010 shares, and 10,225,600 voting rights, accounting for 3.68% of the Company's share capital, attached to the 5,112,800 shares. Therefore, as at the date of this Annual Report, Ferragamo Finanziaria S.p.A. owned 183,223,620 voting rights overall, accounting for 65.82% of the total.

Management and coordination of Salvatore Ferragamo S.p.A.

Salvatore Ferragamo S.p.A. is subject to the management and coordination of Ferragamo Finanziaria S.p.A. pursuant to art. 2497 and ff. of the Italian Civil Code. The Company complies with the requirements as set out in article 16 of the Markets Regulation for the listing of subsidiaries which are subject to management and coordination. In particular, it should be noted that Salvatore Ferragamo S.p.A.:

(i) has fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;
(ii) has independent power to negotiate with customers and suppliers;
(iii) has no centralized cash management arrangement with Ferragamo Finanziaria S.p.A.;
(iv) has an internal control and risks committee consisting exclusively of independent directors, pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the relevant provisions of the Corporate Governance Code;
(v) has a nomination and remuneration committee to appoint directors consisting exclusively of independent directors, pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the relevant provisions of the Corporate Governance Code.

As from 14 December 2021, a set of Rules was signed between Ferragamo Finanziaria S.p.A. and Salvatore Ferragamo S.p.A., governing the exchange of information between the Company and the majority shareholder Ferragamo Finanziaria S.p.A., as part of management and coordination activities or in order for the Shareholder to meet its legal obligations, in particular with regard to information provided selectively and taking into account the need to maintain confidentiality and comply with applicable laws. The Rules were approved by the Board of Directors on 14 December 2021 and updated on 6 July 2023.

Domestic fiscal unity

Salvatore Ferragamo S.p.A. adopted the domestic fiscal unity provided for by articles 117 and ff. of Italian Presidential Decree no. 117 of 22 December 1986 ("TUIR", Consolidated Law on Income Taxes) and the Ministerial Decree of 1 March 2018, with the holding company Ferragamo Finanziaria S.p.A. as the consolidating company. Until 2020, the domestic fiscal unity also included Ferragamo Parfums S.p.A., which was merged into Salvatore Ferragamo S.p.A. in 2021. The domestic fiscal unity continues uninterrupted for the 2022-2024 three-year period, as it was tacitly renewed for an additional three years under art. 14, paragraph 1, of the Ministerial Decree of 1 March 2018.

Shares held by Directors, Statutory Auditors and Managers with strategic responsibilities

For information relating to the Shares held by all Directors, Statutory Auditors, and Managers with strategic responsibilities, reference should be made to the Report on the remuneration policy and fees paid as per article 123-ter of the Consolidated Law on Finance, prepared in accordance with art. 84-quater and Annex 3A, Scheme 7-bis of the Issuers' Regulation and article 5 of the Corporate Governance Code, available on the Company's website *https://group.ferragamo.com/en*, section *governance/corporate-governance/remuneration/remuneration-report*.

Treasury shares and shares or stakes in parent companies

On 12 April 2022, the Shareholders' Meeting of Salvatore Ferragamo S.p.A. authorized the Board of Directors to purchase, pursuant to Article 2357 of the Italian Civil Code, including in multiple installments, ordinary shares in Salvatore Ferragamo S.p.A., up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo S.p.A. held from time to time by the Company or its subsidiaries, shall not exceed 2% of the Company's share capital for the time being, in accordance with specific terms and conditions. The Board of Directors could buy back shares, in one or multiple installments, for a period of 18 months from the date of the Meeting's resolution.

On 12 April 2022, the Meeting also authorized the Board of Directors, in accordance with article 2357-ter of the Italian Civil Code, to sell, including in multiple installments, all or part of the ordinary shares bought, in accordance with specific terms and conditions. There is no time limit for selling treasury ordinary shares.

At the meeting held on 12 April 2022, the Board of Directors approved the launch of the treasury ordinary share repurchase program as authorized by the Ordinary Shareholders' Meeting on the same date. The authorization expired in October 2023.

Therefore, as at 31 December 2023 Salvatore Ferragamo S.p.A. held 3,261,034 treasury shares, equal to 1.93% of the share capital, as a result of the purchases made in 2018, 2019, 2021 and 2022 (no. 14,000, no. 136,000, no. 624,163, and no. 2,601,637 respectively), also taking into account the free assignment of 114,766 shares ("Restricted Shares 2022") relating to 2022, which were transferred to the securities account in the name of the Managing Director and General Manager on 8 February 2023. The outlay, including bank fees and incidental taxes and net of the free assignment of Restricted Shares 2022, amounted to approximately 56,223 thousand Euro.

As at 31 December 2023 and as at the date of this Report, Salvatore Ferragamo S.p.A.'s subsidiaries did not hold any of its shares. The Group does not hold directly or indirectly shares in parent companies, and during the period it did not buy or sell shares in parent companies.

It should be noted that at the Board of Directors meeting held on 26 April 2023 it was resolved to grant the Managing Director and General Manager Marco Gobbetti the right to receive, free of charge, 147,732 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2023") effective as of 1 January 2023 (for more details see note 41 "Share-based payments" in the Explanatory Notes to these Consolidated Financial Statements). On 6 March 2024, the Board of Directors determined that the minimum targets (so-called underpins) had been achieved, and the Restricted Shares 2023 were therefore transferred, free of charge, to a securities account in the name of Marco Gobbetti, Managing Director and General Manager.

Transactions arising from atypical and/or unusual transactions

Salvatore Ferragamo S.p.A. and the companies belonging to its Group did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance and/or size, the counterparties involved, the subject of the transaction, the means of determining the transfer price, and the timing of the event, may give rise to doubts about the correctness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity, and the protection of minority interests.

11. Research and development

As part of its creative and production studies, the Group incurred costs for research and development for the study of new products and the use of new materials, which were wholly charged to the income statement under costs of production.

In 2023, they amounted to 30,134 thousand Euro (incurred entirely by the Parent company) compared to 24,513 thousand Euro in 2022 (incurred entirely by the Parent company).

12. Transactions with related parties

In accordance with the Regulation adopted by Consob with resolution no. 17221 of 12 March 2010 as amended and supplemented (the "Consob RPT Regulation"), Salvatore Ferragamo S.p.A. adopted a Related Party Transaction Procedure ("Related Party Procedure") aimed at identifying the principles adopted by the Company in order to guarantee the transparency and the actual and procedural fairness of transactions with related parties undertaken by the Company, either directly or through its subsidiaries.

The main body responsible for the correct application of Salvatore Ferragamo S.p.A.'s Related Party Procedure is the Company's Board of Directors.

The Board of Directors of the Company, with the favorable opinion of the Control and Risks Committee, which is also responsible for Transactions with Related Parties ("Related Party Transactions Committee"), reviewed and updated the Related Party Procedure, first on 31 July 2018 and subsequently on 11 May 2021, to take into account the new provisions introduced by Consob Resolution no. 21624 of 10 December 2020 in the Consob RPT Regulation, as well as the development of practices and internal application experience. The Procedure was last amended on 3 August 2023, prior to the periodic review required by the procedure itself and by the provisions of Consob RPT Regulation.

In particular, the main changes made in the update of 3 August 2023 concerned: i) for Low-value Transactions, the introduction of the distinction of low-value thresholds in view of the nature of the counterparty, in line with Consob recommendations. Indeed, the following transactions are to be considered low-value: transactions with a value equal to or less than 100,000.00 Euro if the related party (counterparty to the transaction) is a natural person, or equal to or less than 250,000.00 Euro if the related party is a person other than a natural person or, again, with a value equal to or less than 100,000.00 Euro, on an annual basis, with reference to the allocation and increase – in favor of a member of an administrative or control body or of other managers with strategic responsibilities – of remuneration and economic benefits, in any form whatsoever; and ii) for framework resolutions, the elimination of the case records that allowed the use of a framework resolution only in mandatory cases.

The Related Party Procedure also defines: i) the transactions of "greater significance" which must be approved in advance by the Board of Directors on the basis of the grounded and binding opinion of the Related Party Transactions Committee – which is identified in the Control and Risks Committee – and which entail the disclosure of an information document; and ii) the other transactions that, as they do not fall under the residual category of low-value transactions, are defined as transactions of "lesser significance" and can be executed subject to a grounded and non-binding opinion of the Related Party Transactions Committee.

In addition to the cases for which the Consob Regulation itself excludes the application of the relevant rules, the Company uses the following exemptions, within the limits allowed under the Consob Regulation: *(i)* payment plans based on financial instruments approved by the shareholders' meeting under article 114-bis of the Consolidated Law on Finance and related transactions; *(ii)* resolutions (other than those already outside the scope of the Consob Regulation, under article 13, paragraph 1 of the latter) on the remuneration of directors holding specific positions, as well as other managers with strategic responsibilities, provided that: the Company has adopted a remuneration policy approved by the shareholders' meeting, a committee comprised exclusively of non-executive directors – most of them independent – was involved in defining the remuneration policy, and the assigned remuneration was identified in accordance with said policy and quantified based on criteria not involving discretionary assessments; *(iii)* ordinary transactions, carried out on arm's length or standard terms; *(iv)* transactions with or between subsidiaries (including jointly) of the Company, as well as transactions with associates, as long as there are no interests classified as material of other parties related to the Company in the subsidiaries or associates that are party to the transaction; *(v)* urgent transactions, without prejudice to the disclosure requirements under article 5 of the Consob Regulation and the powers reserved to the Board of Directors with respect to transactions of greater significance.

The Board of Statutory Auditors is responsible for overseeing the compliance of the Related Party Procedure with the principles indicated in the Consob RPT Regulation as well as the observance and correct application of the Procedure.

Transactions with related parties – as listed in the financial statements and set out in detail in the specific note to the consolidated and separate financial statements (to which reference should be made) – cannot be considered as atypical or unusual, since they form part of Group companies' regular business and are regulated at market conditions.

For more details on the Related Party Procedure, please refer to the relevant document available on the Company's website *https://group.ferragamo.com/en*, section *governance/corporate-governance/procedure*.

13. Main risks and uncertainties

The Corporate Governance Code places special emphasis on the correlation between risks, opportunities, and the organization's strategic objectives, stressing the need to consider all elements that could be potentially relevant to achieving sustainable success, defined as "the objective that guides the actions of the board of directors and consists in creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the company".

Specifically, under the Corporate Governance Code, the Board of Directors shall define "the nature and level of risk compatible with the company's strategic objectives, including all the elements that can be relevant for the company's sustainable success" (see Recommendation 1(c)).

In addition, the code establishes the principle that "the internal control and risk management system consists of a set of rules, procedures and organizational structures for an effective and efficient identification, measurement, management and monitoring of the main risks, aimed at contributing to the sustainable success of the company" (see Principle XVIII).

The Company has therefore adopted an integrated risk management model (ERM Model) in accordance with recognized Enterprise Risk Management ("ERM") standards and best practices. The ERM Model is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as "CoSO ERM 2017"), the principles of which are consistent with the company's strategic guidelines. The methodological references and guidelines for the governance of the Enterprise Risk Management system have been formalized

in the "ERM Framework" Policy, approved by the Board of Directors at its meeting on 26 January 2023. The ERM process is intended to help top management identify the main business risks and how they can be managed, as well as define how to organize the system of measures protecting against such risks.

Risk identification and measurement processes are updated periodically with input from the Risk Owners and, more generally, all heads of the functions involved in the ERM process, who are called upon to express their views on risk factors that may jeopardize the achievement of the organization's objectives.

During 2023, in line with the priorities defined by the European Securities and Market Authority (ESMA), the Company strengthened the analysis of ESG factors within its risk management model, through the implementation of specific methodological solutions consistent with the main recommendations in the area (for example, CoSO ERM). Risk scenarios with potential direct impacts also on the achievement of the targets defined by the Company in the Sustainability Plan were classified as "Sustainability-Relevant".

With reference to climate change, a project was launched in 2023 aimed at introducing and integrating a specific framework into the ERM model. The framework is aligned with the main international references[8] and is focused on the analysis of the related risk factors, both in the area of physical risks, as well as with reference to so-called transition risks and opportunities (for more details please refer to "Main impacts in terms of sustainability" in this paragraph).

During 2024, the Company will continue to strengthen its assessment of the risk of climate change on the potential impacts on the Group's assets and processes.

These initiatives helped to strengthen the level of awareness, understanding and monitoring, within the Group, of risks and opportunities in an integrated manner, consistent with the guidelines defined by the Corporate Governance Code and in line with the main regulatory and context-specific elements.

Again in 2023, with regard to Cyber Risk Management, the Company, with the support of an external consultancy firm, carried out a specific assessment aimed at evaluating the adequacy of the existing security safeguards against the phishing threat, through a framework based on the NIST Cybersecurity Framework and the ISO 27001 standard. In addition, it identified the most relevant cyber-related business processes, the most significant cyber threats and the security measures implemented, integrating the risk analysis into the ERM Model.

As part of the continuous development of risk governance, and with specific reference to cyber risk, at its meeting on 19 October 2023, the Board of Directors approved a procedure called Cyber Security Incident Response Procedure for the management and prevention of cyber incidents. Moreover, at its meeting on 25 January 2024, the Board of Directors approved the Group's Crisis Management Model, which contains guidelines for identifying and managing crisis situations of a different nature, and describes the governance, operating methods and responsibilities, in order to reduce the risks related to the development of situations and minimize losses or impacts. In fact, both Policies define roles, responsibilities, levels of severity and criticality of events and information flows between internal and external parties that may be involved, and also provide for the ad hoc creation of two committees to which specific tasks are assigned, i.e., in the first case, the Cyber Security Committee, and in the second case, the Crisis Committee.

[8] TCFD (Task Force on Climate-related Financial Disclosure) for categorizing risks and opportunities, European Taxonomy for defining the scope of natural events for the analysis of physical risks, CSRD (Corporate Sustainability Reporting Directive) for identifying appropriate time horizons (i.e. short-term, such as the reporting period, up to one year; medium-term, up to five years from the end of the short-term reporting period; and long-term, beyond five years), IPCC (Intergovernmental Panel on Climate Change) integrated with other complementary references for climate-related and socio-economic scenarios and forecast climate data for long-term risk assessment.

The key principles of the ERM methodology are described below, including the main areas of risk and the main impacts/matters of interest to the Parent company and the subsidiaries (the Group).

The identification of corporate risks (so-called Risk Universe) starts from the analysis of the main risk areas with a direct/indirect impact on the achievement of the plan goals approved by the Board of Directors. These risk areas are then further investigated through scenario-based analysis to identify and develop specific *(forward-looking scenarios)*[9]. Finally, the methodology requires each identified scenario to be assessed for its net impact in order to obtain a ranking of risks.

The Group has confirmed the following types of risks: strategic, operational, financial, and compliance risks. The risk assessment process also includes the application of a Reputational Risk Multiplier based on the potential impact in terms of brand reputation, which may amplify the impact of certain risks given their relevance for the industry.

For a description of the overall Risk Management System through which risks are managed and controlled, reference should be made to the specific section "Information on corporate governance and ownership structure" in this Board of Directors' report on operations, as well as to the specific section in the Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016.

Strategic risks

This category includes the most relevant risk scenarios in terms of their potential direct and indirect impact on the achievement of the Strategic Plan objectives. The Plan is based on the relaunch of the brand through a renewed offer aimed at a different, younger consumer target group than in the past, in a particularly unstable macroeconomic/geopolitical context. In order to manage risks, this has resulted in a thorough and constantly updated analysis of the processes related to the creative area, supply chain management and distribution channels, without neglecting the potential impact in terms of sustainability and brand reputation/image.

Risks of business interruptions caused by natural, economic, and geopolitical events, including pandemic events

The risk is associated with the possibility that natural, economic, and geopolitical events, including pandemic events, could result in a significant interruption or halt of business continuity, with economic/financial and/or reputational repercussions due to inadequate recovery strategies at the company level. External risk factors include the macroeconomic environment, which remains uncertain due to the continuation of the Russian-Ukrainian conflict, the Israeli-Palestinian conflict and its possible escalation, which have led to great uncertainty in the markets and an increase in the prices of raw materials, especially energy. This has led to a significant rise in inflation in the major economies, prompting central banks to raise interest rates.

[9] Prospective scenarios, linked to certain adverse events that could have economic-financial and/or reputational impacts on the Group

Risks of events with an impact on the image and reputation of the brand

The Group's success depends on the image of its brand, which is influenced not only by internal factors relating to its own business, i.e., by the definition and implementation of its strategies, but also by a variety of external factors or events which may harm or damage the business ethics and values associated with it. Internal risk factors include, for example, the perceived quality of service and product attractiveness to customers and, last but not least, the risk of potential reputational damage related to marketing campaigns or communication initiatives that are not in line with the Company's brand image in relation to ESG topics, which, considering their relevance, may have an amplifying effect in terms of reputation and impact on consumer preferences. Among external risk factors note should be taken, among others, of the increasing spread and use of easily accessible media channels that disseminate information to a large group of users, the failure to adopt more innovative new technologies, the dissemination of information or news.

Risks related to the Supply Chain

The organizational model adopted by the Group entrusts the production process almost entirely to specialized external workshops, while keeping the management and organization of the most important stages in the value chain in-house. The outsourcing of the production process could represent a risk in terms of a possible delay in product availability, related to an increase in production volumes consistent with the objectives of the Strategic Plan and the possible difficulties in maintaining an adequate balance between the effectiveness of demand planning and thus production on the one hand and the flexibility of the distribution model on the other. In terms of supply chain management, the possibility of the termination of existing relationships with external counterparties could represent a continuity risk in certain business areas, at least in the short term, which could also have legal and compliance implications. In fact, outsourcing to a supply chain not adequately qualified in terms of operational capabilities and compliance with applicable regulations – including those related to labor law and HSE (Health, Safety & Environment) – or lacking adequate tools to monitor and manage energy consumption and other environmental impacts (e.g. climate-changing emissions) may negatively affect the Group's business and image. Moreover, attention is paid to price fluctuations related to the availability of high-quality raw materials or to competitive tensions on the supply side, resulting in additional costs and availability issues for the Company.

Risks related to the management of distribution channels

The risk is related to the possibility that the main distribution channels of the Ferragamo Group do not adequately reflect the brand's relaunch strategy, with repercussions in terms of strategic positioning, reputational impact, and financial losses. Specifically, the following may be especially relevant to the retail channel: store location, interior and exterior design, window dressing, purchasing experience and selling ceremony, dedicated sales staff at DOS points lacking adequate skills or proper training.

At its meeting on 25 October 2023, the Board of Directors approved the acquisition by the Group of the equity investments held by the Imaginex Group. With this transaction, the Company consolidates and re-launches its presence in Greater China, an important market with high growth potential.

Operational risks

IT security risks, data management and dissemination, specifically with respect to cyber attacks

The risk is associated with the possibility that potential attacks and breaches into the IT system could cause systems to be unavailable and/or the destruction, loss, alteration, and unauthorized disclosure of, or access to, the personal data transmitted, stored, or otherwise processed by the Group, resulting in financial and/or reputational losses, including those associated with severe business interruption events. Risk factors include those related to workers' potential lack of awareness of cyber security issues that could expose the Company to information management vulnerabilities.

In 2023, the Company, with the support of an external consultancy firm, carried out a specific assessment on cyber risk aimed at evaluating the adequacy of the existing security safeguards against the phishing threat, through a framework based on the NIST Cybersecurity Framework and the ISO 27001 standard. In addition, it identified the most relevant cyber-related business processes, the most significant cyber threats and the security measures implemented, integrating the risk analysis into the ERM Model.

The results of this activity identified a number of initiatives ("positive practices") that have been successfully adopted and implemented by the Company and that actively contribute to reducing the Company's exposure to cyber risk. These include (i) the training sessions and awareness-raising campaigns delivered during 2023 in accordance with the Cyber Security Awareness program, and (ii) the adoption of a procedure for assessing the ability of service providers with a relevant technological component to ensure an adequate level of security of the information they process. Moreover, the company has adopted the "Security Incident Response Procedure" policy, approved by the Board of Directors on 19 October 2023, which defines the principles and guidelines to ensure the timely, effective and efficient handling of cyber incidents in order to prevent or limit any potential negative impact on the Group.

However, the Company's diligence in addressing these issues remains high.

Risks relating to the protection of intellectual property rights

The risk concerns the possibility that Salvatore Ferragamo S.p.A.'s intellectual property rights may be violated by the illegal placement of counterfeit products on the online and offline market and by third parties using Salvatore Ferragamo S.p.A.'s intellectual property rights in an improper manner and/or for purposes not permitted by current regulations on the protection of intellectual property rights.

The risk of violation of the Group's intellectual property rights relating to its products and trademarks by third parties is amplified by the increased use of the Internet, which facilitates the sale of counterfeit products. This risk can take several forms: (i) e-commerce websites that sell counterfeit products; (ii) e-commerce websites that sell original products and use the Group's trademarks without authorization; (iii) misuse of websites containing the "Ferragamo" and/or "Salvatore Ferragamo" trademarks in the domain name.

Salvatore Ferragamo S.p.A., in order to protect its intellectual property rights and to combat the aforementioned violations, carries out proactive control and monitoring activities to check for the presence of counterfeit products both on online platforms worldwide, through collaboration with external providers specialized in the online sector, and in the physical markets of interest, through in-court and out-of-court actions (both civil and criminal), in collaboration with specialized legal consultants and local and customs authorities that monitor and inspect the areas most affected by the counterfeiting phenomenon.

Risk of loss of key resources and know-how

The risk is connected to the significant dependence which the Group may have in regard to some managers who are currently considered strategic resources, since they cannot be easily or rapidly replaced by internal or external staff. The ending of the contribution of such staff members could lead to missed business opportunities, lower revenues, higher costs or cause damage to the Group's image. The risk of dependence on key staff is also connected to the potential loss of "technical know-how", in reference to the possibility of seeing a gradual reduction or loss of the expertise and skills needed to manage design, development and production activities, in particular in regard to the Group's core business: the manufacture of footwear and leather goods. This risk is especially important in regard to the professional staff responsible for handling product development and industrial manufacturing processes, in an external and local framework characterized by a gradual reduction in craftsmanship and professional skills.

To this end, the Company reviewed its strategic approach and Talent Management processes with the aim of promoting the development of human resources, improving performance (individual and team), identifying specific career paths and creating solid succession plans to ensure continuity in key roles. Activities will continue in 2024 to complete the implementation of the new Talent Management processes, which, like other initiatives promoted by the Human Resources department, are anchored in the company's core values, skills and expected behaviors, reflecting the corporate Diversity, Equity, Inclusion & Belonging (DEI&B) strategy.

Financial risks

For information relating to the management of financial risks and for the other information provided for by IFRS 7, reference should be made to the specific section in the explanatory notes to the consolidated and separate financial statements, at the end of the paragraph on accounting standards.

Exchange rate risk

The Group operates at the international level and is therefore exposed to risks deriving from exchange rate fluctuations, which affect the financial position and financial performance, due to the difference in the value of foreign currency costs and revenues compared to the moment in which pricing conditions were set, as well as because of the translation of trade or financial receivables and payables denominated in foreign currencies. In keeping with the exchange rate risk management policy adopted in recent years, the Group manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established at Corporate level, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

In addition, by virtue of the fact that the Company prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statement data of subsidiaries which were originally expressed in a foreign currency could have a significant impact on results, net financial debt, and consolidated shareholders' equity, expressed in Euro in the Group's financial statements, as well as financial ratios.

Credit risk

The Group's exposure to trade credit risk refers exclusively to wholesale sales and the receivables associated with licensing and rental income investment property revenues, which combined represent nearly one-third of global turnover; the rest refers to retail sales with payment at the time of purchase, with the exception, on a smaller scale, of e-commerce and retail sales within department stores, which generally have payment terms of less than 90 days.

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their obligations. The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, financial assets at amortized cost and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities. The Salvatore Ferragamo Group is mainly exposed to the risk of recording on the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions or in liquidating assets on the market to find the necessary financial resources. The first consequence is a negative impact on the income statement, should the Group be forced to incur additional costs to meet its commitments. The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.

To this end, the Company adopted a "Liquidity Investment" policy, approved by the Board of Directors on 20 December 2023. The purpose of the policy is to establish the principles and rules for managing the company's liquidity and for managing and mitigating the related financial risk.

Compliance risks

Tax risk

The Salvatore Ferragamo Group has subsidiaries in over 26 countries worldwide and, therefore, its tax returns and obligations are usually subject to assessments by the tax authorities of the various countries. In addition, due to the high number and value of transactions between Group companies, the compliance of the amounts envisaged for such transactions to local and international rules and principles on transfer pricing is subject to assessment and adjustment by tax authorities. The instruments adopted by management to limit tax risk for both tax compliance and transfer pricing cannot completely rule out the risk of tax assessments, especially taking into account the lack of clear and established regulation of transfer pricing in local laws and procedures.

In October 2023, the Company was admitted to the collaborative compliance regime pursuant to Italian Legislative no. 128 of 5 August 2015, effective from the 2022 tax year.

Admission to the regime was preceded by an audit by the Inland Revenue Office of the adequacy of the Company's tax governance and internal control system for identifying, measuring, managing and monitoring tax risk, known as the Tax Control Framework. Adherence to this regime is part of Ferragamo's broader tax strategy, which has always been based on the preventive management of tax risk, in the belief that tax compliance is a fundamental value of sustainable and ethical business.

In order to ensure a correct, timely and effective approach to tax risk management, the Company adopted a Tax Control Framework (hereafter TCF), i.e. a system of internal control of tax-related processes that complies with the OECD guidelines, as implemented by the Inland Revenue Office. The Company's TCF is structurally integrated with the Company's other internal control systems. In particular, the TCF is integrated into the control system for financial reporting risks pursuant to Italian Law no. 262/2005, identifying the controls that mitigate both administrative and accounting risks and tax risks. Similarly, in terms of integration, the TCF identifies the appropriate controls also for the prevention of tax crimes, already regulated by the Company in the Organizational Model pursuant to Italian Legislative Decree no. 231/2001 in order to create synergies in the monitoring activities of the two control systems.

As part of the Tax Control Framework, the Company has a tax strategy approved by the Board of Directors on 7 September 2021, which is consistent with the Group's values and principles, and a Tax Risk Officer appointed by the Board of Directors' meeting on 8 March 2022, who is entrusted with monitoring and updating tasks.

The Tax Compliance Model, which is in the process of being approved by the Board of Directors, defines roles and responsibilities within the company organization in relation to tax risks and their control.

In line with the guidelines set out in the Tax Strategy and Tax Compliance Model, the Company's aim is to proactively manage tax risk by ensuring, through the TCF, its timely identification, proper measurement and control, in order to mitigate its impact. Specifically, Salvatore Ferragamo S.p.A. identifies the following areas in which tax risk may arise:

a) Tax compliance risks (monitored by means of the Tax Risk Map), i.e. the risk of failing to properly comply with the tax obligations established by law. These are regulatory compliance risks, which are operational in nature and concern both business processes and specific stages of tax compliance;
b) Interpretation risks (controlled through the Interpretation Risk Policy), i.e., risks related to the application of all tax provisions and arising from both uncertainty about abstract regulatory cases and uncertainty about the qualification of cases in relation to the regulatory requirements.

On an annual basis, the TRO, with the support of the Tax Management Function, prepares the General Report on the Tax Control Framework ("TCF Report"), which includes the results of monitoring activities and tax interpretation risks that have occurred during the compliance year. The TCF Report, prepared by the TRO with the support of the Tax Management Function, is submitted to the Control and Risks Committee and approved by the Board of Directors.

Risk of non-compliance with laws and regulations, including at the European level

The Group is subject, in the various jurisdictions where it operates, to legal provisions – including tax provisions which are described separately – and to technical rules which are applicable to the products manufactured and their distribution.
Italian and European regulations that are applicable to the Parent company as an issuer of shares traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A., since 29 June 2011, are especially relevant to this risk. There are also specific regulations that are especially relevant to this risk, such as Regulation (EU) no. 56/2014 (MAR), concerning market abuse, consumer protection laws, intellectual and industrial property rights and healthy competition, regulations on the protection of health and safety of employees and the environment, privacy, the administrative responsibility of legal entities under Italian Legislative Decree 231/2001, responsibility under Law 262/2005, and industrial compliance concerning the conformity of distributed finished products and raw materials used in relation to the standards provided for by law, as well as implementations associated with the evolution of the ESG regulatory environment.

Almost all products manufactured and sold by the Group are made in Italy, except for a very limited range of products manufactured abroad to take advantage of local traditions and quality (for example "Swiss Made" watches). This is considered a competitive advantage compared to rival products which cannot make the same claim. A change in the law on the origin of goods could, however, change the current identification requirements for "Made in Italy" products. The application of new rules and regulations or changes to the law in force, which could lead to a delay in adjusting structures in order to ensure compliance with the new or subsequent requirements, result in further exposure to the risk of sanctions due to failure to comply with such provisions.

With respect to the environment, the constantly evolving domestic and international regulatory framework and the potential introduction of additional regulations related to the circularity of materials, as well as the sustainability of products and business processes, including those aimed at reducing greenhouse gas emissions into the atmosphere, may result in risk of non-compliance and sustainability-related impacts.

During 2022, the Company undertook to implement a specific "Compliance Program" to ensure proper management of the processes of compliance with the laws and regulations to which it is subject. This process also continued during 2023; the activities coordinated by the Regulatory Compliance function within the General Counsel department completed during the year included the following: (i) the strengthening of the periodic regulatory monitoring service on matters of interest to the Group, already activated in 2022, with simultaneous reporting to the corporate functions concerned in order to assess and implement action and remediation plans, where necessary; (ii) the updating of the whistleblowing system in accordance with the provisions of Italian Legislative no. 23/2024 implementing Directive (EU) 2019/1937; (iii) the inclusion of members of corporate bodies in the company's anti-corruption and cyber-security training program; (iv) the initiation of the process of updating the Organization, Management and Control Model pursuant to Italian Legislative 231/01 with the aim of ensuring closer alignment with emerging risks, recent regulatory updates and business developments, enabling the Group to adopt a process-based approach rather than an exclusively "risk-crime"-based approach; (v) the participation in some industry association working groups and consultations related to upcoming regulations.
The outcomes of the "Compliance Program" were used to represent the risks related to compliance with laws and regulations within the ERM Model, which was updated accordingly during 2023.

Main impacts in terms of sustainability

In 2023, the Group assessed the climate change risk factor as part of both physical risks and transition risks and opportunities.

The analyses provided a risk assessment that focused on the main climate-related exposures for the Group's most relevant sites in a short/medium-term horizon, considering the Group's exposure to possible legislative-regulatory, market, technological and reputational discontinuities.

The work of analyzing transition risks consisted in their identification based on their nature and in the assessment of the related short/medium-term and long-term impacts.

The long-term analysis considered the three forecast scenarios defined by the Intergovernmental Panel on Climate Change (IPCC). Starting from the increase in the global average temperature, the scenarios describe the effects of climate change in the long term on chronic climate phenomena (including intensification of extreme rainfall, rising water levels, temperature increase, etc.) and acute climatic events (including hail, landslides, water shortages, etc.). The first scenario (best) foresees a limited climate development, the second (mid) a gradual intensification of natural phenomena, and the third (worst) a significant intensification of the same.

The analyses carried out have identified four categories of transition risks for the Group and their expected impacts:

- Market risks: the cost of energy and raw materials and consumer preferences are expected to have a medium impact in the short/medium term, with a more significant impact in long-term scenarios. The increase in insurance costs related to the Group's assets is expected to have a greater impact in the long-term worst-case scenario, attributable to the upward trend in the occurrence of natural disasters;
- Legislative and regulatory risks: significant impacts are expected in the short/medium term pertaining to compliance with the increasingly stringent regulations that products must comply with in order to reduce emissions and waste and increase product circularity, with an expected increase in criticality in the first long-term best-case scenario and a gradual decrease in impact in the mid- and worst-case scenarios;
- Technological risks: for the new transition-focused technical skills and the systems and procedures designed to help ensure better management and use of performance data, greater impacts are expected in the best- and mid-case scenarios and smaller ones in the long-term worst-case scenario;
- Reputational risks: due to the high expectations that companies will respond adequately to the challenges of the transition, the role of the supply chain and the disclosure of corporate actions on sustainability, significant impacts are expected both in the short/medium term and in the first best- and second mid-case long-term scenarios.

During 2024, the Company will continue to strengthen its assessment of the risk of climate change on the potential impacts on the Group's assets and processes.

For a description of the initiatives launched in 2023 to mitigate the risk of climate change, please refer to the specific section included in the Directors' report on operations, in the Consolidated Non-Financial Statement pursuant to Italian Legislative 254/2016.

14. Significant events occurred after 31 December 2023

On 22 January 2024, the Company informed the market of the appointment of Pierre La Tour as Group CFO effective 18 March 2024. At the same meeting, it also specified that La Tour was also appointed by the Company's Board of Directors as a Manager with strategic responsibilities, due to the privileges and duties assigned to him in the Administration, Finance, Control and Investor Relations areas.

On 25 January 2024, in implementation of the Restricted Shares Plan, the Board of Directors, with the favorable opinion of the Nomination and Remuneration Committee, decided to grant Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 205,255 shares of Salvatore Ferragamo S.p.A. effective 1 January 2024.

At the meeting held on 6 March 2024, the Board of Directors, *inter alia*: (i) approved the draft Separate Financial Statements as at 31 December 2023, the Consolidated Financial Statements as at 31 December 2023, and the Board of Directors' report on operations for 2023, containing the consolidated Non-Financial Statement for 2023 that includes non-financial information pursuant to Italian Legislative Decree no. 254 of 30 December 2016; (ii) approved the Corporate Governance Report for 2023, prepared by the Company pursuant to art. 123-bis of the Consolidated Law on Finance; (iii) approved, with the favorable opinion of the Nomination and Remuneration Committee, the Report on the remuneration policy for 2024 and fees paid in 2023, prepared pursuant to art. 123-ter of the Consolidated Law on Finance, art. 84-quater and Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as amended, and art. 5 of the Corporate Governance Code for listed companies; for approval by the next Shareholders' Meeting. For further details, please refer to the documentation made available on the Company's website *https://group.ferragamo.com/en, section governance/shareholders-meetings/2024*.

At the same meeting, the Board of Directors also:
- resolved to call the Ordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. for 23 April 2024;
- checked, in implementation of the Restricted Shares Plan and with the favorable opinion of the Nomination and Remuneration Committee, the right of Marco Gobbetti, Managing Director and General Manager, to receive, free of charge, 147,732 shares of Salvatore Ferragamo S.p.A. assigned to him effective 1 January 2023.

15. Macroeconomic situation and outlook

The short-term economic outlook remains uncertain.
In its January 2024 forecasts, the International Monetary Fund expects GDP to grow moderately in 2023 by 3.1% at the global level, 2.5% in the United States, 0.5% in the Eurozone, and 5.2% in China. For 2024, world growth forecasts are confirmed at 3.1% at the global level, while varying locally (2.1% in the United States, 0.9% in the Eurozone and 4.6% in China). The risks on this baseline scenario remain mostly related to the trend in inflation, albeit decelerating from the highs of the past two years, possible delays in the expected interest rate cuts by the major central banks, first and foremost the ECB and the Fed, which will further reduce consumers' willingness to spend and their purchasing power, as well as the developments and consequences of the Russian-Ukrainian and Middle Eastern conflicts.

In 2023, the Company continued to implement its strategic plan, laying the groundwork for product, visibility and brand positioning. Despite a geopolitical and macroeconomic context characterized by uncertainty and volatility that could penalize the demand for luxury goods, 2024 will be an important year for the continuation of the strategic implementation in Ferragamo's path of high potential development, always guided by the values of creativity, quality, craftsmanship and respect for people and the planet that characterize the Ferragamo brand. This particular scenario might impact on the timing of the implementation of the strategic plan.

16. Separate Financial Statements as at 31 December 2023 of Salvatore Ferragamo S.p.A. - Proposal for approval

Dear Shareholders,
relying on your approval to the structure and basis of presentation of the separate financial statements for the year ended 31 December 2023, in relation to the results achieved we hereby recommend that you:

1. approve the 2023 Separate Financial Statements;

2. approve the allocation of the profit for the year 2023, amounting to Euro 86,999,603, to the Extraordinary Reserve; and

3. approve the distribution to Shareholders of a portion of the "Extraordinary Reserve" (which amounted to 613,475,486 as at 31 December 2023), in the amount of 0.10 Euro for each share outstanding at the ex-coupon date. The total dividend is estimated at 16,552,896.60 Euro, taking into account the shares outstanding as at 6 March 2024 (165,528,966 shares).

Florence, 6 March 2024

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo



CONSOLIDATED NON-FINANCIAL STATEMENT

PURSUANT TO ITALIAN LEGISLATIVE DECREE 254/2016



Francesco Granacci, 1515 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

Consolidated Non-Financial Statement
PURSUANT TO ITALIAN LEGISLATIVE DECREE 254/2016

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

"Since the introduction of the Brand, creativity, innovation, and world-class craftsmanship have always been the core values of the Salvatore Ferragamo Group, guiding the design and production of any creation. Over the years, the deep connection with the local community and its culture has made the Salvatore Ferragamo Group increasingly aware of the need for a strong commitment to protect the places where it operates and the people that work for the Group, going above and beyond the requirements of domestic and international laws, rules and regulations."

Commitment to the sustainability of Salvatore Ferragamo

Investing in sustainability has been at the heart of Salvatore Ferragamo's development journey in 2023, maintaining an unwavering commitment to creativity and excellence. During this phase, the Group has strengthened its dedication to sustainability, in the pursuit of economic growth that takes into account the positive and negative impacts of its business activities, with particular attention to social and environmental aspects.

Salvatore Ferragamo attributes a deep meaning to the concept of sustainable development, which extends beyond the mere use of innovative materials, embracing the bond with the local communities and the territory where it operates, while demonstrating great respect for the environment and the people involved. These values, passed on by the Group's Founder, not only lie at the basis of the Company's success, but are critical for all stakeholders.

The commitment to sustainability has been built over the years as an uncompromising behavioral model, drawing inspiration from the values intrinsic to Salvatore Ferragamo's history: a passion for craftsmanship excellence, creativity and Made in Italy innovation. Understanding and ensuring compliance with these principles translates into ethically correct behavior – both inside and outside the Group –, contributing significantly to its support in terms of economic growth and credibility.

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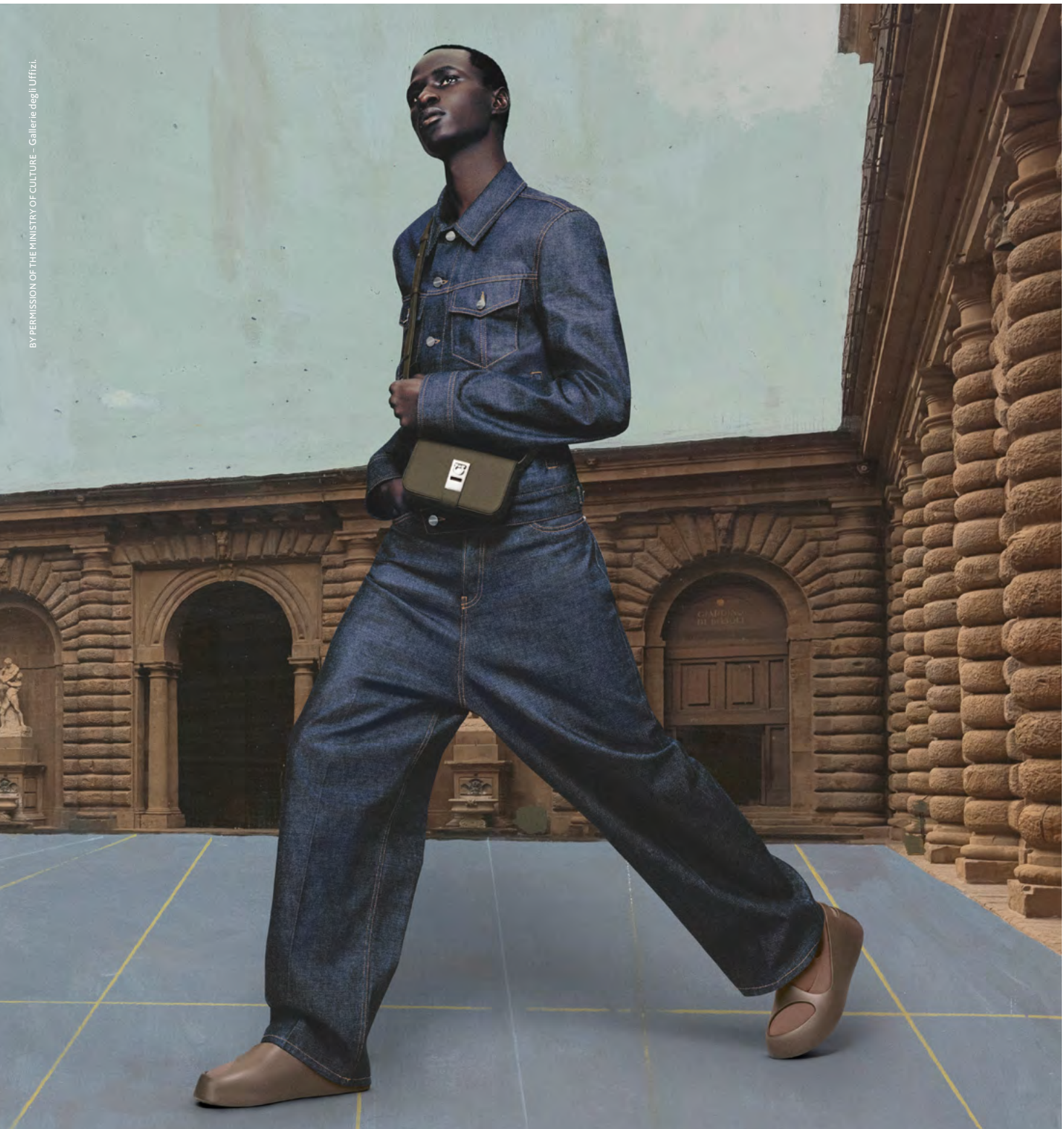
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1. METHODOLOGICAL NOTE



BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

This section of the Board of Directors' report on operations represents the Consolidated Non-Financial Statement (hereinafter also referred to as "NFS", "Non-Financial Statement" or "Sustainability Report") pursuant to Italian Legislative Decree no. 254 of 30 December 2016 implementing Directive 2014/95/EU of the companies belonging to the group consisting of Salvatore Ferragamo S.p.A. and its subsidiaries (hereinafter also referred to as the "Group" or "Salvatore Ferragamo Group") for the period from 1 January through 31 December 2023.

The NFS, as envisaged by article 5 of Italian Legislative Decree 254/2016, is included within the Board of Directors' report on operations with specific wording with the aim of making the Annual Report the reference document for meeting the information requirements of the Group's stakeholders in a clear and concise manner. The document aims to foster the progressive integration of financial and non-financial information, providing the reader with a complete and integrated view of the Group's performance, highlighting the link between operating, financial and sustainability scenarios.

The NFS was prepared to ensure the understanding of the Group's operations, performance, results and impact, addressing the topics considered material and set out in Art. 3 and 4 of Italian Legislative Decree 254/2016. The contents being reported on in this document have been selected based on a structured materiality analysis, which was updated in 2023, downstream of a trend and scenario analysis, both in Italy and globally, and made it possible to identify the most important sustainability topics for the Group and its stakeholders, as detailed in the section "Materiality analysis". It should be noted that the update of the 2023 materiality analysis was carried out according to the requirements set forth in the new GRI Universal Standards 2021, also taking into account the "outside-in" perspective as described in the "Stakeholders and materiality" section.

In addition, the provisions of the European Commission's "Guidelines on Non-Financial Reporting" have also been considered for the definition of the contents.

In order to avoid redundancies and facilitate the overall reading of the document, the NFS provides integrated information on the issues required by Italian Legislative Decree 254/2016 also by referring to other sections of the Board of Directors' report on operations, if the information is already contained therein or in case of further in-depth analysis.

The NSF is structured in five macro-sections:
- "Culture of sustainability", which describes the general ESG management model adopted by the Group, with a special reference to materiality analysis, stakeholder engagement and business ethics.
- "Responsibility towards people", which describes the management of staff-related aspects and performance.
- "Responsibility towards the environment", which describes the management of environmental aspects and related performance.
- "Responsible and transparent procurement", which describes the management of aspects related to the supply chain, and related monitoring.
- "Social responsibility", which describes the management of aspects related to the external community, supply chain, customers, human rights governance and related performance.

The document is completed by the "EU Taxonomy", "Annexes", "Group's Material Topics" and "Table of GRI Indicators" sections.

The scope of social and environmental data and information is limited to the subsidiaries consolidated on a line-by-line basis with the exception of Ferragamo Retail India Private LTD and Ferrimag Limited[10].

[10] The list of companies consolidated on a line-by-line basis is as follows: Ferragamo France SAS, Ferragamo U.K. Limited Ltd, Ferragamo Suisse SA, Ferragamo Monte-Carlo SAM, Ferragamo Belgique SA, Ferragamo Deutschland GmbH, Ferragamo Espana SL, Ferragamo Retail Nederland BV, Ferragamo Austria GmbH, Ferragamo USA Inc, Ferragamo Canada Inc, S Fer International Inc, Sator Realty Inc, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Chile SA, Ferragamo Argentina SA, Ferragamo Brasil Roupas e Acessórios Ltda, Ferragamo Japan KK, Ferragamo Hong Kong LTD, Ferragamo Australia Pty, Ferragamo Korea Ltd., Ferragamo (Singapore) PTE. LTD., Ferragamo Retail India Private LTD, Ferragamo (Thailand) LIMITED, Ferragamo (Malaysia) Sdn Bhd, Ferrimag Limited, Ferragamo Retail Macau Ltd., Ferragamo Retail HK Ltd, Ferragamo Retail Taiwan Ltd, Ferragamo Moda (Shanghai) Co. Ltd, Ferragamo Fashion Trading (Shanghai) Company LTD. Although the companies Ferragamo Retail India Private LTD and Ferrimag Limited are consolidated on a line-by-line basis with respect to financial data, non-financial data are not reported as they do not exist.

It should be noted that in reference to the information and data relating to environmental issues, in line with 2022, during 2023 an analysis was undertaken in order to identify the directly operated stores (DOS) which are considered relevant to ensure the necessary understanding of the Group's operations, its performance, results and environmental impact. For the year 2023, the scope of the stores has been in line with the criteria for calculating the Group's science-based targets, approved by the Science Based Targets initiative in August 2020. Following a process of alignment with the GHG Protocol and an extension of the business perimeter, which now includes local branches falling under the Group's operational control, the calculation of energy consumption and emissions has changed compared to 2022.

It should be noted that, with reference to stores, in line with 2022, data on water consumption and waste production for 2023 were not calculated since not considered material.

The "Social responsibility" section includes data and information relating to the Ferragamo Foundation, a related party of the Group, which, although not included in the scope of consolidation of the Salvatore Ferragamo Group, plays a significant role in the way the Group has an impact on society.

Ways of presenting quantitative data other than the above in relation to the scope are expressly indicated in specific notes. In addition, to present fairly the Group's performance and ensure data reliability, the use of estimates has been limited as much as possible. Any estimates in this document are made using the best available methods and expressly noted. Where possible, the information contained in the NFS has been provided along with a comparison to the year 2022.
Finally, for the sake of understanding the information contained herein, please note that the following terms are used in the document:

a. "the Group" refers to the Salvatore Ferragamo Group ("Group" means the Parent Company Salvatore Ferragamo S.p.A. and the subsidiaries consolidated on a line-by-line basis).
b. "Salvatore Ferragamo", "the Company", "the Parent Company" refer to Salvatore Ferragamo S.p.A.
c. "Italy" refers to the main area of business of Salvatore Ferragamo, unless otherwise specified.
d. "Ferragamo" refers to the Ferragamo Brand.

The NFS has been drafted in accordance with the GRI Standards[11], defined by the Global Reporting Initiative (GRI). A table listing the reported GRI indicators is included at the end of the NFS, providing a summary thereof and the relevant page numbers.

For information on the Non-Financial Statement, please contact csr@ferragamo.com. This document, published on 28 March 2024, is drawn up annually and is also available in the sustainability section of the Group's website (*https://sustainability.ferragamo.com/en*).

The process of collecting and processing data and information was managed by the Sustainability function of Salvatore Ferragamo S.p.A., also thanks to the adoption, as of 2021, of an IT platform for collecting and consolidating non-financial data.

The entity entrusted with the audit of this NFS is KPMG S.p.A., which certifies the compliance of the information provided herein in accordance with article 3, paragraph 10 of Italian Legislative Decree 254/2016 in a separate report. The audit was conducted in accordance with the procedures outlined in the "Independent Auditor's Report" section of this document.

Since the very beginning, the Salvatore Ferragamo Group has always considered sustainability as a model of conduct to follow without any compromises, and it has achieved significant results in this area over the years. In order to reinforce its commitment, in 2017 the Group developed a Sustainability Policy as well as a continuous improvement program through a Sustainability Plan.

The Group further strengthened its commitment, integrating in the Strategic Plan its sustainability strategy, described in detail in the Sustainability Plan.

[11] 2021 versions for Universal Standards and 2016, 2018, 2019 and 2020 versions for Topic Standards.

The new Plan for the 2024-2026 three-year period, updated during 2023, aims to create a culture of sustainability that respects, protects and promotes excellence, through a new direction that integrates past objectives with the new challenges for the future.
As further evidence of the Group's deep commitment to integrating sustainability into its business operations, some of the main initiatives implemented in each area are outlined below.

ENVIRONMENT

The Group considers the protection of the environment in which it operates to be of fundamental importance: following the definition of science-based targets, several activities aimed at reducing the carbon footprint have been launched. These include the optimization and efficiency of consumption and greenhouse gas emissions for offices and stores and indirect emissions.
In 2019, the Company obtained ISO 14001:2015[12] certification for all its Italian offices and stores; the latter were also certified ISO 14064[13]. The Salvatore Ferragamo's Logistics Hub, inaugurated in 2018, in 2019 obtained the LEED Platinum certification, the highest possible. In 2020, the new Salvatore Ferragamo Archive was inaugurated: it is located in the renovated M building of the Osmannoro site, and it also obtained the LEED Platinum certification in 2020.

In 2021, the Group published its Manifesto for Biodiversity, which formalizes its commitment to safeguarding biodiversity, with the aim of making a positive contribution to environmental protection.

Moreover, in 2022, the scope of certification of the Energy Management System according to the ISO 50001:2018[14] standard was extended to all off Italy. In addition to being maintained, in 2023 the certification was, in fact, extended to all retail stores in Italy.

The gradual introduction of materials with a lower environmental impact into the Group's collections and packaging has continued over the years. The latter, in particular, has seen a growing use of alternative materials to replace single-use plastic, both for end customer packaging and for packaging used during transport. For example, during 2023, there was an increase in the use of post-consumer fibers in institutional paper and plastic shoe trees were replaced with an alternative paper material made using responsibly managed forests (for example FSC certified).

SOCIAL MATTERS AND RESPECT FOR HUMAN RIGHTS

As regards culture and the local community, the Company directs significant attention and resources to developing artistic and cultural initiatives, in line with the Group Charity Policy. The Italian administrative offices and stores of Salvatore Ferragamo S.p.A. are ISO 45001[14] 5certified. This aspect is also important along the whole supply chain: during 2023, the Group further strengthened the audit activities undertaken on its direct suppliers and subcontractors, continuing to implement the monitoring plan to assess compliance with the Supplier Code of Conduct.

To offer its customers products that meet the most stringent chemical safety requirements in force at an international level, the Group has had a Restricted Substances List (RSL) in place since 2016. The list sets even stricter criteria than the REACH regulation to eliminate or restrict the use of certain chemicals during the production phases. This list is updated periodically. In 2023 it was amended to include new substances, limits and methods, and all suppliers and contract manufacturers, both with direct and indirect relationships with the Group, were asked to sign it.

Furthermore, the Group constantly strives to ensure respect for human rights, both internally and throughout the supply chain. In 2019, the Parent Company obtained the SA8000[16] social responsibility certification for the scope of its Italian operations, which was maintained also in 2023, and adopted the Anti-Child Labor Policy, which aims to further formalize the corporate commitment in this field.

[12, 13, 14, 15, 16] Whose scope covers about 25% of the Company's employees.

Finally, confirming the importance that the Salvatore Ferragamo Group attributes to health and safety issues, the Company organized the work of its employees in such a way as to guarantee the highest health and safety standards.

ATTENTION AND CARE FOR ITS HUMAN CAPITAL

The Group has always been committed to promoting and enhancing the potential of its human capital as well as to offering a stimulating work environment, in accordance with corporate welfare principles. The attention and care for employees are expressed not only in the Group's Sustainability Policy, but also in the Parent Company's Business Regulations. In addition, with the aim of creating a shared corporate culture and sense of belonging, the Company has created an induction program called "Discovering Ferragamo", focused on new hires in Italy. The program uses digital content related to products and detailed info on the corporate portals to introduce new hires to the Group's operations and its culture. The Group also invests in young talent and, to give them the opportunity to grow and develop their knowledge, it has established the **Wanda Ferragamo Scholarship**. The program awards five young women around the world with 5 scholarships worth €15,000, to support them in their studies and help them in the development of their future professional career.

ANTI-CORRUPTION AND ANTI-BRIBERY

In order to ensure the utmost transparency in its operations, during 2017 the Group implemented an Anti-Corruption and Anti-Bribery Policy.

In 2016, the Company also activated a whistleblowing program to enhance the internal control system. This program offers a way to report any misconduct or breaches of the law or procedures by the Group's employees. An Ethics Committee has also been created to monitor and manage the reports. As of the date of this document, the Committee consists of a Board made up of the Internal Audit Director and Tax Risk Officer, the Chief People Officer, the General Counsel and the Chief Transformation & Sustainability Officer. In this regard, it should be noted that the Board of Directors has updated the whistleblowing procedure and the regulations of the Ethics Committee in accordance with the provisions of Italian Legislative Decree 23/2024 implementing Directive (EU) 2019/1937 on 6 July 2023 and, most recently, on 20 December 2023.

For further information on the initiatives undertaken by the Salvatore Ferragamo Group, the main risks generated or faced, including the relevant management procedures and objectives, reference should be made to the relevant sections in this document and to the other sections of the Board of Directors' report on operations by means of appropriate references, as well as to the Corporate Governance Report.

2. CULTURE OF SUSTAINABILITY



2.1 The sustainability journey

The Group's journey towards sustainability started in 2014, when, with the aim of ensuring transparency in respect of its operations, Salvatore Ferragamo undertook a reporting process on initiatives related to social responsibility, drawing up the first Sustainability Report according to international guidelines. Since 2016, this process has been extended to the entire Salvatore Ferragamo Group.
In 2016, the Company, with a view to transparency and stakeholder engagement, created on the Salvatore Ferragamo Group website a section entirely dedicated to corporate responsibility, which illustrates the main social and environmental sustainability projects that the Group has promoted over the years. In 2021, the new sustainability.ferragamo.com website was launched. The new version offers a completely updated design and a more effective and intuitive user experience. The experience was made inclusive and global, thanks to the optimization of the website for all devices and its availability in eight languages.

The **Sustainability Policy** was published in 2017, with the aim of defining the Guiding Principles relating to the Salvatore Ferragamo Group's areas of social and environmental commitment, establishing a corporate culture oriented towards fairness and professionalism, promoting honesty, integrity and transparency, encouraging sustainable development, fostering dialog on corporate ethics and increasing stakeholder responsibility. Prepared in accordance with the principles and rules of the Group's Code of Ethics as well as the United Nations' framework concerning Sustainable Development Goals (SDGs), the Policy seeks to encourage the Group's governance bodies, employees and collaborators to share ideas and recommendations to implement sustainability in day-to-day operations. Information and assistance on the interpretation of the Policy can be requested from the Salvatore Ferragamo S.p.A. Sustainability Team by sending an email to csr@ferragamo.com.

In August 2020, confirming its commitment to sustainability and in line with the level of decarbonization required to prevent the most damaging effects of climate change, the Group defined its **Science-Based Targets** to reduce its greenhouse gas (GHG) emissions. The Science Based Targets initiative approved two major targets to be achieved by 2029 that include a 42% reduction in the Group's direct emissions and in some categories of indirect emissions. These objectives are detailed in the Sustainability Plan updated by the Board of Directors at its meeting on 20 December 2023 for the 2024-2026 three-year period.

On 21 April 2021, the European Commission (EC) published the proposed Corporate Sustainability Reporting Directive (CSRD), with the aim of amending the current reporting requirements of the Non-Financial Reporting Directive (NFRD). The objective of the proposed Directive is to improve sustainability reporting to take full advantage of the European Single Market and contribute to the transition to a fully sustainable and inclusive economic and financial system, in line with the European Green Deal and the United Nations Sustainable Development Goals. The final text of the Directive, the product of the agreement between the EU Parliament, Council and Commission, was approved on 10 November 2022. The new EU Directive 2022/2464 was published in the EU Official Journal on 16 December 2022.

The New Directive requires Sustainability Disclosures integrated into the Board of Directors' report on operations, in line with the requirements of the CSRD itself and with the new reporting standards, the sector-agnostic European Sustainability Reporting Standards ("ESRS") drafted by the European Financial Reporting Advisory Group (EFRAG) and adopted by the European Commission through a Delegated Act dated 31 July 2023.

In relation to the entry into force of the new CSRD Directive, for the 2024 reporting year the Group has launched a project aimed at **the adoption of the provisions of the CSRD** and **the new ESRS standards**.

2.1.1 SUSTAINABILITY AND FINANCE

More recently, the growing importance of sustainability issues has led to environmental, social and governance factors playing an increasingly important role in medium/long-term investment decisions. For this reason, the Salvatore Ferragamo Group decided to undergo corporate sustainability assessments again in 2023, in order to better understand its position and performance in the Environmental, Social, Governance (ESG) area.

Among these, Ferragamo responded to the **S&P** questionnaire obtaining a score of 42 in the "Textiles, Apparel & Luxury Goods" sector, an improvement compared to the previous year. Since 2017, Ferragamo has been responding to the **CDP** (Carbon Disclosure Project) **Climate Change** questionnaire: in 2023 it reached a leadership level with a score of A- for its reporting and risk management related to climate change, improving on the B score obtained in 2022. In 2022 Salvatore Ferragamo obtained the **SI Rating** certification, achieving for the second consecutive year the Gold level – the highest standard – with an overall rating of 91% and improving its score for each of the ESG dimensions examined.

CDP Climate
Score A-

Again with regard to ESG-related activities, since 2020 Salvatore Ferragamo has taken out various **credit lines** with some of the leading reference banks (Intesa Sanpaolo, Banca Nazionale del Lavoro and Unicredit) with the aim of financing the Group's generic cash needs, which provide a reward mechanism for achieving certain environmental and social sustainability parameters. The total outstanding amount of these ESG-linked credit lines for the Ferragamo Group as of 31 December 2023 is €380 million.

2.1.2 ASSOCIATIONS AND NETWORKS

Over the years, the Company's commitment to sustainability has been strengthened thanks also to its membership to important associations and networks with a view to sharing experiences and best practices.

Since August 2019, Salvatore Ferragamo has subscribed to the **Fashion Pact**, a coalition that brings together over 200 leading fashion and textile brands to set out strategic and concrete targets for reducing the environmental impact of this important industry. Supported by some of the leading experts in scientific research and ecosystem preservation, the Fashion Pact has set concrete targets focusing on three areas:

- Climate: implementation of Science-Based Targets (SBTs) to achieve net-zero greenhouse gas emission by 2050;
- Biodiversity: protection of key species, preservation and restoration of critical natural ecosystems;
- Oceans: reduction of the negative impacts of the fashion industry on the oceans by eliminating problematic and unnecessary plastics in packaging.

The Fashion Pact
Member since 2019

LWG
Member since 2021

Throughout 2023, the Fashion Pact, in collaboration with several partners and experts, played an active role in aligning the knowledge of Pact members and ensuring that the set goals were achieved. To this end, numerous activities and webinars were organized and briefing documents were shared.
Salvatore Ferragamo is part of the Fashion Pact Steering Committee, made up of a selection of CEOs of member Brands, in order to maintain an open dialog between company executives and openly share ideas, guidelines and progress.

Moreover, since August 2021, the Company has joined the **Leather Working Group** (LWG), a non-profit organization for stakeholders in the tanning sector's value chain, which work in synergy in order to improve the environmental management of the leather manufacturing industry. The main objective of the LWG is to provide, maintain and develop audit protocols, with the aim of verifying the compliance and environmental performance of tanners around the world, promoting sustainable and appropriate practices in respect of the environment.

In order to implement the universal principles of sustainability and support the United Nations' goals, in December 2018, the Salvatore Ferragamo Group joined the **United Nations Global Compact**, the world's largest corporate sustainability initiative. The United Nations Global Compact provides a universal language for social responsibility and a framework for businesses of all sizes, complexities and locations. Moreover, this initiative supports companies in working responsibly and making strategic decisions to promote broader social goals. Each year, the Company takes part in workshops and webinars organized by the Global Compact in order to provide companies with training and support in various areas. In 2021, Salvatore Ferragamo also participated in the drafting of the "Italian Business and Decarbonization: a just and inclusive transition" Position Paper. The aim of the paper is to enhance the commitment of Italian companies participating in the United Nations Global Compact on the issue of decarbonization, taking an in-depth look at their efforts made and results recorded so far to support the targets of the Paris Agreement and of the European ambition to achieve net-zero emissions by 2050.

On the subject of diversity and equal opportunities, since 2020 the Company has joined **Valore D**, the first business association in Italy committed to creating a professional world free of discrimination, where gender equality and a culture of inclusion support the growth of the organization.

In October 2017, the Company signed the Manifesto for a Circular Economy, which establishes an Alliance to promote innovative and sustainable projects.
The **Italian Alliance for the Circular Economy**, promoted by Enel and Intesa Sanpaolo, involves various internationally recognized "Made in Italy" businesses from different sectors. The collaboration aims to develop business models based on sharing, extending products' useful life, re-using and using renewable resources. In November 2018, the Alliance presented a Position Paper with the aim of bringing the issue of the circular economy at the very heart of the political agenda and of making proposals for the development of Italian projects on circularity. In September 2020, a new version of the Position Paper was released, which identifies priority actions, valuable experiences and makes concrete proposals for the devel-

opment of circularity in Italy. Together with the Position Paper, the Alliance website was also created and made available to the public. In 2021, four thematic working papers were published: "Measuring Circularity", "Circular Economy and Finance", "Circularity and Climate Change" and "The Circular Economy in Territories and Cities". The Papers, presented through online meetings, were published on the Alliance website. During 2022, the Alliance produced two sets of guidelines: one on circular declarations and communications and the other on circular procurement. The first document contains guidelines for the implementation of communication policies that adhere to the principles shared by the companies in the Alliance: the document includes a common definition of the circular economy concept and a series of key principles that companies must take into consideration when issuing statements and communications of a circular nature. The second document defines a set of criteria and tools aimed at including circularity principles in procurement processes, a theoretical and organizational framework for the implementation of circular purchasing processes and a common questionnaire for supply chain engagement.

Since 2011, the Salvatore Ferragamo Group has been a member of the Sustainability Workgroup sponsored by the **Italian Chamber of Fashion (CNMI – Camera Nazionale della Moda Italiana**), which aims to find an Italian way to making fashion sustainable as well as encourage the adoption of responsible business models throughout the fashion industry's value chain. In 2023, the Company actively participated in the CNMI meetings organized with other Italian Brands, taking part in the numerous sessions, in the meetings and in the events promoted over the course of the year.

The Company also adheres to **Confindustria Moda** with the aim of cooperating, within the framework of sector regulations, in the prevention and/or reduction/remediation of negative impacts resulting from its business. With this in mind, in Italy the Company has also joined the **Re.Crea Consortium** to ensure better compliance with the Extended Producer Responsibility (EPR) requirements for textile waste disposal and, in France, the **Citeo Consortium** and the **Re-Fashion Consortium**.

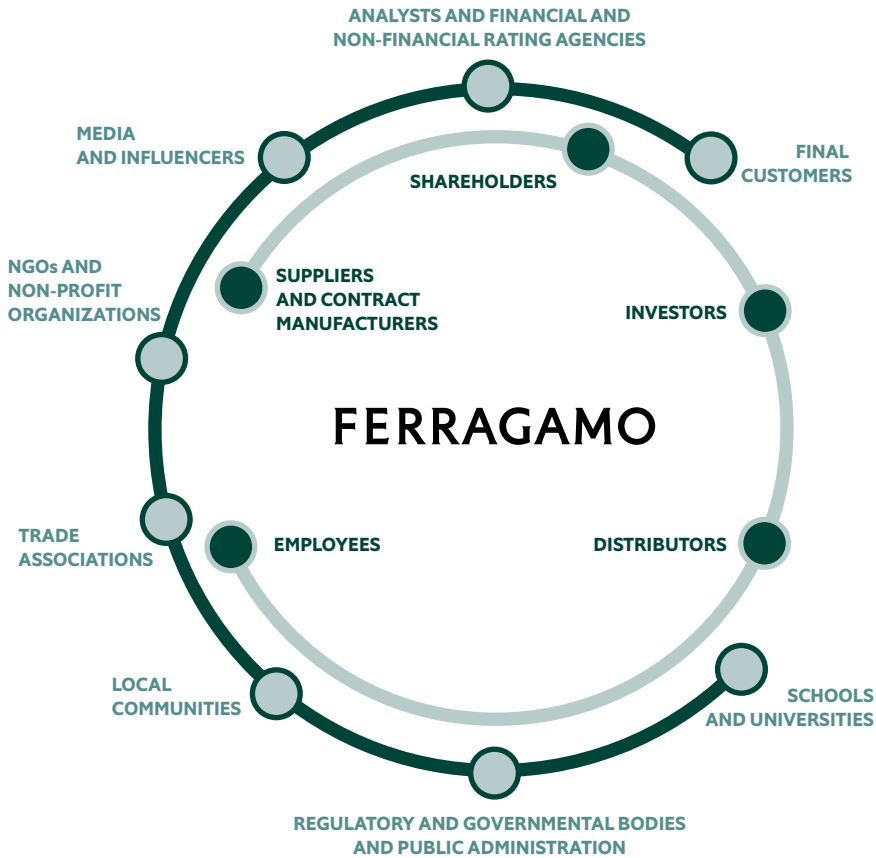
Re.Crea Consortium

Re.Crea Consortium is an organisation dedicated to the promotion of sustainability in the fashion and textile sector and coordinated by CNMI (National Chamber for Italian Fashion). Its objective is to manage the end-of-life phase of textile and fashion products and to promote the research and development of innovative recycling solutions.

Finally, in 2023, Ferragamo participated in the **Monitor for Circular Fashion**, a multi-stakeholder project promoted by the SDA Bocconi Sustainability Lab, which aims to identify the circularity performance indicators (KPIs) in the fashion industry, highlight and disseminate good business practices in this regard, and develop technical, managerial and scientific skills towards sustainable business models.

2.2 Stakeholders and materiality

Every year, the Salvatore Ferragamo Group promotes activities to engage its stakeholders, involving them in the definition of economic, social and environmental aspects, according to the principles of transparency, integrity and professionalism. These initiatives are not limited to an external audience, but are also aimed at the integration of the culture of sustainability into the Company's corporate life and strategy.
The Group has identified and selected its stakeholders for the purposes of understanding their expectations and translating them into actionable objectives. In line with the mapping presented last year, the following have been identified as **internal stakeholders**: employees, shareholders, investors, distributors, suppliers and contract manufacturers. The following have been identified as **external stakeholders**: final customers, schools and universities, regulatory and governmental bodies and public administration, local communities, non-governmental organizations (NGOs) and non-profit organizations, media and influencers, trade associations, analysts and financial and non-financial rating agencies.



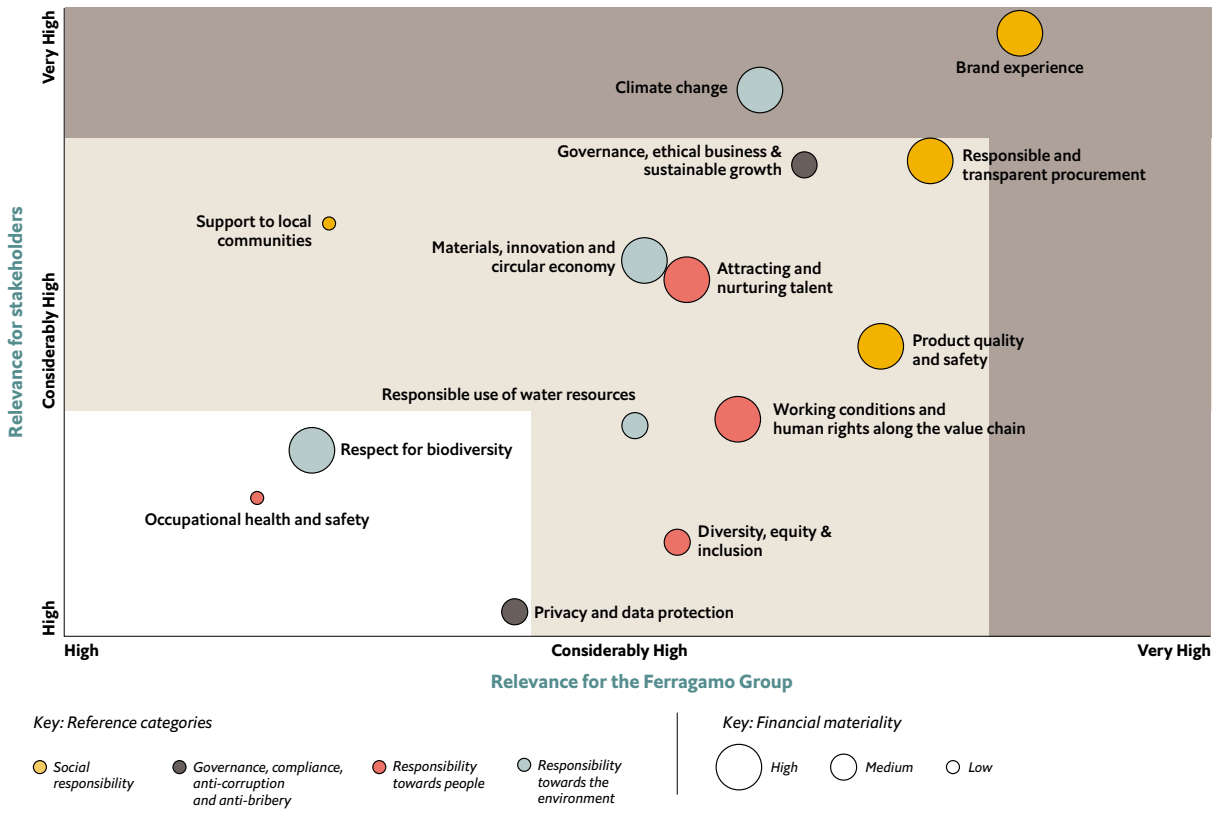
2.2.1 MATERIALITY ANALYSIS

The materiality analysis of the Salvatore Ferragamo Group focuses on examining the aspects relevant to both the Group and its stakeholders, as required by the corporate Procedure for the preparation of the NFS ("Procedure for drafting, approving, publishing and filing the NFS").

In line with 2022, the 2023 materiality analysis was conducted in accordance with the new "impact materiality" process defined by GRI 3: Material Topic 2021, according to the requirements set forth in the GRI Universal Standards 2021. As part of the update, the Group has further explored its current and potential positive and negative impacts that it causes or contributes to from an "**inside-out**" perspective, in relation to the economy, the environment and people, also including impacts related to human rights and business relations.

Subsequently, the analysis continued with the identification of the significant impacts to which Salvatore Ferragamo is exposed, according to the "**outside-in**" perspective, updating the financial materiality already identified and defined in the 2022 materiality analysis. Underpinned by the concept of "**double-materiality**", following an active discussion with Top Management the Group updated the financial relevance of the related topics.

In continuity with the activities undertaken in 2022, the latter was calculated starting from Enterprise Risk Management (ERM) and is reflected in the themes graphically represented in the matrix according to the size of the circles of each theme (low-medium-high), as shown in the legend. This allows a single matrix to provide both the inside-out perspective, typical of Impact Materiality, as well as the outside-in perspective, typical of Financial Materiality.



In 2023, the update of the materiality analysis saw the engagement of different categories of Group stakeholders, with a wider and improved perimeter compared to previous years, called upon to express their opinion in the process of defining, assessing and prioritizing material topics[17].
The first phase of the materiality update involved the identification of all potentially material impacts for the Group, through an in-depth context analysis and a comparison with industry peers, ensuring a complete and up-to-date perspective. Subsequently, the aspects and the related potentially material impacts were evaluated by a number of stakeholders and the Group's Top Management. In particular, the external stakeholders engaged were asked to assess the relevance of the impacts through an online questionnaire.

For Top Management, on the other hand, a dedicated workshop was organized. The workshop involved the assessment of impacts according to the "inside-out" perspective with regard to severity and scope and a financial evaluation exercise was also conducted on the relevant topics (according to the "outside-in" perspective). Thanks to this approach, the assessment made it possible to identify the most significant environmental, social and governance impacts that the Group has on society, and the potential risks and opportunities related to the Group's business.

In line with 2022, the Group engaged several external stakeholders in the process of updating the materiality analysis, including not only tanneries, but also suppliers of textiles, packaging and materials for stores. Of the 36 suppliers involved, 22 expressed their opinion on the main sustainability impacts, with a response rate of 61%.
These engagement initiatives present a key opportunity to discuss and raise awareness with regard to the sustainability topics characterizing the Group's business activities.
The results of the analysis carried out were shared with the Control and Risk Committee and with Top Management and were approved by the Board of Directors on 20 December 2023.

Given the in-depth analysis of the impacts generated by the Group, it should be noted that **new material topics have been identified**. With regard to responsibility towards the environment, the "Responsible consumption" topic has been eliminated, as the underlying impacts have been merged into the new "Responsible use of water resources" and "Respect for biodiversity" topics. With regard to social responsibility, some of the impacts covered by the "Working conditions and human rights" topic, now renamed to "Working conditions and human rights along the value chain", were separated out, defining the new "Occupational health and safety" topic.
The category concerning "Governance, compliance, anti-corruption and anti-bribery", instead, remained unchanged. It should be noted that compared to the matrix published in 2022, the most significant changes concern the "Brand experience" and "Governance, ethical business and sustainable growth" topics, given the increase in relevance attributed by both Top Management and stakeholders. Moreover, the financial materiality of the "Attracting and nurturing talent" and "Brand experience" topics has increased from medium to high relevance. Finally, the new "Respect for biodiversity" topic has been assigned a high financial relevance, while the "Responsible use of water resources" and "Occupational health and safety" topics have, respectively, been assigned a medium and low relevance.

[17] Additional references to previously conducted stakeholder engagement activities are available in previous editions of the NFS. Over the years, stakeholder engagement activities have seen the involvement of Top Management, committees and internal reference functions, Group employees, including Store Managers and Assistant Store Managers, as well as suppliers and contract manufacturers.

2.2.2 PRIORITIZED LIST OF MATERIAL TOPICS

Material Topic	Impacts	Actual/Potential; Positive/Negative	Management methods	Involvement
Brand experience	- Full customer satisfaction in terms of product quality and shopping experience.	Actual; Positive	- Enhancement of the characteristic identity of the Brand and promotion of programs and activities aimed at fostering recognition and positioning among all stakeholders (e.g. employees, customers, suppliers). The topic includes the characteristic aspects relating to customer experience.	To which the Group contributes
	- Promotion of Made in Italy, of Italian craftsmanship and creativity, with direct and indirect benefits to the positioning of the Italian industry and its textile/footwear sector in the world.	Actual; Positive		To which the Group contributes
Product quality and safety	- Negative impacts on customers and end users caused by misleading communication and incorrect labelling.	Potential; Negative	- Promotion and enhancement of Made in Italy, Italian creativity and craftsmanship. - Compliance with current legislation on the origin of the product.	Caused by the Group
	- Positive impacts on people and economic systems generated by technological process and product innovations linked to research and development activities.	Actual; Positive	- Constant commitment to the creation of a product with the highest standards of quality and safety for customers. - Ensure compliance with current regulations in the use of chemicals. - Use of high-performance processes to reduce the use of substances harmful to consumer health and the environment.	To which the Group contributes
	- Inadequate management of complaints and customer relations, with negative consequences on the ability to meet the needs of end users.	Potential; Negative		Caused by the Group
	- Failure to take appropriate measures to guarantee the quality of products, with consequent risks of negative impacts for customers and users.	Potential; Negative		Caused by the Group

Material Topic	Impacts	Actual/Potential; Positive/Negative	Management methods	Involvement
Governance, ethical business & sustainable growth	- Anti-competitive behavior and monopolistic practices with negative impacts on the economy and markets.	Potential; Negative	- Pursuit of sustainable business success. - Promotion of an adequate governance and organizational structure and of a corporate culture based on good behaviors, in compliance with the laws and regulations in force in the countries in which the Group operates, in the environmental, economic and social fields. - Commitment to transparency, promoting both internal and external communication that is effective and timely. - Promotion and compliance with the highest standards of ethics, honesty and fairness in all relations within and outside the Group, in accordance with laws and regulations in force. Promotion of anti-corruption and anti-bribery practices, both in relation to internal and external stakeholders. - Creation of value in the medium/long term for the organization, its stakeholders and the communities in which the Group operates. - Use of corporate tools, rules, procedures and organizational structures in order to ensure effective identification, measurement, management and monitoring over time of the main risks/opportunities to ensure a healthy, correct and consistent business management with respect to corporate objectives.	Caused by the Group
	- Generation of economic value and balanced distribution to stakeholders (for example employees, suppliers, customers).	Actual; Positive		To which the Group contributes
	- Negative impacts on people and economic systems generated by unethical business conduct (for example corruption).	Potential; Negative		Caused by the Group
	- Failure to implement animal welfare measures along the supply chain, with consequences such as unethical treatment and cruel practices of animals.	Potential; Negative		Caused and to which it contributes
	- Violation of tax obligations and theft of revenue from the Public Administration.	Potential; Negative		Caused by the Group
	- Non-compliance by the Group with applicable laws and regulations and voluntary codes on environmental matters.	Potential; Negative		Caused by the Group
Working conditions and human rights	- Inadequate working conditions and wages along the supply chain, with negative impacts, in particular, for the workers employed by manufacturers under contract with the Group.	Potential; Negative	- Implementation of welfare programs aimed at supporting employees' working and private life, definition of initiatives to promote work flexibility (working hours, remote working, etc.) and to support employees' spending capacity, development of health and wellness plans for employees.	To which the Group contributes
	- Violations of human rights along the value chain and within the Group (for example the right to freedom of association and collective bargaining, child labor, forced or compulsory labor)	Potential; Negative	- Dissemination of policies and practices aimed at ensuring respect of human rights at all operational levels and in collaborations with suppliers, business partners and other entities operating in the name and on behalf of the Group. - Implementation of training courses and practices aimed at fostering respect for human rights and workers' rights. - Implementation of due diligence activities aimed at the identification of potential risks relating to human rights and implementation of remediation plans in the event that violations are confirmed.	To which the Group contributes

Material Topic	Impacts	Actual/Potential; Positive/Negative	Management methods	Involvement
Climate change	- Energy consumption, with consequent negative impacts on the environment and reduction of energy stocks.	Actual; Negative	- Adoption of practices and behaviors aimed at mitigating and adapting to climate change. - Monitoring of GHG emissions and promotion of policies and practices aimed at contributing to the fight against climate change, including through the use and adoption of "green" technologies and energy from renewable sources.	Caused by the Group
	- Contribution to climate change through direct and indirect GHG emissions, linked to the activities carried out in the Group's offices and sites (Scope 1 and 2).	Actual; Negative		Caused and to which it contributes
	- Generation of GHG emissions related to production and transport activities along the value chain (Scope 3).	Actual; Negative	- Definition and pursuit of a climate strategy with medium/long-term emission reduction targets in line with the Paris Agreements (SBTs).	To which the Group contributes
	- Production of pollutants such as nitrogen oxides (NOx), sulfur oxides (SOx) and other significant emissions that can contribute to climate change.	Actual; Negative	- Participation in national and international initiatives (e.g. Fashion Pact).	Caused by the Group
Attracting and nurturing talent	- Upskilling of workers through training and professional development activities, also linked to growth objectives and personalized assessments.	Actual; Positive	- Promotion of adequate management of the working environment and engagement of the Group's human resources through the development of HR policies aimed at attracting and recognizing the value of employees (e.g. remuneration policies, performance evaluations), the promotion of continuous training and development aimed at enhancing employees' technical, managerial and organizational skills, also to promote talent retention. - Implementation of welfare programs aimed at supporting employees' working and private life, definition of initiatives to promote work flexibility (working hours, remote working, etc.) and to support employees' spending capacity, development of health and wellness plans for employees.	To which the Group contributes
	- Failure to meet workers' expectations in terms of adequate and fair remuneration.	Potential; Negative		Caused by the Group
	- Promotion of employee satisfaction and wellness through the implementation of well-being activities and dedicated benefits.	Actual; Positive		To which the Group contributes
Diversity, equity & inclusion	- Negative impacts on employee satisfaction and motivation due to discrimination (for example related to gender, age, ethnicity, etc.).	Potential; Negative	- Development of appropriate policies, practices and working conditions to ensure and promote equal opportunities, respect for diversity, equity and inclusion, combating all forms of discrimination based on gender, age, religion, sexual orientation, origin and other spheres not related to professional life.	Caused by the Group

Material Topic	Impacts	Actual/Potential; Positive/Negative	Management methods	Involvement
Materials, innovation and circular economy	- Creation of positive impacts through the recycling and reuse of waste materials or by-products for making new products.	Potential; Positive	- Responsible use of materials (favoring raw materials with a low environmental impact, innovative technologies and alternative materials), to reduce the environmental impact of Ferragamo products and their packaging. - Responsible and conscious management of waste, encouraging reuse and recycling and contributing to the transition to a circular economy model aimed at ensuring greater environmental protection. - Implementation of training and awareness-raising activities for employees, suppliers and collaborators concerning waste minimization and the recovery of waste materials generated by production processes, as well as on issues related to the correct disposal of waste.	To which the Group contributes
	- Creation of positive impacts through the adoption of Circular Economy approaches related to the end-of-life of the products sold (for example closed-loop, remanufacturing, etc.).	Potential; Positive		To which the Group contributes
	- Environmental impacts related to the production of hazardous and non-hazardous waste during production.	Actual; Negative		Caused and to which it contributes
	- Indirect environmental impact related to the production and processing of packaging materials along the supply chain (plastic, paper, cardboard, wood, metal, etc.).	Actual; Negative		To which the Group contributes
	- Indirect environmental impact related to the production and processing of raw materials (cotton, leather, plastic, etc.) along the supply chain.	Actual; Negative		To which the Group contributes
Responsible and transparent procurement	- Non-compliance with applicable laws and regulations and voluntary environmental codes along the supply chain.	Potential; Negative	- Responsible management of procurement processes throughout the supply chain. - Dissemination of sustainability principles, evaluation and screening of suppliers, including on the basis of environmental, social and governance criteria, and promotion of good behavior and practices that stimulate suppliers in adopting ethical and sustainable behaviors. - Implementation of systematic improvement measures to reduce the impact on terrestrial and marine ecosystems of the products and services offered, in line with the needs of sustainable development. - Promotion of policies and activities aimed at protecting biodiversity, including through specific training courses and participation in national and international initiatives. - Compliance by the Group with national and international laws and regulations and adoption of reference standards and principles, in order to ensure the ethical treatment of animal species with regard to both species bred for food purposes and wild ones. - Promotion and enhancement of Made in Italy, Italian creativity and craftsmanship. - Compliance with current legislation on the origin of the product. - Promotion of and respect for animal welfare throughout the supply chain.	Caused by the Group and to which it contributes
	- Non-compliance with applicable laws and regulations and voluntary socio-economic codes along the supply chain.	Potential; Negative		Caused by the Group and to which it contributes

Material Topic	Impacts	Actual/Potential; Positive/Negative	Management methods	Involvement
Responsible use of water resources	- Negative impact on water availability caused by water withdrawal during the production process.	Actual; Negative	- Efficient management of water consumption, through ad hoc policies, actions and programs. - Implementation of programs and initiatives for the reduction of waste.	Caused and to which it contributes
	- Water pollution due to the spillage of pollutants during the production process.	Actual; Negative		Caused and to which it contributes
Privacy and data protection	- Violations of applicable legislation and failure to apply data management best practices to the detriment of stakeholder privacy.	Potential; Negative	- Adoption of policies and procedures aimed at ensuring the security and protection of information and confidential data belonging to Group stakeholders. - Implementation of appropriate measures to mitigate cybersecurity risks. - Definition of confidentiality rules in order to avoid improper disclosure of information and data. - Processing of information relating to the Group's activities, to the data concerning workers, collaborators and third parties in compliance with current regulations on privacy.	Caused by the Group
Support to local communities	- Hiring of workers from the local communities in which the Group operates, with positive impacts on local economies and on maintaining technical and artisanal skills in the area.	Actual; Positive	- Contribution to the social and economic development of the communities in which the Group operates, through investments, projects, programs and initiatives (e.g. charitable initiatives, collaborations with schools and universities). - Stakeholder engagement and continuous listening initiatives in order to implement growth strategies with positive impacts for the local communities, including through activities to identify needs and expectations. - Sharing of business know-how for the development of the local communities.	To which the Group contributes
	- Local development support through contributions and donations to associations in the area where the Group is most present (for example headquarters).	Actual; Positive		To which the Group contributes
Respect for biodiversity	- Environmental impacts on biodiversity due to the use of soil and pesticides for cultivating raw materials needed for the production of garments (for example cotton).	Actual; Negative	- Promotion of policies and activities aimed at protecting biodiversity, including through specific training courses and participation in national and international initiatives. - Compliance by the Group with national and international laws and regulations and adoption of reference standards and principles, in order to ensure the ethical treatment of animal species with regard to both species bred for food purposes and wild ones.	To which the Group contributes
	- Loss of biodiversity caused by deforestation with negative consequences on ecosystems.	Actual; Negative		To which the Group contributes

Material Topic	Impacts	Actual/Potential; Positive/Negative	Management methods	Involvement
Occupational health and safety	- Injuries or other accidents in the workplace, with negative consequences for the health of direct workers or external collaborators. - Onset of illnesses due to risky production processes.	Potential; Negative Potential; Negative	- Promotion of the highest standards relating to occupational health and safety, compliance with regulatory requirements and agreements entered into on matters of safety, prevention, hygiene and health in the workplace. - Adoption of measures and practices, even beyond what is prescribed by current regulations, aimed at minimizing risks to the health and safety of Group employees and collaborators. - Implementation of training plans to progressively increase the level of awareness and knowledge concerning the risks to which all people who access the Group's offices are exposed.	Caused by the Group Caused by the Group

2.2.3 BUSINESS COMMITMENTS AND STAKEHOLDER EXPECTATIONS

Stakeholders	Summary of commitments and activities	Summary of engagement efforts	Summary of stakeholder expectations
Final customers	The Group continues to pursue several initiatives aimed at customer satisfaction, adopting a customer-centric strategy that allows anticipating the needs of existing and potential customers in order to create short-, medium- and long-term value. Among the many commitments undertaken, in particular, the Group's strategic approach and the efforts in the field of anti-counterfeiting should be mentioned.	- Business projects aimed at greater customer understanding and engagement (Virtual Showroom, ClientiAmo App); - Relationships related to the sales process (store and eCommerce).	- Quality, safety, traceability and sustainability of products and materials; - Quality and customized shopping experience; - Ongoing assistance and consultancy services; - Information on the correct use and storage of products.
Financial and non-financial rating agencies and analysts	The Group is committed to communicating financial and non-financial information in a transparent and timely manner, according to best practices and best methodologies available.	- Structured reporting as part of requests for financial and non-financial information.	- Transparency, timeliness and reliability of financial and non-financial information.
Trade associations	The Group maintains constructive relationships with trade associations, also with a view to promoting an understanding of the needs and trends of the Fashion & Luxury markets, facilitating discussion and contributing to the sustainable development of the sector and of Made in Italy.	- Contribution to events and activities; - Specific meetings and conferences, including in the area of sustainability.	- Compliance with the requirements for participation and active involvement on the Group's part in the dialog and in the events and/or activities promoted; - Sharing of industry-relevant insights (e.g. sustainability trends, global initiatives, sales trends of specific products); - National and international collaborations and initiatives aimed at promoting Made in Italy in the world.
Media and influencers	The Group maintains a close and ongoing collaboration with the media and influencers, including through interviews, presentations and dedicated events, committing itself to contributing to the promotion of information campaigns related to sustainable innovations, new circular trends, industry innovations or any actions taken in favor of the community and the environment.	- Interviews; - Corporate events; - Press conferences.	- Timely and truthful disclosure of the Group's performance and of the main market innovations introduced; - Presentation of the social, cultural and environmental initiatives undertaken; - Presentation of the innovations developed and of trends in the area of sustainability.

Stakeholders	Summary of commitments and activities	Summary of engagement efforts	Summary of stakeholder expectations
NGOs and non-profit organizations	The Group constantly dialogs with NGOs and with the Third Sector world, contributing to specific projects: in fact, it has been engaged in initiatives and partnerships dedicated to the well-being and health of women and children for years. To this end, the Group promotes paying close attention to the requests and expectations of the many non-profit organizations, maintaining a close collaboration with them focused on supporting local communities.	- Dialog and collaboration with non-profit organizations, including through the provision of donations, contributions and sponsorships.	- Participation and support of the Group in cultural development and social inclusion projects.
Local communities	The Group carries out its activities paying close attention to the needs of the territories in which it operates, with the aim of extending the positive impacts of its activities to local communities.	- Initiatives for the involvement of local communities; - Continuous relationship with the main local players.	- Implementation of business practices that protect the territory; - Promotion of local development.
Regulatory and government bodies and Public Administrations	The Group engages with regulatory and government bodies and Public Administrations with the utmost integrity and fairness, on the basis of the principles, roles and responsibilities identified pursuant to current legislation in force, to maintain a constructive collaborative relationship and at the service of the community's interests.	- Formal communications, in the various areas of reference (e.g. Governance, Tax).	- Compliance with current regulations; - Anti-corruption and anti-bribery; - Prevention of crimes pursuant to Italian Legislative Decree 231/2001; - Reliability and transparency towards the needs of Public Administrations.
Schools and universities	The Group promotes an inclusive dialog with universities, training schools and national and international research centers, including with the aim of sharing passion and expertise in relation to the Fashion & Luxury sector with the new generations.	- Training activities and initiatives; - Collaborations with universities and research centers.	- Promotion of youth employment and research & development, including in the sustainability field; - Development of activities of interest, with the active involvement of students.
Employees	The Group has always been committed to fostering development and recognizing the value of its employees, including by offering a stimulating work environment, attentive to corporate welfare and with an extensive training offering.	- Training activities; - Knowledge Sharing sessions.	- Safe and fair workplaces; - Respect for the principles of diversity, equity and inclusion; - Employment stability and corporate welfare; - Opportunities for personal and professional growth; - Fair remuneration policies and meritocratic systems; - Compliance with labor laws in force.
Distributors	The Group has always promoted a close dialog aimed at creating and maintaining stable and lasting collaborative relationships with its distributors.	- Online questionnaires; - Normal business relationships.	- Compliance with contractual conditions; - Fair and non-discriminatory treatment.
Investors	The Group interacts on an ongoing basis with investors, ensuring a transparent, constant, clear, accurate and timely dialog.	- Normal Investor Relations; - Shareholders' Meetings; - Corporate visits.	- Transparency in relation to its financial and non-financial performance; - Continuous improvement in the ESG field.
Shareholders	One of the main objectives of the Group is to ensure the sustainable success of the business, including with a view to creating added value for its shareholders. In this context, the Group interacts on an ongoing basis with shareholders, adopting the best Investor Relation practices.	- Normal Investor Relations; - Shareholders' Meetings; - Corporate visits.	- Share value growth; - Transparency in relation to its financial and non-financial performance; - Continuous improvement in the ESG field.
Suppliers and contract manufacturers	The Group supports a close dialog aimed at creating and maintaining stable and lasting collaborative relationships and promotes the adoption of ethical, as well as socially and environmentally responsible behavior amongst its suppliers and contract manufacturers.	- Online sustainability questionnaires; - Use of the FerragamoLink internal platform; - Engagement through the Process Factory project; - Normal procurement relationships.	- Compliance with contractual conditions; - Continuity in supply demand; - Fair and non-discriminatory treatment.

2.3 Sustainability Plan and SDGs

As of 2016, Salvatore Ferragamo has launched a procedure for defining its sustainability goals. Starting from the analysis of the Sustainable Development Goals (SDGs) set by the United Nations, Salvatore Ferragamo has identified the main objectives on which to focus its activities. In addition, with the adoption of its first Sustainability Plan in 2017, the Group has defined a series of actions to be developed and implemented internally.

In 2019 the Group stepped up its commitment in the field of environmental protection by signing the Fashion Pact and integrating **three additional** UN **Sustainable Development Goals** (SDGs) into the Sustainability Plan: "Climate action", "Life below water" and "Life on land".

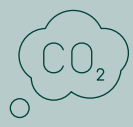


The Plan is updated annually, with the aim of building and strengthening a shared vision of the strategic direction undertaken in the environmental, social and governance spheres at the Group level. The Plan is also a tool for promoting a culture of sustainability that is based on respect, protection and promotion of excellence.
It aims to integrate existing goals and commitments, both in terms of sustainability and business strategy, with new challenges for future development. The document is shared with Top Management, the CEO and the Control and Risk Committee, whose responsibilities include corporate sustainability, overseeing sustainability aspects related to the Company's operations and its interaction with all stakeholders.

In order to ensure timely monitoring of the progress of the initiatives and targets declared, the Group has **further strengthened the governance of its Plan**, establishing an ESG Steering Committee composed of the heads of the functions involved in the implementation of the same Plan and the Chief Executive Officer. The Committee meets every two months.

In accordance with the recommendations in the Corporate Governance Code and in line with best practices, some of the targets identified in the Sustainability Plan are used for determining the short- and long-term remuneration of the Group's managers, as better detailed in the Remuneration Policy to be submitted to the Shareholders' Meeting on 23 April 2024. This choice enables a wide range of managers to take direct responsibility for sustainability-related goals and to ensure maximum dissemination of the culture of sustainability.

The Sustainability Plan of the Group, with a three-year horizon (2024-2026), rests on five pillars: Carbon Emission Reduction, Sustainable Materials with Focus on Leather, Circular Economy and Recycling, Supply Chain Transparency and Local Focus, Foster Diversity, Equity, Inclusion & Belonging.



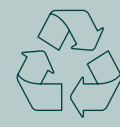
CARBON EMISSION REDUCTION

Improving environmental performance by pursuing the Science-Based Targets set and reaching Net Zero by 2050.



SUSTAINABLE MATERIALS WITH FOCUS ON LEATHER

Promoting innovation and adoption of new materials from responsible sources, including leather.



CIRCULAR ECONOMY AND RECYCLING

Expanding circular economy and waste reduction processes, including upcycling, design for recycling, and product life cycle extension.



SUPPLY CHAIN TRANSPARENCY AND LOCAL FOCUS

Strengthening transparency along the supply chain by increasing traceability and monitoring suppliers' sustainability performance.



FOSTER DIVERSITY, EQUITY, INCLUSION & BELONGING

Setting firm targets in terms of diversity and inclusion by promoting talent attraction and a positive working environment.

The Plan identifies **14 specific targets**, divided among the different pillars, and defines the timeframe for each action. During the update carried out in 2023, the priorities identified in past years were taken into consideration, such as those deriving from the adoption of the SDGs, the signing of the Fashion Pact, the definition of Science-Based Targets and applicable regulatory requirements.

ESG BUILDING BLOCK	ID	TARGET DESCRIPTION	TIMING
CARBON EMISSION REDUCTION	0	Achieving Net Zero by 2050	2050
	1	42% reduction in Scope 1 and Scope 2 absolute GHG emissions by 2029 compared to 2019 (Science-Based Target)	2029
	2	42% reduction in Scope 3 absolute GHG emissions, deriving from the purchase of goods and services and from the downstream transport and distribution by 2029 compared to 2019 (Science-Based Target)	2029
	3	100% renewable energy in all its offices	2030
SUSTAINABLE MATERIALS WITH FOCUS ON LEATHER	4	25% of raw materials with reduced environmental impact	2025
	5	Elimination of problematic and unnecessary plastics in B2C packaging by 2025, and in B2B packaging by 2030	2025/2030
	6	At least half of all necessary plastic packaging made from 100% recycled material by 2025 for B2C, and by 2030 for B2B	2025/2030
CIRCULAR ECONOMY AND RECYCLING	7	Increase the circularity performance of materials and the durability of products by creating value from reuse, recycling and recovery	2026
SUPPLY CHAIN TRANSPARENCY AND LOCAL FOCUS	8	Strengthening of supply chain monitoring processes and promoting collaboration with suppliers for the development of shared ESG projects	2026
	9	Definition of a strategy for the management of water resources, including the use of chemical agents for a progressive phase-out	2029
	10	Supporting zero deforestation and sustainable forest management by developing the Ferragamo Biodiversity Strategy	2025
FOSTER DIVERSITY, EQUITY, INCLUSION & BELONGING	11	Developing and empowering people through a fair path towards talent	2026
	12	Disseminating a culture of diversity, inclusion and equal opportunities	2026
	13	Embedding inclusion into social processes, policies and practices	2026



Good health
In line with its own Charity Policy, the Group is committed to promoting and supporting initiatives aimed at protecting the health of women and children.

Quality education
The Group, in collaboration with the Ferragamo Foundation, is committed to investing in the education and training of those who intend to work in the fashion and design world and in the highest and most artistic forms of Italian craftsmanship, in line with the stylistic values and canons expressed in the work of its Founder.

Renewable energy
The Group is committed to protecting and safeguarding the environment through continuous improvement of energy efficiency in its consumption and by promoting the use of renewable sources.

Decent work and economic growth
The Group focuses its commitment on encouraging and enhancing people's professional development, while respecting the community historical values, in order to encourage innovation and creativity, while also ensuring the healthiness of the workplace.

Sustainable cities and communities
The Group is committed to guaranteeing responsible management in its processes to produce and consume resources, raw materials and packaging materials, investing in quality in order to reduce the environmental impact and extend the life cycle of its products, and reporting on its business based on the principle of transparency.

Responsible consumption
The Group is committed to guaranteeing responsible management in its processes to produce and consume resources, raw materials and packaging materials, investing in quality in order to reduce the environmental impact and extend the life cycle of its products, and reporting on its business based on the principle of transparency.

Climate action
With a view to combating climate change, the Group is committed to protecting and safeguarding the environment through strategies and initiatives intended to minimize the environmental impact of its operations.

Life below water
The Group is committed to protecting the oceans, seas and marine resources through concrete initiatives such as reducing the use of single-use plastic.

Life on land
In order to restore biodiversity, the Group is committed to implementing meaningful actions to protect species and promote a sustainable use of the terrestrial ecosystem.


FERRAGAMO

2.4 Ethical business

The Salvatore Ferragamo Group promotes at all company levels the values of transparency, honesty, fairness and compliance with regulations. These values are contained in the Group's Code of Ethics with which employees, suppliers and collaborators are required to comply when carrying out their activities.

2.4.1 TAX STRATEGY

The ethical principles and the general rules of the Code of Ethics are also complied with in the tax area, knowing that the activities carried out are accompanied by potential reputational, social and environmental implications and that tax revenues are one of the sources of contribution to the economic and social development of the countries in which the Group operates. The Group, in order to ensure that its companies fully comply with all tax obligations in the jurisdictions in which it operates, implements careful management of tax activities and risks and acts in accordance with the values of honesty and integrity, involving Top Management on issues of greatest impact and complexity.

In this perspective, the Group adopted an integrated tax approach through appropriate organizational procedures and solutions, developed in order to define, inter alia, roles, responsibilities, operational and control activities, and information flow patterns.

In October 2023, the Company was admitted to the collaborative compliance regime pursuant to Italian Legislative Decree no. 128 of 5 August 2015, with effect from the 2022 tax period, as per the press release issued to the market on 11 October 2023.
Admission to the regime was preceded by an audit, carried out by the Italian Revenue Agency, of the adequacy of the tax governance adopted by the Company and of the internal control system for the detection, measurement, management and control of tax-related risks, called the Tax Control Framework. Adherence to this regime is part of the broader tax strategy adopted by Ferragamo. Since the Company's foundation, this strategy has been based on the preventive management of tax risks, with the firm belief that compliance with tax provisions is a fundamental value in the sustainable and ethical conduct of business activities.
In order to ensure a correct, timely and effective approach to tax risk management, the Company has adopted a Tax Control Framework (TCF), consisting of an internal control system for tax-related processes compliant with the OECD (Organization for Economic Co-operation and Development) guidelines, as implemented by the Italian Revenue Agency. The Company's TCF is structurally integrated with its other internal control systems. In particular, the TCF integrates with the financial reporting risk control system pursuant to Law 262.05, identifying the controls that ensure both the mitigation of administrative-accounting risks, as well as of tax risks. Similarly, in terms of integration, the TCF also identifies the controls suitable for the prevention of tax crimes already regulated by the Company in the Organizational Model pursuant to Italian Legislative Decree 231/2001, ensuring synergies in the monitoring activities of the two control systems.

In the context of the Tax Control Framework, the Company has a tax strategy approved by the Board of Directors on 7 September 2021 in accordance with the values and principles adopted by the Group and appointed a Tax Risk Officer to the Board of Directors on 8 March 2022, to whom monitoring and updating functions are entrusted.
The Tax Compliance Model, currently being approved by the Board of Directors, defines the appropriate roles and responsibilities within the corporate organization in relation to tax risks and their control.

In line with the guidelines defined in the corporate Tax Strategy and the Tax Compliance Model, the Company pursues the objective of proactively managing tax-related risks, ensuring, through the TCF, their timely detection, correct measurement and control, with the aim of mitigating the relative effects. Specifically, the Company identifies the following areas in which tax risks may occur:
- tax compliance risks (monitored through the Tax Risk Map), namely the risk of not correctly carrying out the tax obligations required by the law according to the rules prescribed. These are regulatory compliance risks, of an operational nature, which affect both business processes and specific tax compliance phases;

- interpretative risks (monitored through the Interpretative Risk Policy), namely risks relating to the application of all tax provisions, arising from uncertainties regarding abstract regulatory cases, as well as from the uncertain classification of the cases in question in relation to regulatory requirements.

On an annual basis, the TRO drafts, with the help of the Tax Management function, the General Report on the Tax Control Framework (TCF Report), which includes the results of the monitoring activities and the interpretative tax risks that occurred during the compliance year. The TCF Report, drafted by the TRO with the support of the Tax Management function, is sent to the Control and Risk Committee and approved by the Board of Directors.

The **ethical principles** and general rules that should characterize the activities of all Group companies in tax matters are:

- sustained growth of corporate assets and protection of the Group's reputation, ensuring efficient management of the "tax cost" connected to business activities, aiming to optimize the fiscal variable in compliance with all laws and obligations, applying the level of taxation considered correct and striving to avoid or contain double taxation;
- correct and timely determination and settlement of taxes due by law and execution of related obligations;
- containment of tax risk, i.e., the risk of incurring violations of tax regulations or abuse of the principles and purposes of the tax system through appropriate procedures and organizational solutions;
- good faith and transparency in the relationship with tax authorities by being recognized as a reliable counterparty with whom to establish collaborative relationships;
- promotion of a tax culture oriented towards transparency, honesty, fairness and compliance with the law at all corporate levels.

In order to efficiently manage tax risk and to consistently distribute the tax burden among the countries in which it operates, building and maintaining cooperative and transparent relationships with the tax authorities, the Group pursues a strategy based on the conclusion of **Advance Pricing Agreements**, with the aim of determining in advance with the tax authorities the transfer pricing method deemed to be in line with the arm's length principle. In 2022 Salvatore Ferragamo S.p.A. renewed the existing agreement with the Italian Revenue Agency for companies with international activities for the 2022-2026 five-year period. Moreover, the international standard ruling procedure between Italy and the United States, valid from 2019 to 2023, is being finalized: in April 2023, Ferragamo USA Inc. signed the agreement with the Internal Revenue Service, while Salvatore Ferragamo S.p.A. is waiting to sign the so-called mirror agreement with the Italian Revenue Agency. In the future, the Group intends to initiate advance tax agreement procedures with the tax authorities of the countries in which it operates: this strategy makes it possible to establish transparent relations with the tax authorities, thus enhancing long-term relationships, and ensures certainty of the tax burden.
With regard to the reporting of quantitative tax information, please refer to the "Annexes" section of the NFS.

The Group's tax approach is integrated into the organization through appropriate procedures and organizational solutions, as well as through awareness-raising, information and updating activities on tax matters at all corporate levels and regardless of the business role covered. In order to facilitate the identification of potential tax risks or incentives, the Group considers it essential to increase the **tax awareness of employees**, regardless of their corporate function. In this perspective, information activities on tax matters are promoted, with a special focus on issues and regulatory changes that may affect business activities.

The Group takes a transparent and collaborative approach with all stakeholders, including shareholders, employees, institutions and trade associations, to support the development of effective tax systems in different countries. Indeed, the Group has been an active member of the **Taxation Working Group** of the **Altagamma Foundation**, which brings together the tax managers of many of its associated companies and represents the luxury sector before Italian and EU public authorities on all tax-related issues, since its establishment. In addition, since 2022, it is a member of the **Tax Policy Committee** of the **American Chamber of Commerce in Italy**, which deals with tax matters relevant to companies operating both in Italy and in the United States of America.

Finally, the Group maintains a cooperative and transparent relationship with all tax authorities in the countries in which it operates, ensuring that they can, if necessary, carry out audits on Group companies, including acquiring a full understanding of the facts underlying the application of tax rules in a timely manner. Since its listing on the Milan Stock Exchange, the Group's objective has been to use all channels of transparent and preventive dialog with the tax authorities, also by collaborating in the definition of new standards in matters concerning the sector of reference.

2.4.2 ECONOMIC VALUE GENERATED AND DISTRIBUTED

The commitment to a conscious and correct operation is also reflected in the Group's ability to efficiently evaluate and allocate resources, creating and distributing wealth among the different categories of stakeholders. In 2023, the economic value generated by the Salvatore Ferragamo Group amounted to approximately **1,217.9 million Euro**. On the other hand, the distributed economic value decreased from 1,139.8 million Euro in 2022 to **1,066.5 million Euro** in 2023. In particular, 87.6% of the economic value generated by the Salvatore Ferragamo Group was distributed to internal and external stakeholders. The remaining 12.4% was retained within the Group.

Economic value generated and distributed

(In thousands of Euro)	31 December 2023	31 December 2022
Economic value generated by the Group	**1,217,986**	**1,321,246**
Total revenues	1,156,271	1,251,808
Other income	20,883	19,160
Bad debt provision	(2,117)	(1,649)
Financial income*	42,949	51,927
Economic value distributed by the Group	**1,066,512**	**1,139,819**
Value distributed to suppliers	661,632	689,217
Value distributed to collaborators	237,605	259,293
Value distributed to lenders**	69,387	78,703
Value distributed to shareholders	46,348	56,735
Value distributed to public administration	49,771	53,896
Value distributed to the community	1,769	1,975
Economic value retained by the Group	**151,474**	**181,427**
Amortization, depreciation and write-downs	179,789	170,962
Provisions	4,400	5,053
Deferred taxes	(12,602)	(3,205)
Reserves	(20,113)	8,617

* Including income from exchange rate differences.
** Including financial charges from exchange rate differences.

Economic value distributed in 2023 – Salvatore Ferragamo Group



2.5 Sustainability governance and risk management

Salvatore Ferragamo S.p.A.'s governance system is consistent with the recommendations of the Corporate Governance Code for Listed Companies drawn up by the Corporate Governance Committee. For a more detailed description of the structure, composition and roles, please refer to the section "Information on corporate governance and ownership structure" in the Board of Directors' report on operations as well as to the Corporate Governance Report.

The Control and Risk Committee (CRC), also responsible for Transactions with related parties and Corporate sustainability, was set up by the Board of Directors on 22 April 2021, in compliance with the provisions of the Corporate Governance Code for Listed Companies. It is composed of three non-executive and independent Directors.

As part of its activities supporting the Board of Directors, and in accordance with the recommendations of the Corporate Governance Code and the applicable legal and regulatory provisions, the CRC carries out, among others, the following tasks:

- evaluates the suitability of periodic financial and non-financial information, ensuring that the Group's business model, corporate strategies and the impact of its business activities and performance are correctly represented;
- examines the content of periodic non-financial reporting relevant to the internal control and risk management system;
- gives opinions on specific aspects concerning the identification of the main business risks and supports the assessments and decisions of the governing body related to the management of risks arising from adverse events the latter has become aware of, including risks that may be relevant to the medium/long-term sustainability of the Company's operations, by conducting appropriate investigations;
- examines the periodic reports on the assessment of the internal control and risk management system and the particularly relevant reports prepared by the Internal Audit function;
- reports to the Board of Directors on the activities undertaken as well as the adequacy of the internal control and risk management system at least at the time of the approval of the annual and half-year financial report.

The Committee receives regular updates from the Sustainability function.

Also with reference to sustainability governance, the Company has established the Transformation & Sustainability function, entrusted with all initiatives related to the transformation process and sustainability, such as Animal Welfare and biodiversity, including sustainable forest management. The function is headed by Giacomo Ferragamo, who holds the role of Board Member and Strategic Manager.

In addition, an **ESG Steering Committee** was established in 2023, with the explicit aim of carrying out an in-depth oversight of the progress of the Sustainability Plan, ensuring constant monitoring and providing feedback to optimize performance in the corporate sustainability sphere. The Committee is composed of the Chief Executive Officer's direct reports involved in the implementation of the Plan and meets every two months to assess the progress of sustainability initiatives with respect to the targets set in the same Plan.

The Company has adopted an **integrated risk management mode**l (ERM Model), in line with recognized Enterprise Risk Management (ERM) standards and best practices, inspired by the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as "CoSO ERM 2017") adopting the principles in line with the corporate strategic guidelines communicated to the market on 10 May 2022 (Strategic Plan). The methodological references and guidelines for the governance of the Enterprise Risk Management system have been formalized within the ERM Framework Policy, approved by the Board of Directors during its meeting on 26 January 2023.



The identification of corporate risks (known as Risk Universe) starts with the analysis of the main risk areas with a direct/indirect impact on the achievement of the Strategic Plan objectives.
These risk areas are then further investigated through scenario-based analysis to identify and develop specific forward-looking scenarios. Finally, the methodology requires each identified scenario to be assessed for its net impact to rank risks. The risk identification and measurement processes are updated periodically with the contribution of **Risk Owners** and, more generally, all the heads of the functions involved in the ERM process, who are asked to express their opinions on risk factors that may jeopardize the achievement of the organization's objectives.

During 2023, in line with the priorities defined by the European Securities and Market Authority (ESMA), the Company strengthened the **analysis of ESG factors** within its risk management model, through the implementation of specific methodological solutions consistent with the main recommendations in the area (for example CoSO ERM). Risk scenarios with potential direct impacts that also influence the achievement of the targets defined by the Company in the Sustainability Plan were qualified as "sustainability-relevant".

With reference to climate change, in 2023 the Group launched a project aimed at introducing and integrating a specific qualitative/quantitative framework into its ERM Model. The framework is aligned with the main international references[18] and is focused on the analysis of the related

[18] TCFD (Task Force on Climate-related Financial Disclosure) for categorizing risks and opportunities, European Taxonomy for defining the perimeter of natural events for the analysis of physical risks, CSRD for identifying appropriate time horizons, IPCC (Intergovernmental Panel on Climate Change), integrated with other complementary references, for climate-related and socio-economic scenarios and forecast climate data for long-term risk assessment

risk factors, both in the context of physical risks, as well as with reference to so-called transition risks and opportunities. The analyses concluded in 2023 provided an assessment of the **risk associated with climate change**, namely the main climate-related exposures conducted on the most relevant sites for the Group in a short to medium term horizon and the Group's exposure to possible legislative-regulatory, market, technological and reputational discontinuities.

The analysis of transition risks was structured by identifying the relevant risks based on their nature and assessing the associated short/medium-term and long-term impacts.

The long-term analysis considered the three forecast scenarios defined by the **Intergovernmental Panel on Climate Change** (IPCC). Starting from the increase in the global average temperature, the scenarios describe the effects of climate change in the long term on chronic climate phenomena (including intensification of extreme rainfall, rising water levels, temperature increase, etc.) and acute climatic events (including hail, landslides, water shortages, etc.). The first scenario (best) foresees a limited climate evolution, the second (mid) a progressive intensification of natural phenomena and the third (worst) a significant intensification of the same.

Within the "climate-related" risk areas, more specific factors related to the management of water resources have also been identified (for example, the increasing attention on the part of legislators and consumers in promoting the sustainable use of water, the search for technological solutions aimed at reducing water waste).
During 2024, the Group will continue to strengthen its assessment of the risk of climate change on the potential impacts on its assets and processes, making it possible to appropriately address and implement further control measures to help limit exposure to these risks.

The risks identified by the Group, including the main effects on sustainability, are presented in the Board of Directors' report on operations in the section "Main risks and uncertainties", while the components of the internal control system and the main roles assigned to manage them are described in the section of the Board of Directors' report on operations "Main features of the risk management and internal control systems". Moreover, an in-depth description of the controls, methods of mitigation and management of the issues identified by Italian Legislative Decree 254/2016 is provided below.

Transition risks and related impacts

The analyses carried out have identified **four categories of transition risks** for the Group and their expected impacts.

Market risks: the cost of energy and raw materials and consumer preferences are expected to have a medium impact in the short/medium term, with a more significant impact in long-term scenarios. The increase in insurance costs related to the Group's assets is expected to have a greater impact in the long-term worst-case scenario, attributable to the upward trend in the occurrence of natural disasters.

Legislative and regulatory risks: significant impacts are expected in the short/medium term pertaining to compliance with the increasingly stringent regulations that products must comply with in order to reduce emissions and waste and increase product circularity, with an expected increase in criticality in the first long-term best-case scenario and a progressive decrease in impact in the mid- and worst-case scenarios.

Technological risks: for the new transition-focused technical skills and the systems and procedures designed to help ensure better management and use of performance data greater impacts are expected in the best- and mid-case scenarios and smaller ones in the long-term worst-case scenario.

Reputational risks: due to the high expectations that companies will respond adequately to the challenges of the transition, the key role of the supply chain and the communication of the Company's work related to sustainability, significant impacts are expected both in the short/medium term and in the first best- and second mid-case long-term scenarios.

2.5.1 SOCIAL RISKS

Among the risks related to the supply chain, the Group identifies the possible reliance on a supply chain that is not adequately qualified in terms of operational capabilities and compliance with applicable regulations, including those related to ESG issues and those related to health and safety and labor law.

The Group carries out several controls related to the supply chain, the local community, occupational health and safety, respect for human rights in the supply chain and the promotion of integrity and ethics in business.

In order to mitigate risks related to the supply chain, the Group has a specific assessment procedure for contract manufacturers and suppliers of raw materials and finished products and, since 2019, it has disseminated and required suppliers of raw materials, processing services and finished products to sign its Supplier Code of Conduct. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. The recipients are responsible for guaranteeing their own compliance with the Code, as well as for disseminating it and asking their employees, suppliers and external collaborators to comply with it. A specific monitoring activity on the Supplier Code of Conduct was launched in 2020 to verify compliance by suppliers, activity that continued in 2023 and which has also been planned for 2024.

In 2023, a data collection of the main textile and tanning suppliers was launched. The activity covered a major portion of this type of raw materials ordered, with a focus on the use of chemicals in the production phases in order monitor and mitigate the impacts of the related supply chain risks. In this context, Ferragamo has adopted the ZDHC methodology as its reference implementation standard.

In addition, with a view to enhancing the data collection of purchased raw materials to help improve their reliability, traceability and completeness, a number of operational features of the "Product Lifecycle Management" (PLM) platform were automated and refined in 2023. This project has laid a solid foundation for creating transparency and ensuring consistency across product and supply chain ESG data.

Particular attention is also paid to employee-related matters and the respect for human rights: the Group considers its human capital to be important, and is committed to maximizing people's potential at each step of the production chain while constantly monitoring risk factors.
In 2019, Salvatore Ferragamo obtained the SA8000:2014 certification for its management system in the area of social responsibility, renewing it every year. For this purpose, a committee, called the Social Performance Team (SPT), was set up; it is composed of a balanced number of representatives of workers and management and it oversees the implementation and correct application of the SA8000 standard.

Moreover, in line with the provisions of the Group's Code of Ethics and as further confirmation of the importance attached by the Group to its human capital, Salvatore Ferragamo adopted:
- the SA8000 policy to further confirm the Company's commitment to achieving the highest ethical and sustainable business development standards, upholding and implementing the principles of SA8000 standard in its business activities, in line with applicable legal provisions and main international conventions on human rights and workers' rights;
- the Anti-Child Labor Policy, which aims to formalize the Company's commitment in this area and prevent minors from being exposed to situations that may be risky or harmful for their development as well as physical and mental health;
- an Inclusion Policy, which enshrines the Group's commitment to promoting and protecting the values of inclusion in all business activities.

With regard to health and safety, the Parent Company has adopted an ISO 45001 Occupational Health and Safety Management System, valid for all the Company's offices and stores in Italy.

The Group complies with the relevant regulations on an ongoing basis, including in relation to the management of the pandemic emergency and its evolution nationally and internationally, with particular attention to the Asian continent.
Finally, to promote diversity and inclusion, in 2020 the Group launched a cultural change process focused on diversity, equity, inclusion and a sense of belonging (DEI&B). Through training courses and specific activities, the Group aims to increase awareness of the value of diversity and inclusion in the business model.
Precisely within these initiatives relating to DEI&B, in 2023 the Group drafted its "Manifesto", defining clear objectives to evaluate its progress with regard to the ESG agenda.

During 2023, the Company reviewed its strategic approach and Talent Management processes with the aim of promoting the development of human resources, improving performance (individual and team), identifying specific professional growth paths and creating solid succession plans to ensure the continuity of key roles.
The activities will continue in 2024 to complete the implementation of the new Talent Management processes which, like other initiatives promoted by Human Resources, is anchored in the Company's core values, skills and expected behaviors, reflecting the corporate Diversity, Equity, Inclusion & Belonging (DEI&B) strategy.

2.5.2 ENVIRONMENTAL RISKS

With reference to environmental risks, the Group constantly monitors the evolution of international and national environmental laws, in order to mitigate the potential risk of non-compliance.

With the integration of a Framework focused on climate change within the ERM Model, in 2023 the Group strengthened the monitoring of environmental risks stemming from the activities, products or services over which the organization has direct control (for example, emissions released into the atmosphere, energy and water consumption), or over which the organization has an indirect influence or control (risks associated to the Supply Chain).

The attention paid by the Group to combating climate change emerges as a cross-cutting element in the implementation of the strategies and targets defined within the Sustainability Plan approved in 2023, and is in line with the Group's Strategic Plan. Since 2017, the Plan has been promoting the protection and preservation of the environment and ecosystems through the development of strategies and initiatives aimed at minimizing the environmental impact of its operations. The Group is also committed to monitoring the potential impacts suffered and the negative impacts generated by business activities throughout its supply chain.

As regards the leather supply chain, the Group has joined the Leather Working Group (LWG) and, as a member, has access to a consolidated environmental audit system, developed by the leading international players in the leather industry and is audited with the aim of promoting continuous improvement in the environmental performance of its business operations.

With regard to emissions management, in 2023, to accelerate the adoption of renewable electricity by investing in new clean energy infrastructure, the Group, as part of the Fashion Pact and in collaboration with 11 other brands, signed a Collective Virtual Power Purchase Agreement (CVPPA) for the European region. The first of its kind for the fashion industry, the CVPPA aims to add more than 100,000 MWh per year of new renewable electricity generation to the grid.

Over the years, the Company has taken steps to meet the main environmental standards for its offices: in 2019, the Italian scope obtained ISO 14001 certification, which defines an environmental management system, adopting the relevant Environmental Policy. The commitment taken on by obtaining this certification joins the many management systems linked to emissions monitoring and responsible use of energy resources, which the Company has adopted over the years. Moreover, as of 2019, Salvatore Ferragamo S.p.A. has taken out an environmental-impairment liability insurance policy for the Osmannoro site to cover the making safe and reclamation expenses inside and outside the Company's facilities, the costs of environmental restoration and damages to third parties that a polluting event may cause.

With regard to the risk related to biodiversity, in accordance with the provisions of the Manifesto for Biodiversity and in particular with the commitments contained therein aimed at the protection and promotion of biodiversity and ecosystem services, in 2023 Ferragamo launched an analysis focused on identifying the impacts and dependencies that the Group's business has on nature. The analysis is based on the provisions of the Science Based Target Network (SBTN) Framework with the goal of establishing a specific strategy which, over the next few years, will be actualized through the implementation of various initiatives and projects aimed at achieving responsible forest management and the goal of zero deforestation.

For more details on the management of environmental risks, please refer to section 4 of the NFS.

2.5.3 GOVERNANCE RISKS

In the broader context of the Group's compliance risk, the Group is strongly committed to fighting corruption and bribery. In recent years, the fight against corruption has taken on an increasingly important role, in view of the tougher sanctions associated with the natural person and the legal person, as well of the impacts in terms of reputation. Moreover, the local governments of the countries in which the Group operates have promoted a regulatory framework that aims to discourage corruption both at the local level and through international agreements including: the OECD (Organization for Economic Co-operation and Development) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; the United Nations Convention Against Corruption; the Foreign Corrupt Practices Act (FCPA) issued in the United States; the UK Bribery Act issued in the United Kingdom. For this reason, the Group has adopted an Anti-Corruption and Anti-Bribery Policy, which, inspired by best practices and in compliance with the most restrictive regulations in force at an international level, sets out the principles, rules of conduct and controls to be implemented to prevent incidents of corruption.
This Policy, together with the Code of Ethics and the 231 Model, constitute the framework to which the Group and its collaborators must adhere.

An Ethics Committee has also been established which, as of the date of this document, consists of a Board made up of the Internal Audit Director and Tax Risk Officer, the Chief People Officer, the General Counsel and the Chief Transformation & Sustainability Officer. The Ethics Committee is entrusted with the task of managing the reports referred to in Italian Legislative Decree 24/2023 and those concerning violations pertaining to: (i) the laws applicable to Group Companies; (ii) organizational models (including the Ferragamo Organizational Model), procedures, regulations, codes of conduct, codes of ethics and policies adopted by Group Companies, actions or omissions which, even outside the scope of the provisions of the Organizational Model, the Code of Ethics or the internal policies and/or procedures adopted by Group Companies, may lead to violations of human rights or damage and detrimental effects on health, the environment, security or fundamental rights and freedoms; (iii) any form, threat or attempt to retaliate against the Whistleblower.
With regard to violations of a corruption-nature, no reports were received from internal and external stakeholders in 2023.

In 2023, the process of updating the Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 was initiated, with the aim of ensuring closer alignment with emerging risks, recent regulatory updates and business developments, enabling the Group to adopt a process-based approach rather than an exclusively "risk-crime" based approach.
The Company adopted a Supervisory Body entrusted with the task of monitoring the operation of and compliance with the control principles and protocols contained in the Organizational Model.
The current members of the Supervisory Body were appointed by the Board of Directors during its meeting on 26 April 2023 and coincide with the Company's Board of Statutory Auditors, in line with the provisions of the Corporate Governance Code.

No risks, generated or faced, related to corruption were reported to the Supervisory Body in 2023. During the year, no reports were received and there were no significant cases of non-compliance with laws and regulations in force.

The Code of Ethics, whose latest update was approved by the Board of Directors on 6 July 2023, contains the ethical principles and general rules which, similarly to the legal, regulatory and contractual rules, characterize the Group's organization and activities. This includes the protection of workers' health and safety, environmental protection, the protection of Made in Italy, the protection of competition, corporate social value and the central role of human resources.

The Company requires anyone who works on behalf of the Salvatore Ferragamo Group or comes into contact with it to observe and apply the corporate Code of Ethics, also providing for the application of disciplinary and/or sanctioning measures or the termination of the contract in case of violation of the same.
It is possible to report any failure to comply with the Code of Ethics and internal procedures, including for example the Anti-Corruption and Anti-Bribery Policy, as well as applicable laws and regulations, through dedicated channels such as the whistleblowing system. The prerequisites for using this channel and the specific procedures for managing reports are described in the Group Whistleblowing Policy. The Policy, adopted for the first time in 2018, was first updated by the Board of Directors on 6 July 2023, and most recently on 20 December 2023, in accordance with Italian Legislative Decree no. 24 of 10 March 2023 (Whistleblowing Decree) and applicable foreign Whistleblowing laws. This Policy has been communicated to all interested recipients and published on the Group's website.
The Group made available to all employees an e-learning course on the Code of Ethics, on the Anti-Corruption and Anti-Bribery Policy and on the whistleblowing tool. These courses are also mandated to new hires who become part of the Ferragamo Group.

Among other compliance-related risks, the Group identifies the potential risk of non-compliance in relation to Made in Italy products – which represent almost all the products manufactured and marketed by the Group. A change in the legislation on the origin of goods could modify the current identification requirements for Made in Italy products, leading to a potential non-compliance on the part of contract manufacturers or suppliers to whom the production of finished products is outsourced, and to a failure to comply with the new rules and regulations, caused by a potential delay in upgrading the facilities needed to ensure compliance with the new or subsequent requirements.

In recent years, the Group has intensified its efforts to ensure the security and protection of the personal data provided by its customers, guaranteeing compliance with national and international personal data processing regulations. On the occasion of the entry into force of the new European GDPR Regulation, a massive training campaign was carried out throughout the Group on cybersecurity and data protection issues with a special focus on personal data protection. The training program became part of the mandatory minimum set of training courses for new recruits. In 2021, a Cyber Security Awareness platform (Proofpoint) was identified, which provides training content to be distributed on the current Learning Management System (LMS) platforms, with the aim of increasing users' awareness of cybersecurity issues, ensuring growth and continuity in training on specific topics related to information security and protection from cyber threats. In 2022, the program was extended to the entire Group, involving corporate and retail employees.

In addition to training, anti-phishing campaigns were launched in order to increase sensitivity to this threat, also in relation to the growing digital transformation of processes and how employees, business partners and customers interact digitally with the Group. Given the importance of the theme, the course and the campaigns have been reproposed in 2023. Over the years, the Group strengthened its controls and in 2021 it adopted a two-year 2021-2023 "Cyber Security Implementation Plan" through which it is steering its main cyber activities.
Cyber risks related to security, data management and data dissemination, with particular reference to Cyber attacks, are among the risks identified and evaluated within the scope of the ERM Model. In particular, with regard to Cyber Risk Management, in 2023 the Company carried out a specific assessment aimed at evaluating the adequacy of the security safeguards adopted regarding Phishing, through a Framework based on the NIST Cybersecurity Framework and the ISO 27001 standard. In addition, the Company has identified the most relevant business processes in the Cyber sphere, the most significant Cyber threats and the Security Measures implemented, integrating the appropriate risk analysis within the ERM Model.

In this regard, it should be noted that at its meeting on 19 October 2023 the Board of Directors approved the "Cyber Security Incident" Policy for the management of critical events of a Cyber nature. The Policy defines roles, responsibilities, severity levels and the criticality of events and information flows between the potential internal and external parties involved, also providing for the establishment of an ad hoc "Cyber Security Committee" entrusted with specific tasks. This committee is chaired by the Chief Information Technology Officer and provides for periodic reporting and education activities for the benefit of the Control and Risk Committee.

For further details, please refer to the "Main risks and uncertainties" section of the Board of Directors' report on operations.



3. RESPONSIBILITY TOWARDS PEOPLE



Francesco Granacci, 1515 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.



7,515 hours

of health and safety training

ESG Induction

to the Board of Directors

112 thousand hours

of training in total

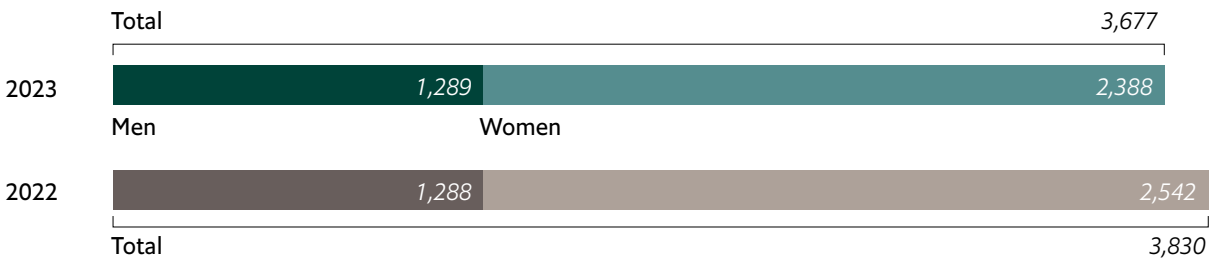
DEI&B

(Diversity, Equity, Inclusion & Belonging)
new global strategy

The Salvatore Ferragamo Group has, since its foundation, considered attention to its people a priority, guaranteeing management based on the principles of fairness, integrity and respect. At every stage of the value chain, the Group's commitment translates into the professional development of its resources, the attraction of new talent and the promotion of work-life balance, guaranteeing compliance with occupational health and safety standards.

3.1 Staff composition

The Group's staff as at 31 December 2023 and 31 December 2022 is shown below.



The Parent Company's personnel as at 31 December 2023 totaled 946 (390 men and 556 women), an increase of 6 (4 men less and 10 women more) compared to 31 December 2022.

	31 December 2023							31 December 2022						
	<30		30-50		>50		Total	<30		30-50		>50		Total
Breakdown by occupational classification and age group	N°	%	N°	%	N°	%	N°	N°	%	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	13	2%	494	71%	184	27%	691	12	2%	520	71%	197	27%	729
White collars	604	23%	1,696	63%	381	14%	2,681	623	22%	1,836	66%	341	12%	2,800
Blue collars	52	17%	173	57%	80	26%	305	40	13%	190	63%	71	24%	301
Total	**669**	**18%**	**2,363**	**64%**	**645**	**18%**	**3,677**	**675**	**18%**	**2,546**	**66%**	**609**	**16%**	**3,830**

	31 December 2023					31 December 2022				
	Men		Women		Total	Men		Women		Total
Breakdown by occupational classification and gender	N°	%	N°	%	N°	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	279	40%	412	60%	691	286	39%	443	61%	729
White collars	816	30%	1,865	70%	2,681	810	29%	1,990	71%	2,800
Blue collars	194	64%	111	36%	305	192	64%	109	36%	301
Total	**1,289**	**35%**	**2,388**	**65%**	**3,677**	**1,288**	**34%**	**2,542**	**66%**	**3,830**

During 2023, the Salvatore Ferragamo Group recruited 1,411 employees (544 men and 867 women, of whom 56 men and 82 women in the Parent Company), against an employee turnover of 42% for men and 43% for women. About 42% of new hires belong to the "under 30" age group, 50% to the "30-50" age group and the remaining 7% to the "over 50" age group; finally, about 61% of the new hires are women.

Offering a stable and long-lasting employment relationship is considered necessary not only to promote business growth, but also to help increase the sense of belonging of the Group's people. The high proportion of employees on open-ended contracts, accounting for 94% of the total in 2023, is evidence of the Group's commitment in this sense.

In 2023, non-employee workers within the Group were 160, including 92 agency staff and 68 interns.
For more detailed information on the breakdown of the staff, see the "Annexes" section of the NFS.



Francesco Granacci, 1515 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

3.2 The well-being and health of people

The well-being and health of people were at the heart of the Group's initiatives and policies implemented also in 2023.

3.2.1 HEALTH AND SAFETY

Protecting and safeguarding human resources also takes the form of guaranteeing high occupational health and safety standards. For this reason, the Group, as its leading commitment, makes available human, practical and economic resources and assets, which are needed to achieve the improvement goals in the field of occupational health and safety and as an integral part of its activity and strategic commitment.

At corporate level, Salvatore Ferragamo has a dedicated **Global Health and Safety, Energy and Environmental Efficiency (HSE)** function, which is responsible for ensuring a safe and regulatory compliant working environment. The team is responsible for defining, updating and sharing the **Management System Guidelines - HSE & Energy** for the Italian scope and then sharing them with the foreign Regions. These guidelines are drawn up with the aim of disseminating throughout the whole Group a significant level of awareness about health and security, environmental protection and increased energy efficiency. These standards and principles establish the roles and responsibilities of the main regional stakeholders involved; the priorities for intervention in the compliance area for Europe, supporting colleagues in the Region in defining the needs for dedicated tools and economic resources.

In 2022, a project was launched with the foreign Regions that involved the identification of local HSE contacts, the creation of a register of applicable HSE laws for each country, the completion of a self-assessment questionnaire by each local contact and the subsequent drafting of a gap analysis.

This project continued in 2023 with the implementation of an action plan, identified on the basis of the gap analyses carried out for each country.

Lastly, the HSE team manages monitoring and reporting activities for Italy, maintaining relations with the Italian workers' safety representatives.
In Italy, the Company has been implementing for some years now a **Safety Management System (SMS)** that defines the methods for identifying, within the Company's organizational structure, the responsibilities, procedures, processes and resources for implementing the Company's prevention policy, in compliance with current health and safety regulations. As of 2023, the SMS is integrated with the Environment and Energy section.

The aim of the occupational health and safety management system is to:
- **ensure compliance with all** applicable **legal requirements** with the aim, where possible, of achieving improved safety standards;
- **reduce or eliminate** work-related **injuries and ill health cases**;
- improve **risk management**;
- **promote** continuous and **effective communication between the Company and workers** through specific operational methods, such as document sharing, information, training and awareness-raising activities;
- **improve monitoring of the level of control of** residual **risk** in order to further minimize it through continuous improvement actions.

In addition, a specific risk assessment has been completed for several stores in the EMEA Region, which illustrates all possible risks to the health and safety of employees. The aim is to complete the risk assessment with a matrix describing the level of severity of damage and the probability of danger.

In 2017, Salvatore Ferragamo decided to undertake the process of certifying its management system according to the internationally recognized ISO 45001 standard, which sets out the requirements for implementing an occupational health and safety management system.
In 2023, the Company once again **successfully passed the annual audit to maintain the certification**, which is valid for 100% of Salvatore Ferragamo S.p.A. workers.

During 2023, with regard to the Company's Italian business operations, **following an audit process the Salvatore Ferragamo Group confirmed the obtainment of the SA8000 social responsibility certification,** the main social certification standard based on the Universal Declaration of Human Rights, ILO agreements, international human rights laws and national labor laws. The standard encourages organizations to develop, maintain and implement practices that include respect for human and workers' rights, protection against child exploitation and guarantees for occupational health and safety.

Although the Group does not carry out any activities that pose a high risk to health and safety, it has taken steps, in Italy and throughout the world, to ensure the highest standards of occupational safety by identifying and assessing possible emergencies that may occur during its activities in the various offices in order to ensure that the impacts on occupational health and safety and any damage to facilities are properly identified and addressed.

In Italy, the identification and assessment of risks related to occupational health and safety is part of the **Risk Assessment Document (RAD)**. This Document is drawn up by the Employer (E) in collaboration with the Health and Safety Officer (HSO), checked by the Occupational Health Specialist (OHS) and brought to the attention of the Workers' Safety Representatives (WSR), in order to highlight the seriousness and probability of occurrence of specific risk events for each individual role and activity carried out by employees.

Furthermore, in order to ensure greater monitoring of the level of occupational health and safety, in Italy control and audit activities are carried out periodically for Group stores.

In relation to potential accidents and emergency situations, Salvatore Ferragamo has drawn up a **Management Procedure for preparing for and responding to emergencies**, in order to describe the operational procedures implemented to prevent and/or manage accidents in the best possible way and to reduce the risk of injuries resulting from such situations.

The prevention and mitigation of health and safety impacts, for foreign Regions, primarily consists of medical checks conducted annually and of a constant line of communication with the HR and Operations functions which, where possible, is supported by specific controls.

ISO 45001
for all employees
Ferragamo SpA

Certification SA8000
for the Italian perimeter



7,515 hours
of health and safety training on a global level

Efforts to monitor employee injury rates continued during 2023. In 2023, there were **56 cases of injuries among employees, 1 less than in 2022,** while **no injuries occurred among external collaborators.** None of the injuries that occurred resulted in the loss of life, in line with 2022. All injury rates are detailed in the "Annexes" section of the NFS.

As part of occupational health and safety, the Salvatore Ferragamo Group is also active in training its own people. In 2023, around **7,515 hours of training on safety**, first aid and fire prevention were provided at global level, involving all professional categories. Employees benefit from training programs tailored to their role profiles and risk levels and receive general occupational safety training in line with legal requirements. For those who fall into a higher risk category, i.e., employees in warehouses, Modelleria, Manovia, logistics departments etc., additional training hours are provided for the use of specific machinery and equipment.

The awareness campaign on corporate safety and well-being, launched by the HSE team in 2022 and aimed at all employees in Italy, continued in 2023. Using new communication channels, employees addressed the issue of safety by challenging themselves through participation and play. The Company has also decided to undertake **appropriate awareness-raising and information activities aimed at its suppliers**, contractors and external visitors **to involve them in the control and reduction of impacts on occupational health and safety**. In this area, the Company prepares specific documents for the identification, assessment and control of risks related to the performance of activities in the Company by third parties (interference risks). On the other hand, as far as the rest of the world is concerned, the Group ensures that all employees are trained in accordance with applicable local regulations.

Finally, on 5 May 2023, the first **HSE Day** was launched with the involvement of all business sectors and Regions. The day featured themed events, initiatives dedicated to medical screening and prevention, play areas and information on HSE issues, live streamed events involving psychologists and external trainers, and contests involving employees at an international level.

3.2.2 WELFARE

Since 2018, Salvatore Ferragamo has been offering its employees the opportunity to take advantage of remote working arrangements, in line with the characteristics of the role carried out.
This flexible and innovative organizational model has also been adopted in other Group corporate offices and has made it possible to improve employees' work-life balance and, at the same time, to increase productivity, strengthening the concept of working towards specific goals and stimulating the development of the relationship of trust and time management between managers and employees.
In 2023, moreover, remote working was adopted for entire corporate areas on Fridays, with the goal of reducing the environmental impacts of commuting to work and maximizing the energy efficiency of the Group's offices, generating savings, as well as lowering CO_2 emissions.

In Italy, in line with the provisions of the Italian legislation in force, the extension of remote working days has been encouraged for employees with children under the age of 14 and for fragile resources.

In order **to promote well-being in the workplace**, in 2023 Salvatore Ferragamo launched two pilot projects in Milan and Osmannoro, redesigning **the spaces to create new offices**, meeting rooms and recreational spaces with new aesthetics, avant-garde furnishings and advanced ergonomics. The goal was to optimize the existing work areas, with a view to maximum flexibility.
The new spaces, which were ready at the end of October for the Milan offices and at the end of the year for the Osmannoro offices, have been designed to help stimulate continuous discussion between employees and, at the same time, to offer a functional space to carry out work, with meeting rooms and spaces dedicated for making phone calls and one-to-one meetings.



In addition to the work environments, great **attention** has also been paid **to social spaces with the inauguration of the "Piazza",** a **meeting place** where employees can spend time with colleagues, guests and suppliers.

Also in 2023, the Company intervened to **support a number of employees** under the Footwear Industry national collective bargaining agreement**, who were impacted by the flooding events** that affected some parts of Tuscany in November.

Several initiatives have been undertaken: the already existing trade union agreement dedicated to the "Solidarity Vacation Fund" has been integrated to allow all employees to transfer, at no cost and on a voluntarily basis, their sick and vacation days to colleagues affected by the flood and who had special needs related to restoring their homes and providing assistance to their families; some cars belonging to the Company fleet have been made available to facilitate mobility for those in need; paid leave has been granted for all colleagues residing/domiciled in the affected areas and for volunteers engaged in rescue activities or in the restoration of damaged homes; remote working arrangements have been extended to facilitate travel to the affected areas.
At a corporate level, employees can take advantage of services and products from leading brands through the "Corporate Benefits" portal. The portal offers benefits arising from agreements stipulated with companies operating in various sectors, such as, for example, health and wellbeing, banks, insurance, tourism and sports.
As regards supplementary health care offered to the Company's employees, the existing coverage was maintained in 2023, including that on business travel for European employees. Moreover, in recent years, a series of improvement measures have been implemented to offer coverage levels of **supplementary health services superior to the provisions of the company's collective bargaining agreements**.

Flexible Benefit for employees

In 2023, the **Flexible Benefit** plan continued as well, the purpose of which is to support workers under the footwear industry national collective bargaining employment contract (CCNL) and their families in social and cultural activities, in their development and in school fees and costs for their children. The plan consists of the **possibility to use non-monetary goods and/or services**, in addition to remuneration, to meet personal and family needs. Specifically, employees can select their own type of benefit from a vast range of options, including areas such as: education, sports, culture and leisure, travel, supplementary pensions and welfare. In Italy, the supplementary agreement for workers under the footwear industry CCNL envisaged, among other things, an **increase in the value of the Performance Bonus**, including the possibility of transforming, in whole or part, the monetary value of the Bonus into welfare services for entitled employees on open-ended contracts. Employees who choose to convert the Bonus will be entitled to a further net amount that can be spent on goods and services through the Flexible Benefits portal. Also as part of the supplementary agreement, **the period of job retention for employees being treated for serious illnesses** resulting in a disability exceeding 50% **has been extended up to 16 months**. Moreover, the Company introduced for blue-collar workers the payment of economic benefits to supplement the sickness allowance recognized by INPS in cases of absence due to non-work-related ill health or injury.

3.3 Attracting and developing talents

3.3.1 INDUCTION

With **the aim of creating a shared corporate culture and sense of belonging,** the Company has launched an induction program called **"Discovering Ferragamo"**, focused on new hires in Italy. During 2023, the program was promoted with 6 editions at a corporate level, two more than the previous year. The program uses digital content related to products and detailed info on the corporate portals to introduce new hires to the Group's operations and corporate culture. In 2023 a total of 13 individual inductions were organized at the corporate level and 1 at the regional level.
In addition, in parallel with the induction activity for corporate figures, a program was created for staff in internships, involving approximately 80 individuals in 2 editions.

With a view to offering both internal and external people a differentiated range of effective training experiences on the Company's Heritage and history, Salvatore Ferragamo organizes guided tours of the historical archive and the underlying footwear production department. These visits are offered to new hires, designers of the creative departments, collaborators, selected guests, schools and students of the sector who collaborate with the Company in various capacities.

With the aim of **taking an in depth look at the ESG landscape** and at Salvatore Ferragamo's activities in this area, an induction session was organized for Salvatore Ferragamo S.p.A.'s executives and the Board of Directors, which is ultimately responsible for overseeing and approving the Sustainability Plans.
The meeting had three main objectives:
- to provide an overview of the new EU Corporate Sustainability Reporting Directive (CSRD)
- to share insights on the roles and responsibilities of corporate bodies in relation to sustainability reporting
- to collect feedback and insights from Ferragamo's Board of Directors and Top Management.

In order to achieve these objectives, various topics were discussed, including how Sustainability is shaping the new competitive landscape, how corporate leadership can drive sustainable transformation, the evolution of the Fashion & Luxury sector through ESG levers, as well as an overview of Ferragamo's sustainability positioning and opportunities.

Finally, again to promote knowledge of the Company by the Board of Directors, on 20 December 2023 an induction session was organized on the Atelier and the Osmannoro (Florence) production site.

3.3.2 INTERNAL COMMUNICATION & ENGAGEMENT

Many of the initiatives taken forward in-house were promoted thanks to the use of the "Ferragamo Together" digital workplace, an important tool for employee engagement. The platform, which was launched in 2019 and can also be used via a mobile application, was designed to facilitate collaboration and sharing of ideas, innovations, information and projects among all the Group's employees, thus increasing the sense of belonging and team spirit. As was the case in 2022, the "Our People" section continued to be regularly updated in 2023. This section contains descriptive content and useful sections such as those dedicated to organizational announcements and links to the iLearn platforms, to which more dynamic content will be added. This section also includes the Internal Job Posting tool, which enables the constant updating of open positions, promptly informing employees of potential internal growth programs. The section was created following the launch of the first global Employer Branding project aimed at developing the Group's EVP (**Employer Value Proposition**), in other words identifying what makes Salvatore Ferragamo a truly unique workplace, what are the distinctive characteristics of "Living in Ferragamo" and what is the essence of its corporate culture.

Over the past year, a great deal of effort has been invested in the definition of the new **Culture Blueprint**.
The Blueprint is the foundation on which all initiatives aimed at enhancing people within the Company are based, defining the Vision, Values and other key elements to ensure the organization's success.

The **Culture Blueprint** leverages five key components.

- The **PURPOSE**, which defines the Company's DNA, in other words reinterpreting the iconic Italian heritage to create contemporary and sustainable luxury fashion, both today and in the future.
- The **VISION**, in other words the ambition to be a point of reference for people when they think of iconic Italian luxury.
- The **VALUES**, which guide the way the Company behaves: a focus on the customer, innovating in an intelligent and sustainable manner, taking responsibility for our actions, valuing and empowering everyone and working together with passion.
- The **SUCCESS ENABLERS**, in other words the skills and behaviors through which the Group's vision and values are interpreted. These include: Inclusive Leadership, Customer-centricity, Accountability, Agility and Collaboration.
- The **EVP** (Employer Value Proposition), which defines who we are and why people aspire to be part of our organization and stay with us.

Feedback and one-on-one meetings between managers and employees play a particularly important role within this framework. These practices, in fact, are seen as key to supporting the professional and personal development of our employees, offering them the opportunity to receive constructive feedback, identify possible areas for growth and receive the support they need to achieve their personal goals.

Moreover, the organization and participation in the numerous Employer Branding initiatives, as well as the close contacts established with the Placement offices of the various Universities, Schools and Business Schools with which we collaborate, have allowed the Group to meet over 500 young students and recent graduates and to cover 60% of the internship positions open at a corporate level in 2023.

During 2023, a total of 26 Employer Branding initiatives were organized at the corporate level. These include Company Visits, Career Days and lectures at the leading universities, Business Schools, and Academies with which we partner (Polimoda, Marangoni, Bocconi, ESSEC, LUISS, Università Cattolica, IULM and the Milano Fashion Institute).



500 young people
for internship positions



26
employer branding
initiatives



Giorgio Vasari, 1534 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

Three field projects have been launched with schools of excellence:

1. Ferragamo was **the main sponsor of the International MBA week** promoted by the **LUISS Business School** in collaboration with 12 Business Schools around the world. The week saw the participation of 50 international students, who challenged each other on a business case that we launched, entitled "Developing Advocacy through a tailored customer experience". The week included alternating activities at the LUISS Campus and Company visits to our Museum, Archive and Laboratories. The event had great media resonance.
2. In **partnership with the Accademia Costume e Moda in Rome**, students from ACM's Master's Degree in Accessory Design were asked to design and develop a capsule collection of men's accessories, with a strong innovative approach to research. During the final presentation, a winner was named, with an internship opportunity offered on our Creative Team.
3. In **collaboration with MAFED** (Master in Fashion, Experience & Design Management) program offered by the SDA Bocconi, the Corporate Merchandise Planning Department launched a business case that examined Men's Business with a focus on Shoes, RTW and a deep dive on the US and China markets. The final project was presented by the 5 international students at Palazzo Spini Feroni, an event attended by the heads of the main Corporate Departments. One of the students was given the opportunity to join the Merchandise Planning Team with an internship starting in January 2024.

For the second consecutive year, the Company confirmed its adherence to the **"Adopt a school" project, promoted by Altagamma**, with the aim of bringing young people from the Florence area closer to the trades revolving around the leather goods sector, to raise their awareness of the professional opportunities offered by Made in Italy. This edition of the project, carried out in collaboration with the Cellini Tornabuoni Institute in Florence, saw the involvement of 17 students who completed a training course focused on the world of leather goods, which was concluded with a one-month internship experience.

In December, the award ceremony of the second edition of the Wanda Ferragamo scholarship was held in Florence at Palazzo Spini Feroni, with President Leonardo Ferragamo and other members of the Ferragamo family in attendance. Wanda Ferragamo has long believed in investing in young people and providing them with opportunities to grow and challenge themselves, a fundamental value that she has passed on to the Company. To nurture this culture and to promote research and knowledge development, the Salvatore Ferragamo Group has decided to establish the **Wanda Ferragamo Scholarship**. The program awards five young women around the world with five scholarships worth €15,000, to support them in their studies and help them in the development of their future professional career.

During the year, a **project** was also launched **focused on reviewing the internal communication strategy**. The goal was to strengthen employee engagement by **creating a corporate community** through which everyone – both within the offices and in the retail network – can be informed of the Company's strategies and initiatives, actively participating through the sharing of content.



The internal communication review process began with an analysis of the tools currently in use, highlighting opportunities for improvement. As part of this strategy review, a number of initiatives have been launched, including:

- ***The Footprint*,** a renewed and dynamic monthly newsletter that aims to engage and inform employees on various business topics and initiatives undertaken by the organization, as well as to give visibility to best practices at a global level;
- ***Bespoke*,** a newsletter focused on promoting services and initiatives tailored to employees, with the aim of improving the quality of life, internally as well as externally;
- ***Townhall*,** the organization of two global events, in June and December, with the aim of ensuring greater sharing of corporate objectives. These events saw great participation by employees. For the first time, the entire Ferragamo community was brought together across language, geographical and location barriers. The HR team supported everyone's involvement by organizing "listening points" within the Osmannoro facility, a simultaneous translation service available both in person and remotely, through the subtitles provided by the IT platform.

In January 2023, a three-day event was organized in Florence to share the Company's results in the retail sector, which saw the participation of all European store managers, with training sessions and meetings. This event was an opportunity to align the participants on development strategies and, at the same time, to encourage the exchange of ideas and ambitions.
Also in 2023, Ferragamo participated in a **TEDx event in Forte dei Marmi** on the **"Design a sustainable future"** theme, promoting the participation of a multifunctional team of potential resources, covering roles exposed to sustainability-related issues.

In 2023, to give employees the opportunity to learn more about the Company and the sector in which it operates, a virtual preview of the new exhibition at the Ferragamo Museum was created: Fuori Mostra. For more details, see section 6.4 "Ferragamo Museum and Foundation".

3.3.3 CORPORATE & RETAIL TRAINING

With a view to promoting the growth of people in the Company, in 2023 the **activities to train and develop talents** and the project to design a Talent Management system at global level continued. As part of its own Ferragamo Excellence Model, the Parent Company identifies new key skills divided into **Core Skills and Managerial Skills**, to be enhanced in each employee. Core Skills are key for all employees and enable them to achieve high levels of performance and quality, as well as promptly address issues and problems as they arise, by working in teams and exploring new ideas and solutions. For middle and top managers, the Group has identified additional skills aimed at understanding the elements that are crucial to the creation of corporate value and at improving competitiveness over time, inspiring enthusiasm and a passion for work and excellence in other people.

Average hours of training – Salvatore Ferragamo Group

	2023			2022		
No. of hours	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Managers	22.01	27.05	25.02	25.97	28.34	27.41
White collars	31.56	35.54	34.33	28.79	25.45	26.42
Blue collars	9.80	8.55	9.34	7.48	4.56	6.43
Total	**26.22**	**32.82**	**30.51**	**24.99**	**25.06**	**25.04**

Training is a cornerstone of Ferragamo's staff development strategies. In this regard, over **112 thousand hours of training** were provided at Group level in 2023, not including health and safety training. Specific training initiatives are also aimed at staff working in Ferragamo stores: since 2019, the Company has continued to invest in a training program for retail staff at global level. The aim of the program is to develop a client-centric mindset in order to strengthen the core skills of retail staff and contribute to the achievement of corporate objectives. The training methodology has the express goal of stimulating emotional involvement, leveraging the skills and experience of Client Advisors and managers, regardless of the approach. The courses aimed at corporate employees covered, among other topics, the strengthening of soft skills, the use of IT tools, languages and specialist training. For retail staff, the courses covered, among other topics, personal development, training on the Brand, products and collections, with the organization, in some cases, of in-store coaching sessions. The training is further supported through morning briefs and in-store activities conducted independently by store managers.



112
thousand hours
of training in total



3,863 hours
of safety training in Italy



95% of employees have attended Cyber Security training



about **79%**
of HQ employees trained on anti-corruption issues

Throughout 2023, the Company has implemented a series of **initiatives focused on increasing the level of attention and awareness on compliance-related issues** through dedicated training. The courses primarily covered topics such as **anti-corruption**, **whistleblowing, the protection of IP rights and risks related to the violation of IP rights of third parties.** In the area of occupational health and safety, in 2023 **3863 hours of training on safety, first aid and fire prevention** were provided in Italy, also involving retail staff. In addition, the assignment of the relevant digital learning content in the induction phase for new hires was followed by global awareness campaigns.

With regard to **Cyber Security,** training courses were organized for all employees, tailored to the specific teams and roles covered. The courses were completed by 95% of employees. During the course, strong attention was paid to the phishing practice and, given the importance of the topic, the activity will be repeated in 2024.

A total of 78.45% of **headquarters employees** and 36.61% of retail employees in Italy **have received training in anti-corruption matters**, for a **total average of 53.83%.**

Course delivery was made more seamless thanks to the use of the iLearn platform, for both corporate staff and retail teams.

In the retail sector, a new "FLAME" training course was implemented in 2023. The program includes a number of topics, such as:
- specific learning content ("selling with passion") focused on service and sales skills to create a sophisticated and consistent luxury experience across all markets;
- a learning course to promote a clienteling mindset ("make it match"), to support the acquisition of new customers and the retention of existing ones;
- two learning modules for store managers, specifically created to strengthen their coaching skills on the sales floor, in order to improve performance;
- specific content ("driving sales") designed to "accelerate" sales performance and support improved in-store conversion rates.

Throughout the year, the store managers of the 189 stores around the world participating in the "Instore experience monitoring program" received monthly individual coaching sessions from the reference trainer, with the goal of enhancing and improving the level of in-store service.

In addition, in the last quarter of 2023, a new **"Nex – New Employee Experience"** onboarding program focused on Client Advisors and Store Managers was defined, which will be launched in early 2024. The program covers several topics, such as brand awareness, product awareness, sales operations and team engagement activities.

The iLearn tool, integrated in the Ferragamo Together platform, allows to identify training contents related to the excellence model skills, to deepen the knowledge of the Company and the Brand, and to have self-development opportunities. Through iLearn, content has been created to provide one-on-one training, as well as remote group sessions and face-to-face training.

Again from a training perspective, in November 2022 the Sustainability team, in collaboration with the Human Resources team, launched **"Sustainability Pills"** at corporate level, i.e., a training project structured in six short digital modules **to introduce the macro-topics that define the word "sustainability"**, with the aim of inspiring and engaging corporate employees in the sustainable development of Ferragamo's strategy. The delivery of the pills was entrusted to a specialized partner that guided participants through the training sessions. Part of the proceeds from the project will be used by the partner company to provide free access to digital educational materials and to organize a free sustainability workshop in cooperation with a local school, selected by the Company.



Paolo Veronese, 1570-75 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

In 2023, the "Sustainability Pills" digital modules were launched on the Corporate iLearn platform, with the aim of extending the project to offices in all Regions.
Moreover, in 2022, with the goal of creating an internal culture on biodiversity, a training activity was organized in collaboration with a partner operating globally to help major organizations navigate the complex challenges of biodiversity and contribute to delivering positive results for business and nature. During the training, the teams involved in the selection and purchase of raw materials were engaged, with the ultimate goal of supporting Ferragamo in enhancing the performance of biodiversity in the supply chain.

Another training activity implemented in 2022 was the launch of the global **Ferragamo Leadership Program**. This program, delivered via the Coursera platform, involved around 50 managers globally, offering a range of courses that were selected with reference to the following skills: change management, people development, influencing, adaptability, organizational development and corporate communication.

In addition, in line with the Instore Monitoring Program, which involves monitoring the in-store client experience, training courses have been created focused on developing particular skills and abilities to improve the client experience. Moreover, to bring retail staff closer to sustainability issues, starting in October 2020 the Retail Journal, a magazine dedicated to retail staff, has included a sustainable section in which content on social and environmental responsibility is shared monthly.

In 2023, the **new Talent Management principles and processes** were defined **at a global level**, to assess the capabilities and growth potential of talent in a coherent, structured and effective way and plan their development within the Group, ensuring the long-term sustainability of the organization.

The implementation of this process saw the definition, at a global level, of the key elements that are part of the Talent assessment process, a new calendar of dates for discussing performance and development, a common and coherent evaluation scale, a Talent Review Matrix model, the definition of principles and a model for the individual development plan.

The new process aims to strengthen individual and team performance, promote an organizational culture of development and feedback, create succession plans for key positions and contribute to the culture of co-responsibility at different levels in the development of career paths.

The Executive Leadership Team and Human Resources have already been trained on the new processes in 2023, while in 2024 the Talent Management process will be implemented for all managerial positions (office and retail) worldwide.

In Italy, in 2022, the supplementary agreement to the National Collective Bargaining Agreement signed in 2019 was renewed for the years 2022-2023, which envisaged, among other things, the extension of the performance assessment process to all employees and for all levels within the organization, in order to increase engagement and to make everyone feel part of the corporate goals and results. This assessment method is based on three of Ferragamo's distinctive competencies: initiative, result orientation and customer orientation. The outcome of this assessment makes it possible to further increase the value of the bonus for the individual, while also rewarding individual performance.

In addition, in 2023, work continued on the consolidation of performance assessment programs in the retail sector. In particular, the continuous feedback process between manager and employee through the use of the Bright platform continued, which, in addition to being a monetary incentive program, is also designed to stimulate discussion and support opportunities for internal development and growth. In terms of incentives, the "Champion's League" program was also launched, aimed at top performers, to reward and incentivize those who contributed most through individual performance to the achievement of business objectives.

3.4 Diversity and inclusion



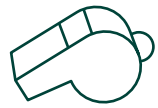
The Group considers diversity as a primary value, which it is committed to guaranteeing to its employees through the protection of a working environment centered around freedom of expression and where differences and individuality are valued.
During 2023, the foundations for a **new strategy on Diversity, Equity, Inclusion & Belonging (DEI&B)** were laid out **at a global level**, closely tied to the broader Business strategy and aimed at disseminating a culture of listening, open dialogue and recognition of the individual. A pragmatic, action-oriented approach, combined with a global outlook with attention to the specific characteristics of the different countries.
The strategy is based on **three pillars:**

- ensuring **fairness** at all the main stages of corporate life, from recruitment to exiting the Company;
- disseminating, through the behavior and example set by the leadership team, an organizational culture based on the **value of inclusion**;
- implementing **control and governance systems**, both at the corporate and regional level, to facilitate the evaluation and monitoring of actions and initiatives.

Across these three pillars, internal and external communication and social engagement tools played a key role to give greater resonance to the initiatives launched.
The Company has already planned a focus on the internal and external communication plan of the new Diversity, Equity, Inclusion & Belonging strategy set to take place in early 2024, parallel with the planning of a roadmap to ensure that the new strategy is translated into concrete actions.

Specifically, the Recruitment Policy will be updated at a global level, with the aim of ensuring that selection processes are inclusive and embrace diversity in its multiple dimensions. To achieve this goal, training activities will be planned globally for all employees tasked with Talent Acquisition activities. As far as the Italian perimeter is concerned, a partnership is planned with an Association that promotes the inclusion of people with disabilities, with the launch of a recruitment campaign for the inclusion of some resources in internships, accompanying them on a training and work path. With regard to the enhancement of gender diversity, coaching and mentoring activities dedicated to women are planned, also thanks to the renewed partnership with the Valore D Association.

The Company plans to relaunch the **"Breaking Bias" digital training content** to all employees worldwide, together with a global training initiative aimed at all managers on **how to manage people in an inclusive manner**. For the first time, the **first global engagement survey** will be launched, which also contains a number of questions related to DEI&B. At the same time, the goal of facilitating listening and inclusion of any diversity will be addressed through the creation of at least one ERG (Employee Resource Group) at a Corporate level and in each Region. Actions focused on measuring and certifying the Adjusted Gender Pay Gap and the study of an action plan focused on reducing it will also continue and, with regard to Italy, the path aimed at obtaining the UniPdR 125:2022 certification, already scheduled for 2025, will continue to be pursued.



Update of the **Whistleblowing Policy**

The Group's commitment to the issue of non-discrimination is tackled in collaboration with the Ethics Committee, which manages any cases that may arise. Salvatore Ferragamo S.p.A. and all Ferragamo Group Companies are committed to promoting a corporate culture inspired by ethics and legality.

On 6 July 2023, the Board of Directors of Salvatore Ferragamo S.p.A. approved, following the issuance of Italian Legislative Decree no. 24 of 10 March 2023, the Group Whistleblowing Policy, the Ethics Committee Regulations and updated the Code of Ethics.

In 2023, an excerpt from the Group Whistleblowing Policy was drawn up and published on the Company's corporate website and on the corporate intranet. The excerpt summarized the key content and requirements of the whistleblowing system, with the aim of ensuring the widest possible dissemination, correct understanding and use by all recipients and potential whistleblowers.

The whistleblowing system focuses on the following internal reporting channels:
- Dedicated website;
- Dedicated email inbox;
- Paper-based mail;
- Oral reports (through the voice messaging system adopted in the Web Platform and by contacting the dedicated telephone number);
- Direct meeting with the Whistleblower who requests to meet.

The web platform is managed by an external company that guarantees the non-traceability of reports, to which only members of the Ethics Committee have access.
By establishing and inviting the conscious use of their internal reporting channels, Ferragamo Group Companies aim to prevent and combat unlawful conduct or conduct contrary to the principles and rules prescribed in their organizational models, codes of ethics and corporate policies, protecting the confidentiality of whistleblowers and of other protected parties and safeguarding them from the risks of possible retaliation, in full compliance with all applicable legal provisions on the subject.

Following a report received through the Whistleblowing channel, after conducting a thorough investigation which found the report to be well-founded, the Ethics Committee informed the Company of the incident, which proceeded to make formal complaints against those reported and to implement monitoring actions aimed at avoiding the recurrence of such conduct
Concerning the employees belonging to protected categories, the Group complies with applicable laws in the countries in which it operates.

Special emphasis is placed also on **providing equal opportunities**, ensuring the same work conditions for male and female employees and promoting initiatives to help balance family and professional life through different types of employment agreements. More specifically, as at 31 December 2023 there were 65 male employees and 220 female employees who were on part-time contracts. The latter have always played a key role in the Salvatore Ferragamo Group and **female talent underpins the Brand's success, accounting for nearly 65% of its employees** and

holding around **60% of senior management positions**. Women make up a significant 44% of the Parent Company's Board of Directors, above and beyond the applicable laws.

Moreover, as of 2019, Salvatore Ferragamo has adopted the **Women's Empowerment Principles** promoted by UN Women and the UN Global Compact. They consist of a set of 7 principles and aim at providing companies with a guide on how to promote gender equality and female empowerment in the workplace and in communities in general. In line with the contents of the Code of Ethics and the Group Inclusion Policy, by adopting these principles, Salvatore Ferragamo intends to reconfirm its commitment in terms of inclusion and respect of the principles of equality and dignity.

For the initiatives taken in relation to pay equity, please refer to the next section.



65%
women in the Group

Inclusion Policy Ferragamo

The Inclusion Policy, formally **adopted in 2019**, aims to support multiculturalism and **promote equality and equal opportunities**, combating all types of discrimination and condemning any form of of harassment. In addition, the Policy aims to promote meritocracy and fair treatment at all levels, **encouraging the development, expression and enhancement of the potential of individuals**.

3.4.1 REMUNERATION

The Salvatore Ferragamo Group adopts remuneration policies geared towards recognizing the individual contribution of its people and business results, according to the principles of equality, equal opportunity and merit. To ensure competitiveness in the market, for some years now the Group has been implementing a remuneration system differentiated for the various professional categories, which also includes economic incentives contingent on individual and company performance goals aimed at promoting a sense of belonging and teamwork.



Collective bargaining agreements

adopted for all countries where present

The Group adopts **collective bargaining agreements** for all its employees in all the countries in which they operate, thus covering approximately 53% of its total workforce. These agreements, together with the laws in force, also regulate remuneration as well as the minimum notice periods for significant operational changes. Where not available, the Group offers employment contracts in accordance with current local regulations in force.



99%

of employees received a performance appraisal

Performance evaluation is a fundamental element for the implementation of the Group's remuneration policies.

In fact, during 2023, **99% of employees were subject to performance evaluations.**

To date, **several evaluation systems** have been implemented:
- the **"Bright"** system used for evaluating the individual performance of all retail store staff;
- the **"Short term incentive"** system dedicated to the Chief Executive Officer, Top Management and approximately 700 Group employees;
- local systems, such as the productivity bonus in Italy or **"profit sharing"** systems.

Following the annual performance reviews, meetings are organized with employees to discuss the results achieved and to set future goals for professional development and remuneration.

As part of the alignment of the new remuneration policy with the corporate strategy, the new STI (Short Term Incentive) performance evaluation system was implemented during the year. The initiative involved the creation and dissemination of policies and the organization of training sessions for all system users (both the evaluators and those being evaluated) at a global level, with the aim of synergistically engaging the employees of the various functions to achieve shared and "cascading" objectives.

To support the diversity and inclusion project, the Company has created a dashboard for HR managers in the various Regions to verify compliance with the Gender Pay Gap[19]. The dashboard cross-references the average salaries and the "banding" of the specific role and is a key tool in the calculation of the Adjusted pay gap, planned for 2024 and a precursory activity to salary reviews in order to reduce the gap identified. The first calculation, based only on the adjustment of the so-called "equal pay for equal work" role, is included in the 2024 Remuneration Policy.

In order to develop merit reviews that are consistent with the various markets, the Group promotes the acquisition of remuneration databases beneficial for understanding its positioning with respect to the local market and defining realignment interventions as regards the weight of the role held and taking into account the yearly performance.

At the retail level, employees are granted incentives linked to store and individual performance or, in the case of managers and depending on the location, an annual bonus based on a series of KPIs achieved (so-called "Bright" system).

The final calculation of the **performance bonus indicators** included training aimed at office and operational department managers, with the goal of improving the meetings with their resources on the evaluation of business skills. This, to promote a culture of feedback at all levels and to obtain a more balanced distribution of evaluations, making it possible to place greater emphasis on the best performing resources.
With respect to the indicators that contribute to the definition of the performance bonus, the one focused on participation in safety training was achieved by the majority of employees, demonstrating the strong commitment to this issue on their part.

In addition, the employee registry was updated to include data on family dependents, making it possible to take advantage of tax breaks according to current legislation in force, from lower taxation for recipients of **"fringe benefits"** to the use of shopping vouchers (groceries, fuel, etc.) for those entitled to receive corporate welfare.
As part of the Group's utmost attention paid to its employees, during 2023 and in light of the upcoming expiry of the Collective Labor Agreement and the related Production Bonus, the Company promptly took steps to hold meetings with trade union representatives so that a mutual solution can be quickly reached.



[19] The Gender pay gap that takes into account objective aspects of pay difference such as role weight, performance, tenure, etc.

4. RESPONSIBILITY TOWARDS THE ENVIRONMENT



Francesco Granacci, 1515 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.



Net Zero

by 2050

More than **10,000** sqm

photovoltaic systems installed

82%

of purchased energy covered by Guarantees of Origin

128 tCO_2eq/Mln Euro

emission intensity

92% of the leather is LWG

of which about 63% certified LWG Gold or Silver



SBTi from 2020

The Salvatore Ferragamo Group has been involved in environmental protection activities for years, which it has carefully integrated into the corporate culture. This commitment has been achieved through the definition of tangible and challenging targets, aimed at minimizing environmental impacts, affirming its intent to achieve **Net Zero by 2050**.

By signing the Fashion Pact in 2019, the Group committed to achieving specific targets in three priority areas: climate, biodiversity and oceans. By joining the **Science Based Target Initiative (SBTi)** in 2020, the Group publicly committed to reducing its direct and indirect emissions from the purchase of goods and services and, downstream, from transport and distribution by 42% by 2029, with a 2019 baseline. In order to achieve these targets, special attention was paid during 2023 to the eco-efficiency levels of its offices, to the use of materials with a low environmental impact in its collections, to minimizing the impact of logistics flows and to using sustainable packaging with a view to gradually reducing single-use plastics. Moreover, with the update of the 2024-2026 Sustainability Plan, the commitment to environmental impact mitigation was further strengthened with the definition of new and more specific targets that contribute to the achievement of set objectives.

Since 2017, bearing witness to the Group's commitment to reduce environmental impacts, Salvatore Ferragamo has voluntarily taken part in the CDP survey to promote transparency and reporting on CO_2 emissions. The goal of the CDP survey is to promote transparency about the emissions generated by businesses, cities, states, and regions, allowing anyone to obtain information on the environmental impacts of each of these entities. The assessment was completed for the "Climate Change" section and, as of 2023, it has also been completed for the "Water Security" section, where details relating to the management of water are required. In 2023, Ferragamo achieved a **CDP Climate Change** score of **A-**, an improvement compared to the B score obtained in 2022, thanks to the strengthening of the risk management and disclosure processes linked to climate change and energy management. For 2023, the Group has decided not to make the result obtained in the CDP Water Security assessment public, although the score was higher than the general average of the textiles and fabric goods sector, the European average, as well as the general global average.

4.1 Responsible consumption

With a view to environmental protection, the Salvatore Ferragamo Group pays close attention to its consumption[20], promoting several initiatives to improve efficiency.
With the aim of disseminating throughout the whole Group awareness about health and safety, environmental protection and increased energy efficiency, during 2021, the Management System Guidelines – HSE & Energy were updated and shared with the foreign Regions.

4.1.1 ENERGY CONSUMPTION

In 2023, the Salvatore Ferragamo Group consumed 9,519 GJ of natural gas, slightly down compared to 2022. Electricity consumption, on the other hand, amounted to 129,645 GJ, of which **102,490 covered by Guarantees of Origin and 5,062 GJ self-generated** by photovoltaic systems owned by the Group. As for the European scope, North America, Japan and APAC, almost all the energy used comes from renewable sources thanks to the purchase of energy certified through guarantees of origin. In relation to the consumption of non-renewable fuel, i.e., diesel and petrol, this stood at 8,658 GJ in 2023, in line with 2022.

The Group's 2023 energy intensity is equal to 128 (GJ/Mln Euro)[21]. In 2023, to accelerate the adoption of renewable electricity by investing in new clean energy infrastructure, the Group, as part of the Fashion Pact and in collaboration with 11 other brands, signed a **Collective Virtual Power Purchase Agreement (CVPPA)** for the European region. The first of its kind for the fashion industry, the CVPPA aims to add more than 100,000 MWh per year of new renewable electricity generation to the grid, equivalent to taking some 24,400 cars off the road.



82% of purchased energy covered by Guarantees of Origin

4% of self-generated energy consumption from photovoltaic plants

128 GJ/Mln Euro
Energy intensity

[20] For energy consumption, the 2023 data include all directly operated stores, offices and proprietary warehouses open in 2023, for a total of 391 directly operated stores and 60 additional assets. Electricity consumption was derived from the underlying assets (bills/final balances by Region or Legal Entity) once the perimeter was identified. A specific electric energy consumption was entered for each asset. For all assets for which consumption details were not available, an estimate was made from the consumption of the known assets, determining multiple consumption indices (calculated in kWh/m2 specific to each Legal Entity/Region). The consumption of the assets to be estimated was calculated by multiplying the specific area (gross area) by the relative region consumption index.
The data for 2022 have the following limitations:

- as for energy consumption, on the basis of the scope under consideration, i.e., approximately a 2,870 headcount in 2022:
- natural gas consumption covered 89% of the scope in 2022 (in 2022, consumption did not cover the European region – with the exception of Ferragamo Belgique SA and Ferragamo Austria GmbH – and South America);
- electricity consumption covered 97% of the scope in 2022 (in 2022, consumption did not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd.);
- non-renewable fuel consumption covered 81% of the scope in 2022 (in 2022, consumption did not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd and Ferragamo Moda (Shanghai) Co. Ltd);

On the basis of their availably and materiality, the data for 2022 and 2023 have the following limitations:
As for water consumption and waste production, on the basis of the scope under consideration and set out in the "Methodology" section, i.e., approximately a 1,200 headcount in 2022 and approximately 1,212 in 2023.

[21] The energy intensity parameter takes into account the total energy consumption of the organization as the numerator and the Group's turnover in millions of Euros as the denominator.

Thanks to the photovoltaic fields at the Osmannoro site, with an **installed power of 1,304.77 kWp**, the electricity self-generated by the Company in 2023 was 5,739 GJ, of which 677 GJ were sold to the grid. The self-consumed 5,062 GJ correspond to around 4% of the Parent Company's total electricity consumption. With a view to energy efficiency, since 2022 a computerized management system – the Building Management System (BMS) – has been installed in several of the Group's buildings worldwide. For additional information, please refer to Section 4.1.4 "Initiatives to improve efficiency".

4.1.2 WATER CONSUMPTION

The Group promotes a sensible and responsible use of water, intended primarily for employees' hygiene-sanitary purposes, in that almost all production is outsourced. During 2023, water consumption in relation to the Parent Company's offices alone was 46,44 megaliters (of which 79% from the aqueduct and 21% from ground water[23]).

Energy consumption of the Salvatore Ferragamo Group[22]

(In GJ)	2023	2022
Natural gas consumption	9,519	10,047
Electricity consumption	129,645	111,977
Of which from self-generated renewable energy	*5,062*	*NA*
Of which from purchases of Guarantees of Origin (GO/RECs)	*102,490*	*NA*
Non-renewable fuel consumption	8,658	8,103
Of which petrol consumption for road transport	*3,527*	*NA*
Of which diesel consumption for road transport	*5,131*	*NA*
Total energy consumption	147,822	130,127

129,645 GJ
Electricity consumption

102,490 GJ
Of which from purchases of Guarantees of Origin (GO/RECs)

5,062 GJ
Of which from self-generated renewable energy

[22] The conversion coefficients published by the Department for Environment, Food & Rural Affairs (DEFRA) in 2023 were used to calculate the energy consumption of petrol, diesel, natural gas and electricity in GJ.
[23] In 2022, water consumption was 36.7 megaliters (of which 73.8% from the aqueduct and 26.2% from ground water).

4.1.3 WASTE

The Group is committed to taking action in order to reduce the production of waste arising from its operations, as well as to raise awareness among its employees with respect to proper management and disposal practices, encouraging to reuse and recycle materials as well as minimize waste.
In Japan, the growing responsibility for addressing SDG-related issues in the fashion industry also falls on the real estate sector. In light of this, the Company has entered into an agreement with Mitsui SDG. Mitsui is a real estate company that is expanding commercial areas across Japan, paying a great deal of attention to societal changes and the future of the fashion industry.

Mitsui aims to achieve three objectives in all stores:
- Zero waste;
- Use of recycled materials and resources;
- Creating an energy cycle within its facilities.

The agreement for the creation of the new commercial areas provides for simplified internal warehouses, which will lead to a reduction in storage size and costs; simplification of transport, with the reduction of deliveries and consequently of costs and CO_2 emissions; as well as a reduction of the risk of damage to the brand, previously caused by disposal and secondary distribution.

In order to understand and mitigate the impacts of its activities, the Group is also committed to verifying the incoming and outgoing flows that may generate waste. In line with the requirements of the ISO 14001:2015 environmental management system, adopted for all of the Group's Italian offices and stores, Salvatore Ferragamo developed specific procedures to ensure the effective and efficient management of waste, as well as a correct periodic monitoring of the waste produced.

This management includes monitoring the ratio of hazardous waste to total waste generated, the amount of waste produced in relation to turnover and the amount of waste recycled in relation to the total waste produced. In Italy, waste management is entrusted to third parties, which deliver the waste to a temporary deposit facility, transport it to recycling or disposal plants and then process it. In order to verify that these third parties comply with the relevant legislation and environmental requirements in force, internal audits are periodically carried out.



In 2023, the Salvatore Ferragamo Group's waste production stood at 711.13 tons (of which 99.7% was non-hazardous waste and the remaining 0.3% was hazardous waste[24]).

The waste generated by the Group's activities primarily refers to office materials, packaging, as well as fabric and leather waste.

Waste diverted from disposal – 2023

	Hazardous waste			Non-hazardous waste			Total
(In tons)	On-site	External site	Total	On-site	External site	Total	
Preparation for re-use	-	-	-	-	-	-	-
Recycling	-	1.31	1.31	-	659.99	659.99	661.30
Other recovery operations	-	-	-	-	2.52	2.52	2.52
Total	**-**	**1.31**	**1.31**	**-**	**662.51**	**662.51**	**663.82**

Waste directed to disposal – 2023

	Hazardous waste			Non-hazardous waste			Total
(In tons)	On-site	External site	Total	On-site	External site	Total	
Incineration, with energy recovery	-	-	-	-	-	-	-
Incineration, without energy recovery	-	-	-	-	-	-	-
Landfill disposal	-	0.68	0.68	-	46.63	46.63	47.31
Other disposal operations	-	-	-	-	-		
Total	**-**	**0.68**	**0.68**	**-**	**46.63**	**46.63**	**47.31**

[24] For comparative purposes, waste production in 2022 stood at 731.8 tons (of which 99.5% was non-hazardous waste and the remaining 0.5% was hazardous waste):
- as regards waste directed to disposal, amounting to 51.9 tons, 99.9% consisted of non-hazardous waste and the remaining 0.1% of hazardous waste:
- as regards non-hazardous waste, 47.4 tons were landfilled at an external site, 1.0 tons were treated through other on-site disposal operations and the remaining 1.1 tons were treated through other disposal operations at an external site;
- as regards hazardous waste, 0.1 tons were disposed of by landfill treatment at external sites.
- as regards waste diverted from disposal, amounting to 679.9 tons, 99.5% consisted of non-hazardous waste and the remaining 0.5% of hazardous waste. All the waste diverted from disposal was recycled at external sites.

4.1.4 INITIATIVES TO IMPROVE EFFICIENCY

With reference to the efficiency initiatives implemented by Salvatore Ferragamo, in 2023 the Group expanded the **photovoltaic system** already installed in building F of the Osmannoro site, reaching a maximum peak power of 1,526.64 kWp thanks to the installation of 221.88 kWp of photovoltaic panels, equal to a net installed area of 6,500 square meters. The plant was connected to the grid and began generating power on 1 January 2024. This system complements the one installed on the roof of the Osmannoro Logistics Hub, which has a maximum peak power of 863.50 kWp, reachable through over 3,200 photovoltaic panels, equal to a net installed area of 5,350 square meters.

Another relevant example of energy efficiency is the installation of **BMS** (Building Management System) **supervision systems**, which make it possible to control and monitor the mechanical and electrical systems, such as for example the microclimate and lighting, based on the quantity of natural light coming from outside. In order to improve the micro-climate in all the work areas, thus ensuring thermal comfort and a reduction in the use of fossil fuels and CO_2 emissions, a procedure has been adopted to manage temperatures in the work areas at the Osmannoro site. The procedure indicates the parameters to be respected to obtain a reduction of 34 tons of CO_2 in one year and is one of the initiatives adopted by the Company to improve energy efficiency and compliance with environmental sustainability standards. During 2023, the installation of the BMS continued in various of the brand's stores around the world, with the aim of pursuing the Group's consumption efficiency. In addition, multi-meters are present at the Osmannoro site in order to constantly monitor consumption.

This type of system has been adopted at the Osmannoro Logistics Hub since 2018, in building M of the Osmannoro site and, with the aim of monitoring energy consumption in stores, in 2023 Ferragamo was able to install BMS systems globally in 49 stores connected to the central platform. The new systems will make it possible to digitally and centrally monitor energy consumption and consequently to define and implement strategies to reduce consumption and optimize customers' comfort.

Another milestone in terms of consumption optimization is the achievement of the **LEED Platinum certification** (the highest level of the LEED certification), already obtained in 2016 by building Q of the Osmannoro site and the Osmannoro Logistics Hub, a building covering approximately 20,000 square meters inaugurated in 2018. The **Hub project** envisaged the revision of the access and transport system within the facility in accordance with the concepts of simplification and rationalization of routes. In addition, thanks to numerous expedients in the technical systems, water consumption has been optimized, leading to a 50% reduction in total water consumption for irrigation and a 100% reduction in the consumption of drinking water. The electrical and mechanical systems have been designed to minimize light pollution.



49 BMSs installed
at Global level



LEED Platinum
for Osmannoro
Logistics Hub

LEED Gold and Silver
for stores worldwide

Furthermore, measures consistent with the LEED standard have been implemented for both mechanical and electrical systems, such as the use of lamps that reduce light pollution to a minimum. In addition, the construction work was made more sustainable through the use of products made of FSC-certified wood and of materials with a high level of recycled content and/or made locally, always in line with LEED standards.
In 2020, building M, designed to meet the main environmental standards and located at the Osmannoro site, also received the **LEED Platinum certification**, whose roofing channels were replaced in 2023 to improve the insulation losses identified.
Over the years, efforts to obtain certifications have also involved the retail area. The Group obtained the **LEED Gold** certification for the following stores: Boston Copley, China World in Beijing, MixCity in Shenzen, Guangzhou Taikoo Hui, Siam Paragon in Bangkok, and in Europe for the Madrid, Barcelona and Amsterdam Boutiques. It obtained the **LEED Silver** certification for the following stores: Seasons Place Beijing, Pacific Place in Hong Kong, and Troy in Michigan.

To ensure greater energy efficiency, the **relamping** of the Logistics Hub was carried out in 2022 and in 2023 the efficiency operations also involved the basement floors of Palazzo Feroni, replacing existing lights with LED technology lamps, as was also the case for part of the P and M buildings in Osmannoro.
With reference to additional efficiency-boosting initiatives introduced by the Group, in 2022, **special films aimed at regulating the micro-climate** were installed on some of the Company's buildings, and the air-conditioning and lighting systems at the Osmannoro site were optimized, thanks to a change in the set points of the systems, which led to a reduction in consumption. In 2023, these films, designed to filter the sun's rays, were also installed at the Matteotti offices and at a test store in Milan.

Extension
ISO 50001

A further energy efficiency initiative involved the drafting of a new policy for the **reprogramming of the intensity of night lighting** in all the Group's stores.
In addition, in 2022, the scope of certification of the Energy Management System according to the **ISO 50001:2018** standard, already in place for the Osmannoro site, was extended to all the retail stores in Italy, the Milan offices and Palazzo Spini Feroni. The certification sets out the requirements for designing, implementing, maintaining and improving energy management systems and, through a systemic approach, aims to facilitate the achievement of certain goals. These include the commitment to initiatives aimed at improving energy performance, the dissemination within the Company of the objectives of the energy management system and the related implementation programs, the optimization of the use of energy resources and the increase in the use of alternative and renewable energy sources.

In 2023, a single heat pump was installed in buildings E and D in Osmannoro, to replace the existing condensing boilers and refrigeration units.

4.2 Climate change and emissions monitoring

Carbon footprint[25]

	2023	2022
SCOPE 1 – Direct emissions (tCO_2e)	**1,128**	**1,122**
SCOPE 2 – Indirect emissions associated with electricity generation – location based (tCO_2)	**14,634**	**11,952**
SCOPE 2 – Indirect emissions associated with electricity generation – market based (tCO_2)	**3,095**	**10,256**
SCOPE 3 – Indirect emissions (tCO_2e)	**144,102**	**269,793**
Cat. 1 Indirect emissions attributable to purchases of raw materials and services	93,138	179,669
Cat. 4 and 9 Indirect emissions attributable to logistics	26,588	28,413
Other	24,376	61,711

[25] Based on the availability and materiality of data, the scope under consideration, i.e., a headcount of approximately 2870 in 2022, is subject to the following limitations:
- the emissions from natural gas and non-renewable fuel consumption (SCOPE 1) and electricity consumption (SCOPE 2) covered the same scopes set out in note 20;
- the emissions related to rail, car and air business travel (SCOPE 3) covered 81% of the scope in 2022.

The factors used in 2022 and 2023 to calculate SCOPE 1 emissions are those issued by the Department for Environment, Food & Rural Affairs (DEFRA) in 2022 and 2023.
For the calculation of SCOPE 2 emissions, the factors used are those published by ISPRA referring to the year 2022 for SCOPE 2 location-based 2023, while for SCOPE 2 market-based, the factors used for European countries are those published by AIB (Association of Issuing Bodies) in 2023 for 2023. SCOPE 2 emissions are expressed in tons of CO2; however, it is specified that the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO2 equivalent), as can be seen from the technical literature.
For the calculation of scope 2 emissions, all directly operated stores, offices and proprietary warehouses open in 2023 were selected, for a total of 391 directly operated stores and 60 additional assets.
Other indirect emissions generated by other organizations and which are a consequence of the Group's activities (known as "SCOPE 3 emissions") have been calculated in accordance with the "GHG Protocol Corporate Value Chain (SCOPE 3) Accounting and Reporting Standard".
For each of the SCOPE 3 categories identified as relevant, GHG emissions were quantified by multiplying the organization's activity data by the specific emission factor. The main sources of the emission factors used are the UK Department for Environment, Food & Rural Affairs (DEFRA) publication for the year 2023 and the Ecoinvent 3.9.1 database published in September 2021. The relevant SCOPE 3 categories taken into consideration are: "purchases of raw materials and services" and "logistics" including upstream and downstream transportation and distribution. The "other" item includes indirect emissions generated by the following categories: "capital goods", "fuel- and energy-related activities (not included in Scope 1 or Scope 2)", "waste generated in operations", "business travel", "employee commuting", "upstream leased assets", "end-of-life treatment of sold products", "downstream leased assets", "franchises".

With a view to mitigating the effects of climate change, the Group has implemented actions and targets aimed at the reduction and offsetting of CO_2 emissions. These initiatives are a priority for the Group and have already been defined within its Sustainability Plan, in line with the main objectives of the Fashion Pact, which Salvatore Ferragamo has been adhering to since 2019.

To confirm this commitment and in line with the level of decarbonization required to prevent the most damaging effects of climate change, the Salvatore Ferragamo Group defined its science-based targets to reduce greenhouse gas emissions (GHG). In August 2020, the Science Based Targets initiative, which establishes and promotes best practice in defining science-based targets, as well as assessing companies' targets, endorsed the two important targets:

- **Reducing by 42% Scope 1 and Scope 2 absolute GHG emissions by 2029 compared to 2019**;
- **Reducing by 42% Scope 3 absolute GHG emissions, deriving from the purchase of goods and services and from the downstream transport and distribution, by 2029 compared to 2019**.



-69.8%

Scope 2 emissions
Market based

128 tCO_2eq/ Mln Euro

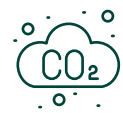
emission intensity

During the year, the Company acquired Guarantees of Origin for almost all Regions globally, which led to a significant reduction in indirect Scope 2 – market-based emissions.

In 2023, the Scope 3 emissions reported by the Group amounted to 144,102 tons CO_2eq., while the **emission intensity** stood at **128 (tCO_2eq/Mln Euro[26])**.
With a view to defining science-based targets, a project was launched in 2019 on the calculation of Group GHG emissions in accordance with the GHG Protocol. The project also led to a qualitative improvement in the underlying data used for the calculation of emissions and therefore to a more accurate calculation with reference to the 2023 financial year. This improvement, in turn, led to the reporting of a significantly lower emission value than that presented in the previous year. In 2023, total GHG emissions from the Group's logistics amounted to 26,588 tons of CO_2eq, of which 5,427 tons of CO_2eq for the downstream stage and 21,160 tons of CO_2eq for the upstream stage. In addition, for the 2023 reporting year, greenhouse gas (GHG) emissions relating to the Scope 3 "Purchases of raw materials and services" category, in other words emissions for the extraction and production of raw materials used and the provision of services used by the Group during the year, amounted to 93,138 tons CO_2eq. The significant decrease is due to the combined action of a reduction in the use of the spend-based method for estimating emissions related to the purchase of certain raw materials and the identification of emission factors that are more representative of contracted work, which can be used thanks to the improvement in the quality of the primary data obtained by the various corporate functions.

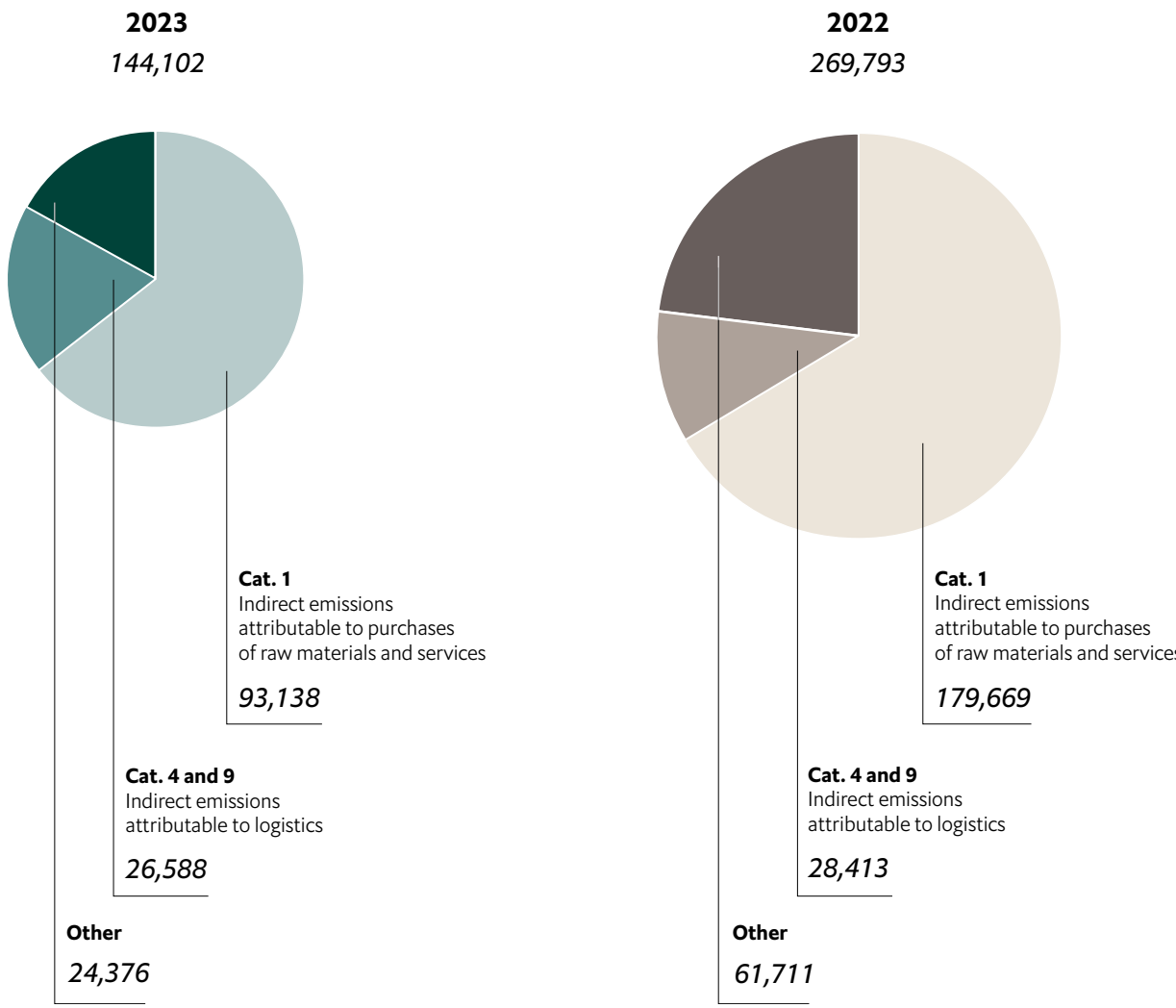
[26] The emission intensity parameter takes into account the total emissions of the organization as the numerator, with a market-based factor, and the Group's turnover in millions of Euros as the denominator. With the location-based factor, the emission intensity is equal to 138 (tCO2eq/Euro).

The corporate functions of reference for each category were actively engaged in quantifying the Group's GHG emissions, collecting the data useful for the process and carrying out the necessary in-depth studies to refine the calculation methodologies. Compared to 2022, **scope 3 emissions** decreased **by 46.6%,** primarily due to the ability to identify – for all major emission categories –, more granular and accurate input data and emission factors than in the past, as well as to the responsible sourcing of raw materials.



-46.6%
Scope 3 emissions

SCOPE 3 – Direct emissions (tCO_2e)





In order to facilitate the development and implementation of plans to manage greenhouse gases by the organization itself, also in 2023 Salvatore Ferragamo started the process to maintain the **ISO 14064** certification according to the 2019 version of the standard.

The ISO 14064:2019 standard, already implemented for the **Osmannoro plant, the Milan offices, Palazzo Spini Feroni**, the **Ferragamo Museum**, and extended to **Italian stores** in 2019, specifies the principles and requirements for quantifying and reporting greenhouse gas emissions related to the activities carried out. Obtaining the ISO 14064 certification, as specified in the related Policy, allows certifying the best international practices in the management, measurement and verification of data and information related to greenhouse gas emissions, and its extension to all the Group's Italian offices represented an important progress in the process of continuous improvement towards ever higher sustainability standards.

The reduction of the environmental impact and of CO_2 emissions released into the atmosphere is a key issue also in the Environmental Policy formalized by Salvatore Ferragamo S.p.A., in line with the requirements of the environmental management system **ISO 14001:2015, adopted for all the Italian offices and the stores**. In fact, the Policy calls for action by the Company on its processes and products to keep atmospheric emissions under control, in order to identify and monitor environmental indicators.

In 2023 the Company confirmed the collaboration with Wora for deliveries in the municipality of Milan, an express courier service that uses electric vehicles with a low environmental impact.

In addition, with a view to reducing the environmental impact linked to the supply chain, the Group continued its initiative aimed at promoting the **reuse of packaging** boxes by shoe manufacturers in order to reduce CO_2 emissions linked to cardboard production and to use **returnable pallets**.

The completion of the project, started in 2020, to offset emissions from the iconic Viva model is also part of the environmental protection strategy. In line with the goal of making a positive contribution to protecting and safeguarding the environment, Salvatore Ferragamo decided to calculate the carbon footprint of the Viva model, which includes all the phases from design to production and delivery to stores, obtaining ISO 14067:2018 – Carbon Footprint of Products certification. This calculation allowed the Company to offset the environmental impact generated by supporting a wind farm project in India. Moreover, Salvatore Ferragamo extended the quantification to other environmental impacts of the Viva model according to the Life Cycle Assessment (LCA) methodology in compliance with the UNI EN ISO 14040:2006 standard and the UNI EN ISO 14044:2018 standard.

The search for **sustainable mobility** solutions is another key aspect of the Group's sustainability vision. In Italy, Salvatore Ferragamo has adopted a Commuting Plan for the Osmannoro site and, for several years now, has had a Mobility Manager to optimize employee travel and promote solutions allowing to curb environmental impacts.

Commuting Plan

In order to encourage traffic decongestion in urban areas, companies and public administrations are required to draw up an annual plan for the home-to-work travel of their employees. The objective of the plan is to **provide alternative and more convenient measures** than the use of the car through an optimal set of useful actions for the rationalisation of employees' home-work journeys, including **Mobility Management** services and activities. For this reason, a mobility manager is to be appointed to provide ongoing professional support for decision-making, planning, programming, management and promotion of **optimal sustainable mobility solutions**.

In 2022, the collaboration with Jojob was also extended to all Milan offices. In 2023 a number of sustainable mobility initiatives were renewed, including the **corporate carpooling service** and the **Bici&Piedi program**, both in collaboration with Jojob. Bici&Piedi, which allows anyone coming to work on foot or by bike to take part in the initiative and to reduce CO_2 emissions, has also been extended to electric micro-mobility. With the aim of promoting sustainable mobility and the use of Jojob, an incentive method based on cash back is in place.

During 2023, further initiatives were carried out, including the increase in daily cash-back for the use of sustainable means of travel, promoted during Earth Week in April. In September, on the other hand, a collaboration with Confindustria Firenze was launched, which made it possible to organize an event to promote mobility with a low environmental impact.
The data on the use of the adopted tools in the first nine months were published in October and, at the same time, the campaign launched by the Metropolitan City of Florence for the use of Jojob was publicized.

In addition to the prizes for carpoolers and for those who commute by bike, scooter and on foot described in the previous paragraph, the Company makes available car parks dedicated to carpoolers, 74 bicycle spaces and 4 changing areas with 35 showers at the Osmannoro offices. A bike parking area has also been set up in the internal courtyard of the Palazzo Feroni site.
In addition, to promote sustainable travel, employees can use the EasyWelfare platform to take advantage of the corporate bonus for the purchase of public transport passes.

Still with a view to reducing emissions generated by mobility, the agreement signed in 2021 with Alphabet – a BMW Group company that provides corporate mobility services – to replace the fleet of corporate vehicles in Italy with Plug-In Hybrid or Full Electric cars continued, with the aim of reducing CO_2 emissions. In 2022, in addition to the parking spaces provided in the covered garage, 16 electric car charging stations were installed to encourage the use of alternative transport, to which another was added in 2023.

Finally, in 2023 Ferragamo joined again the "Air France KLM Corporate SAF Program" project, an initiative launched by Air France and KLM. The Program allows for the reduction of the environmental impact generated by employees' air travel, thanks to a more significant use of fuels produced from food oil waste.

In 2023, Salvatore Ferragamo conducted a feasibility study aimed at the optimization of the logistics sector, analyzing the process efficiency possibilities and laying the foundations for a sustainable logistics strategy. In particular, the options that can be pursued and included in the 2024-2026 Sustainability Plan are the involvement and activation of partnerships with logistics service providers and the inclusion of green logistics aspects within procurement processes: lower-carbon means of transport, the optimization of loads and routes, as well as measurement and acquisition of increasingly more accurate and punctual data related to logistics-related emissions.

Logistics Optimization Study

For the study, an **assessment of the distribution channels** was carried out and possible projects defined to enable a **reduction of GHG emissions** related to transport and distribution activities through the analysis of different emission scenarios of low, medium and high growth rate in line with the target submitted to the **SBTi and the Sustainability Plan**.

4.3 Biodiversity and animal welfare

For the Salvatore Ferragamo Group, the protection and promotion of biodiversity are characteristic elements of the Company's approach to environmental responsibility and the promotion of Made in Italy that has distinguished the Brand since its foundation. In addition to the signing of the Fashion Pact in 2019, and the formalization of a Manifesto for Biodiversity in 2020, the Group's commitment has continued in subsequent years – through participation in webinars, working tables and training initiatives – with the aim of developing a strategy focused on protecting biodiversity.

Moreover, Ferragamo joined more than 300 organizations for #makeitmandatory, a global awareness campaign presented at COP15, calling for mandatory requirements for all large businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity by 2030. In accordance with the provisions of the Manifesto for Biodiversity and in particular with the commitments contained therein aimed at the protection and promotion of biodiversity and ecosystem services, in 2023 Ferragamo launched an analysis focused on identifying the impacts and dependencies that the Group's business has on nature. The analysis is based on the provisions of the Science Based Target Network (SBTN) Framework.
The analysis was carried out following the SBTN Technical Guidelines, with particular reference to Step 1a "**Materiality Screening**", allowing to identify the possible impact of the business on nature, understood as the sum of activities carried out directly by the Group and activities related to the supply chain. The results of Step 1a indicate that the Group's materiality focuses on the following pressure categories: water and land use, climate change, and water and soil pollution. **Ferragamo also analyzed the raw materials used in its operations with reference to SBTN's High Impact Commodity List**, finding that the most impactful materials for the Group are fibers of natural origin, leather and cotton, as well as paper used for packaging. After this first phase, the analysis will be completed by the first half of 2024 with the quantitative assessment of the impacts of these materials on nature, in accordance with the provisions of Step 1b of the SBTN, "Value Chain Assessment".

In parallel with the materiality analysis, stakeholder engagement activities were implemented to support the development of internal knowledge on issues related to biodiversity and nature and on the voluntary and regulatory frameworks of reference. These activities involved Top Management and several key departments and will support the definition of the Group's biodiversity strategy. In line with the special attention paid to social, environmental and economic impacts, the responsible procurement of materials of animal origin, which are used in manufacturing processes, is particularly important for each product category. The Group considers it essential to adopt an in-depth approach to the issue of animal welfare along the entire supply chain, with the awareness that the enhancement of the value of the products is closely linked to respect for the environment and biodiversity.



To formalize its commitment to animal welfare, in 2020 the Group implemented a specific **Animal Welfare Policy**. The main objective of this policy is to ensure that all actors along the supply chain adopt ethical and responsible behavior towards animal welfare.

The policy establishes minimum requirements, certifications, standards, collaborations, strategies and sources of supply to be prioritized, thus helping to ensure the welfare of the animals involved in the production phases.

The Salvatore Ferragamo Group does not own or manage plants or operational sites that are located near protected areas or include protected areas or areas of high biodiversity outside protected areas.

The Group recognizes that a balance between economic needs and the protection of animal welfare can only be achieved through a conscious and responsible management of the supply chain, based on ethical principles and reference regulations. The adoption of this policy is a significant step in the promotion of sustainable and ethical practices in the sector, helping to consolidate the Group's commitment to responsible production and consumption, oriented towards protecting the environment and promoting biodiversity.

Animal Welfare Policy

The Animal Welfare Policy aims to ensure that the entire supply chain **adopts good animal welfare behaviour**. The Group's Policy defines the minimum requirements, certifications, standards, collaborations, strategies and preferred sources of supply to ensure animal welfare in relation to the following categories of materials: fine hides and skins (from exotic species), wild (species that are killed in their natural environment), sheep and goats, cattle (adult cattle species) and calves.



4.4 Materials with a lower environmental impact

The inclusion of materials with a low environmental impact into its collection is one of the top priorities for the Brand, which has set up a cross-functional work team dedicated to this initiative. The Group has also adopted specific guidelines on materials and fibers to be preferred (and conversely those to be discouraged or avoided), with the aim of promoting respect for the environment, people and the planet. An internal strategic-decision-making document fully updated in October 2023, which continues to be updated to ensure compliance with respect to the applicable certifications and reference standards.

The raw materials with the lowest environmental impact listed in the guidelines include, by way of example, organic cotton and silk (e.g. GOTS or OCS certified), regenerated nylon and polyester yarns, post-consumer recycled wool and cashmere, viscose from responsibly managed forests, metal-free leather and leather from Leather Working Group certified tanneries. Specifically, as of 2023, approximately 92% of the turnover of suppliers employed by the Group for both bovine/sheep hides and fine leather comes from LWG-certified tanneries, of which about 63% comes from LWG-certified tanneries at the Gold or Silver level.

Raw materials purchased in 2023 by type[27]

	Type of raw material	Unit of measure	Purchased quantity
Renewable	Leather	dm^2	80,815,278.24
	Leather for accessories	Kg	985.20
	Wool[28]	kg	17,113.75
	Silk	kg	89,935.19
	Cotton	kg	29,963.71
	Linen	kg	202.93
	Viscose	kg	10,743.74
Non Renewable	Polyester	kg	5,260.0
	Of which recycled	*%*	*1%*
	Nylon	kg	4,181.04
	Of which recycled	*%*	*35%*
	Metals	kg	25,372.92

[27] Purchases include the main materials procured.
[28] The "Wool" category includes wool, cashmere and alpaca materials.



In order to enhance the collection of data on purchased materials (first and foremost raw materials) and improve its reliability, traceability and completeness, a strategic project was launched in 2023 aimed at **automating and refining the operational functionalities related to the "sustainability"** attributes of the Product Lifecycle Management (PLM) platform.

The integration of data with other corporate management platforms and the adoption of a structured process has made it possible to more efficiently collect and manage sustainability information (considered in the preferred materials guidelines), related to raw materials, finished products marketed and suppliers. This project has laid a solid foundation for creating transparency and ensuring consistency across product and supply chain ESG data, also increasing the automation and control of reporting processes. Additional developments are planned for 2024, including the implementation of an integrated Product Identification solution, which will enable the management of sustainability attributes and the sharing of the same with end customers.

During 2023, the commitment to research and the use of innovative materials with low environmental impact has given rise to the reinterpretation of the best-selling model of **F-80 Skeleton** watches, presented for the first time during World Ocean Month 2022. The 41 mm case is composed of 60% ceramic powder from natural minerals and 40% nylon, with 63% bio-based content from renewable sources, while the strap is made using TPU with 39% bio-based content. The transparent design of the caseback and dial allows the consumer to become more aware of the next step towards environmental sustainability, resulting from the choice of the Landeron 24 automatic movement.

In the Spring/Summer 2023 collection, the Group presented new sun and optical creations with lenses and frames in **Tritan™ Renew Eastman**, made by introducing 50% recycled polyester[29] derived from plastic residues into the production process. In the Pre-Spring 2023 collection, on the other hand, it introduced a fabric characterized by a high artisanal content made by women from the most disadvantaged communities of Burkina Faso, with the aim of promoting their empowerment, independence and reduce poverty and gender inequalities.

This is the result of a collaboration with the Ratti textile company and the **Ethical Fashion Initiative**, a United Nations program with which Ferragamo entered into a partnership in 2022. The goal is to include this fabric in the next summer collections on an ongoing basis.

Also in 2023, the Group reconfirmed the previously started replacement of some components with alternatives with lower environmental impact: starting with the Fall-Winter 2021 collection, in fact, all leather soles used for the Brand's footwear are purchased from suppliers certified according to the UNI 11427 Standard. Moreover, starting from the Pre-Spring 2022 collection, for all leather creations, from footwear to accessories, a 100% recycled polyester yarn from post-consumer sources is being used. Finally, from 2022, the viscose used for Vara bows respects the well-being of forests and local communities.

[29] Recycled content is allocated using the mass balance.

As far as the main activities focused on the search for innovative materials that comply with the principles of circular economy are concerned, Ferragamo's commitment can be demonstrated as early as 2021, with the launch of the Salvatore Ferragamo Icon-Up capsule collection.

The project has allowed the Group to experiment with an approach aimed at enhancing circularity, which has seen the creation of shoes and belts embellished with silks and materials from pre-existing Ferragamo products.

Also the reusable product protective bag is made with printed fabrics recovered from stock.

The packaging sees Favini Remake paper boxes, made of 30% post-consumer recycled cellulose and 25% residues from the leather goods industry. In addition, a 100% recycled and recyclable filler tissue paper was selected.

In 2023, Ferragamo strengthened its commitment in this regard by participating in the **Monitor for Circular Fashion program**. The Company has contributed to this initiative through the development of a pilot project in which a new version of the iconic Varina ballerinas has been created, following the principles of eco-design and circular economy in the procurement of raw materials and the manufacture of semi-finished products.

Monitor for Circular Fashion

The Monitor for Circular Fashion aims to:
- **analyse the evolutionary dynamics of the sector** and its main segments;
- examine the impact of these dynamics and **the alignment with the Sustainable Development Goals**, part of the UN 2030 Agenda;
- identify the main **qualitative and quantitative indicators of circular fashion**;
- give voice to the Italian fashion industry by creating the **Circular Fashion Manifesto**.

The leather of the upper has, in fact, been subjected to durability and chemical safety tests (recycled leather with verified traceability from the farm to the assembly of the product). The ballerinas also feature an ISO 11427 certified leather sole and a responsibly sourced viscose bow. Finally, the last phase of the production chain was carried out at Ferragamo's Florence facilities, powered entirely by energy from renewable sources.

Finally, in 2024 the Group intends to launch new projects related to materials and processes with a low environmental impact aimed at achieving the Company's sustainability goals. In fact, Ferragamo will reconfirm its commitment to researching and identifying sustainable alternatives and solutions and to making its supply chain increasingly more transparent and responsible for its work, both from an environmental and chemical point of view, and from a social and compliance point of view with current legislation, regulations and standards, both national and international. In addition to updating the preferred materials guidelines, a strategic-decision-making document will also be produced during 2024 with regard to B2B and B2C packaging materials, with the aim of gradually reducing the use of single-use plastics.

4.4.1 PACKAGING

For Ferragamo, circularity is not limited to the finished product: in fact, it also includes the packaging component. The objective, set out in specific targets defined in the sustainability plan, aims to replace and eliminate all problematic and unnecessary plastic materials used in primary, secondary and tertiary packaging and office materials. With this in mind, the Group has already completed several initiatives in 2022 with the goal of promoting more sustainable luxury, including the replacement of polybags for transporting products with recycled and recyclable plastic alternatives. Moreover, the **hangers used for Ferragamo garments are made of 100% post-consumer recycled plastic** and the **bags** used for packaging products such as shoes, bags and accessories are Made in Italy and made of 1**00% cotton fabric**, **78% of which is organic cotton**, as are the bags used for clothing, which also have a 100% recycled polyester lining.

Dustbags **100%** in cotton
of which **78%** organic

Innovative and environmentally friendly materials are also used for the packaging of some eCommerce shipments. In fact, since 2022 the Company has been using a recycled paper filler and since 2021 it has started using cardboard boxes from responsibly managed sources (e.g. FSC certified) and 65% recycled.

As regards paper packaging for the retail business, the **Group has favored paper certified by the Forest Stewardship Council (FSC)**, which bears witness to correct forest management and the traceability of paper products. The FSC logo guarantees that the product is made of raw materials harvested from forests managed according to sustainable principles. The iconic red packaging, in addition to being "Made in Italy" as well as fully recyclable and biodegradable, is also post-consumer, i.e., composed partly of recycled fibers and partly of ECF (Elementary Chlorine Free) cellulose, which is treated with ecological processes. Moreover, in selecting its packaging suppliers, Salvatore Ferragamo verifies also that they have important certifications such as ISO 9001, ISO 14001, SA8000, ISO 45001, GOTS, GRS, PEFC, FSC and OEKO-TEX.

66% of packaging paper from responsibly managed sources

It should also be noted that **66% of the paper used in packaging comes from responsibly managed sources**.



Main types of packaging materials purchased in 2023

	Type of material	Ordered quantity (kg)	Recycled quantity (%)	Incidence on total (%)
Renewable	Paper/cardboard	1,524,594.4		66.5%
	of which recycled	548,539.5	36%[30]	
	Cotton	93,117.4		4.06%
Non-renewable	Plastic	672,903		29.4%
	of which recycled	*32,501.7*	*5%*[31]	
	Metal	1,019.7		0.04%
	Other[32]	485.36		0.02%

In 2023, in line with the objectives of the Sustainability Plan and of the Group's commitment to environmental responsibility, the packaging of Ferragamo products has been renewed, also aligning product categories such as costume jewelry.
The iconic red packaging is entirely made with a new institutional paper from responsibly managed forests (e.g. FSC certified), **composed of 80% post-consumer recycled fibers** and 100% recycled cardboard reinforcements. Other solutions have also been adopted to reduce the environmental impact of the Group's packaging materials. For example, paper from responsibly managed forests was chosen for the handles of shopping bags, for adhesive labels, and as a substitute for the plastic used in shoe trees. In addition, the bags used for costume jewelry are made of 100% cotton fabric. In 2023, the choice to use materials with a lower environmental impact has also been extended to office materials, for which virgin paper has been replaced with 100% recycled paper (e.g. PEFC certified). In particular, during the year, the paper purchased (27%) for office materials is entirely recycled.
Communication tools that extend beyond the product packaging – such as catalogs, invitations, leaflets, stationery and other printed materials – have also been taken into consideration. In this regard, the Group has taken measures to ensure that they are made with paper from sustainable sources and that the inks and processes used for printing do not have harmful impacts on the environment. This commitment has been explicitly included in the Sustainability Plan.
The goal for 2024 is to gradually reduce the use of single-use plastics and continue to select innovative materials that have an increasingly reduced environmental impact. Concrete actions include transitioning from recycled plastic to paper, adopting recycled paper instead of virgin paper, and removing unnecessary components to reduce waste. To this end, the Group plans to draft a strategic-decision-making document for packaging materials, concerning both packaging intended for the end customer and that used in logistics.

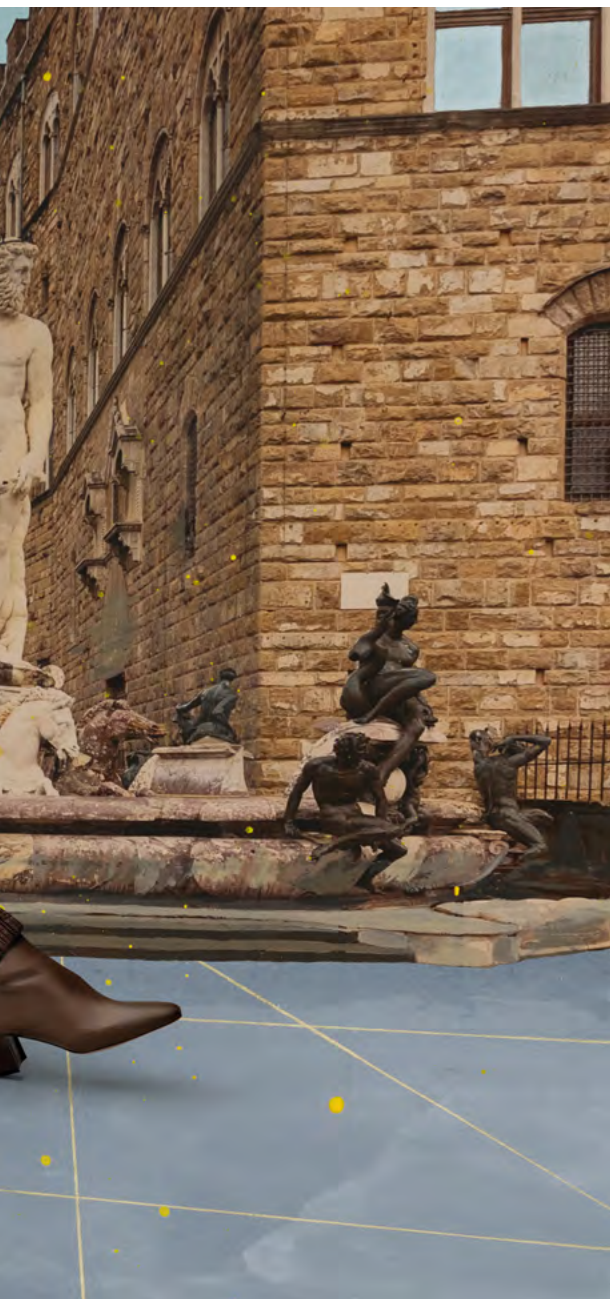


Iconic red Ferragamo packaging made of **80%** post-consumer recycled fibres

[30] Paper is at least 65% recycled.
[31] Plastic is at least 50% recycled.
[32] The "Other" category mainly refers to materials used for packaging.

5. RESPONSIBLE AND TRANSPARENT PROCUREMENT





93% of supplier turnover

from Italian suppliers

80% of tanneries

have shared environmental and chemical data

81 audits and **46** self-assessments

on the supply chain

Suppliers in figures – 2023

83.2%
Leather hides purchased from Italian tanneries

98.4%
Textiles purchased from Italian suppliers

99.3%
Accessories purchased from Italian suppliers

100%
Other raw materials purchased from Italian suppliers

While respecting the values of quality and Made in Italy, the Group has always been committed to supporting the **development of local communities**, promoting Italy's world-class manufacturers and carefully purchasing products and services almost exclusively from Tier 1 and Tier 2 **Italian suppliers**[33]. The philosophy of the Founder, who remained deeply connected to his roots, still lives on in the strategy of the Group, which relies on a wide network of carefully selected and qualified contract manufacturers known for their outstanding craftsmanship. Many of them have been working with Salvatore Ferragamo for years now. Among Tier 1 suppliers, 110 provide processing services and supply finished products, while 270 supply raw materials and components.

Tier 2 suppliers, instead, include around 370 subcontractors for processing services and the supply of finished products and 240 subcontractors for raw materials and components.

In order to deliver a quality product while making production and distribution cycles more efficient and flexible, the Salvatore Ferragamo Group pays special attention to the key stages of the supply chain, limiting **subcontracting to only one tier** in order to better monitor quality throughout the supply chain. Similarly, the Group directly manages the product development and industrialization stages, performing quality and safety controls, both upstream and downstream of the manufacturing process, on the whole production.

When selecting suitable suppliers, the Group places special emphasis on the technical assessment of raw materials, semi-finished and finished products as well as the acquisition of documents concerning manufacturing plants – and, in some cases, it follows up with a visit to the premises. In order to ensure the essential quality of the Brand's products, the Salvatore Ferragamo Group uses a **selection process for suppliers and contract manufacturers**, aimed at assessing whether the potential new partners have the technical and qualitative requirements, the economic and financial prerequisites and all the documentation and certification required to start collaborating.

[33] The reported data and information in section 5 refer exclusively to suppliers related to production operations. The Group also relies on a network of suppliers of ancillary goods and services, located primarily in Italy. Other important commercial relations are those with the stores. For more details see "The Salvatore Ferragamo Group's activities" section of the Board of Directors' report on operations.

Potential new partners must meet specific requirements in order to qualify as suppliers and contract manufacturers of raw materials or finished products for the Group, such as: the acceptance of the Supplier Code of Conduct, the Privacy Policy, **the signing of the Restricted Substances List (RSL)**, the statement of compliance with social security, welfare and occupational safety regulations. In addition, key suppliers, which play a strategic role or provide distinctive material for the brand, are required to sign an agreement confirming their commitment to respect brand protection. To this end, they must declare the list of sub-suppliers used, provide general disclosure documents and evidence of their financial position. Moreover, suppliers who work with raw materials or finished products of animal origin are required **to sign the Group's Animal Welfare Policy** during the qualification phase. This commitment ensures that the entire supply chain adopts correct behaviors towards animal welfare.

To facilitate the qualification process of its supply chain, the Group has adopted the Ferragamo Link platform since 2019, an **integrated and collaborative solution aimed at the management of information and document flows with suppliers**. The platform was designed with the aim of systematically managing the accreditation of new suppliers and the qualification of all direct suppliers of raw materials and finished products. The goal is to foster a synergistic and positive relationship with the entire supply chain. During 2021, the platform was optimized to include new features and was adapted following the update of the Supplier Qualification Procedure. This update resulted in a reduction in the number of documents required.





5.1 Chemical safety

The Group recognizes the importance of manufacturing and selling products which comply, in terms of chemical safety, to the laws in force on global markets, in order to protect the health of workers and consumers as well as reduce the environmental impact from manufacturing and throughout the product's life cycle.

EU legislation relating to chemical safety is based on the REACH regulation, which regulates the restriction of the use of chemicals.

For these purposes, **environmental and toxicity tests** are conducted on several components and finished products such as accessories, footwear structures, leather, textiles, leather goods, ready to wear, and rubber soles.

The Company selects its suppliers paying particular attention to companies in possession of relevant certifications, including related to chemical safety (e.g. ZDHC). Since 2016, the issue of chemical safety has been addressed through the presentation of the Group's Restricted Substances List (RSL), which establishes even stricter criteria than REACH, in line with the restrictions imposed by the other geographical areas where Ferragamo products are marketed. The list, drawn up voluntarily to eliminate or restrict the use of certain chemicals during the production phases, was updated during 2023 with the inclusion of new substances, limits and methods. All suppliers and contract manufacturers, both engaged in a direct and indirect relationships with the Salvatore Ferragamo Group, were required to sign it.

Zero Discharge of Hazardous Chemicals (ZDHC)

ZDHC is a multi-stakeholder organisation with over 320 signatories, including brands, manufacturers, solution providers and chemical suppliers. ZDHC's Roadmap to Zero programme guides the fashion industry to eliminate harmful chemicals from its global supply chain, laying the foundation for more sustainable production that protects workers, consumers and our planet's ecosystems.

In 2023, a data collection activity was also launched with the aim of understanding the rate of **adoption of a chemical management system** along the supply chain. In this context, Ferragamo has adopted the ZDHC methodology as its reference implementation standard. Information was shared from the supply chain for about **80% of the value of leather** purchased and **60% of the value of fabrics** purchased.

It emerged that as of 2023, approximately 37% of the value of leather and 25% of the value of fabrics has been purchased from certified **Level 1 or 2 suppliers adhering to the Supplier To Zero Program**.

In addition, approximately 27% of the value of leather and 47% of the value of textiles was purchased from suppliers who completed a ClearStream report to examine the performance of their facilities in terms of wastewater.

The Group is strongly active in monitoring, increasing the transparency and mitigating the chemical impacts and risks of the supply chain. In line with this, it has defined a clear roadmap to further strengthen this activity during 2024, with the aim of extending the perimeter of the suppliers involved and guiding them in undertaking improvement measures where necessary.

Adoption of **ZDHC** methodology along the supply chain

37% of tanneries certified Level 1 or 2 of the ZDHC Supplier to Zero Programme





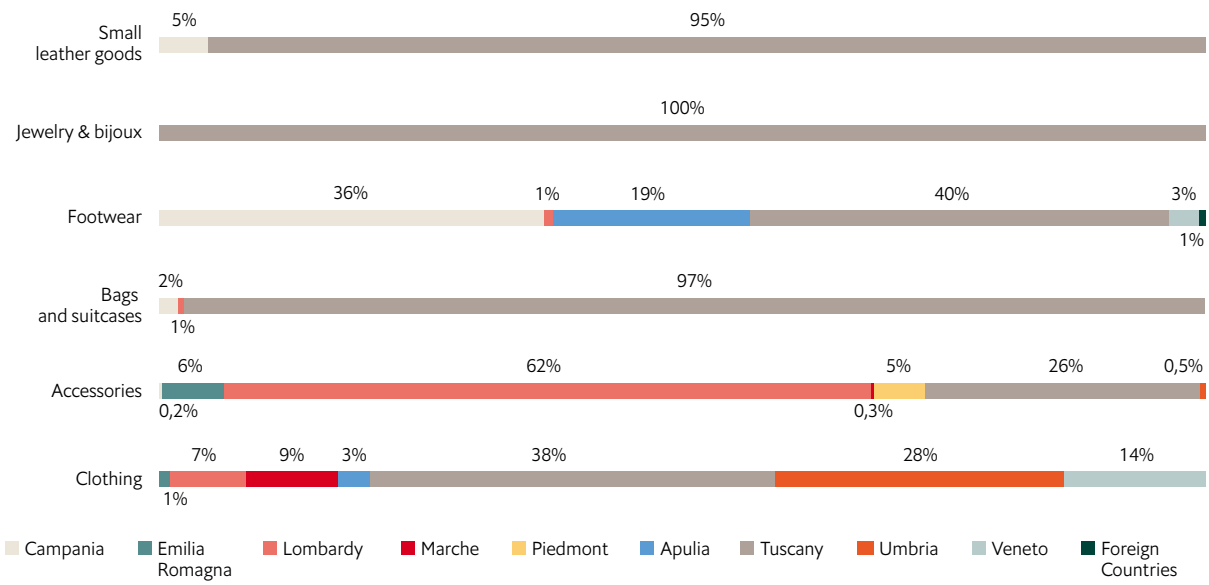
93% supplier turnover from Italian suppliers

5.2 Supply Chain

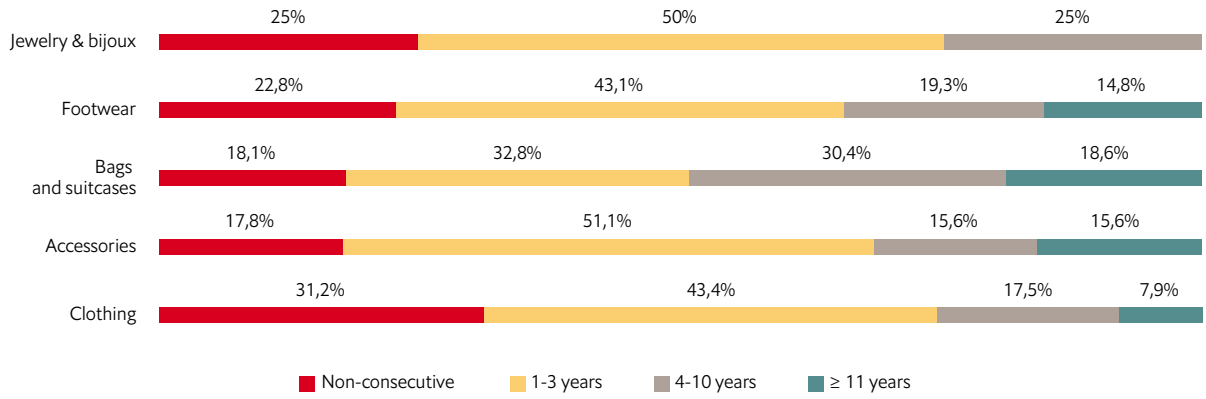
The Group relies on a procurement structure with a high level of technical preparation and works with historic companies, with which it has established an ongoing collaboration. In this context, the Group's strong link with the territory remains evident, with approximately **93% of supplier turnover** in 2023 generated by **Italian suppliers**.

In this context, Tuscan contract manufacturers accounted for 50% of the turnover of finished product processing, while Campanian contract manufacturers accounted for 22%; the remaining part is allocated to the other Italian regions.

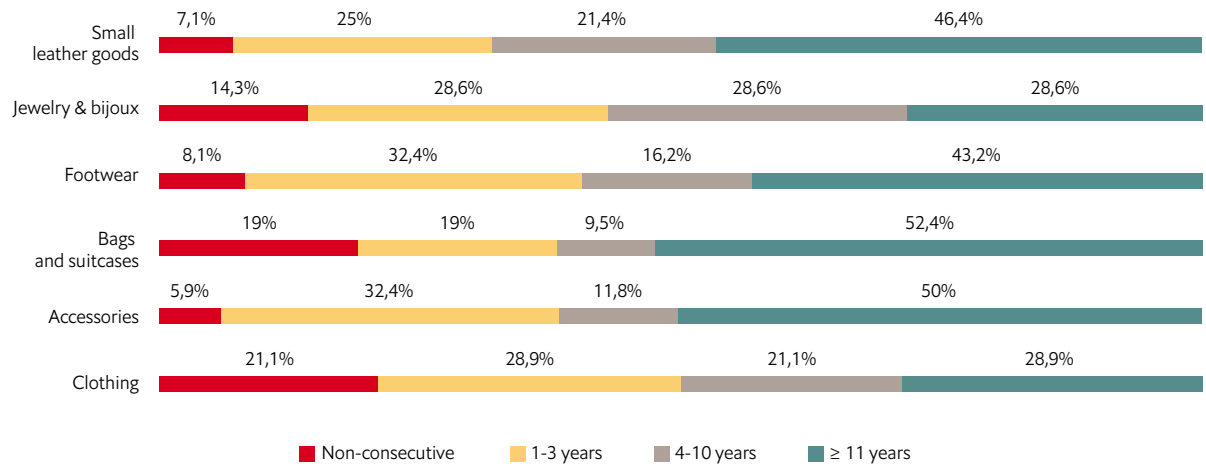
Geographical breakdown of Italian contract manufacturers by sector – 2023



Consecutive years of partnership with suppliers – 2023

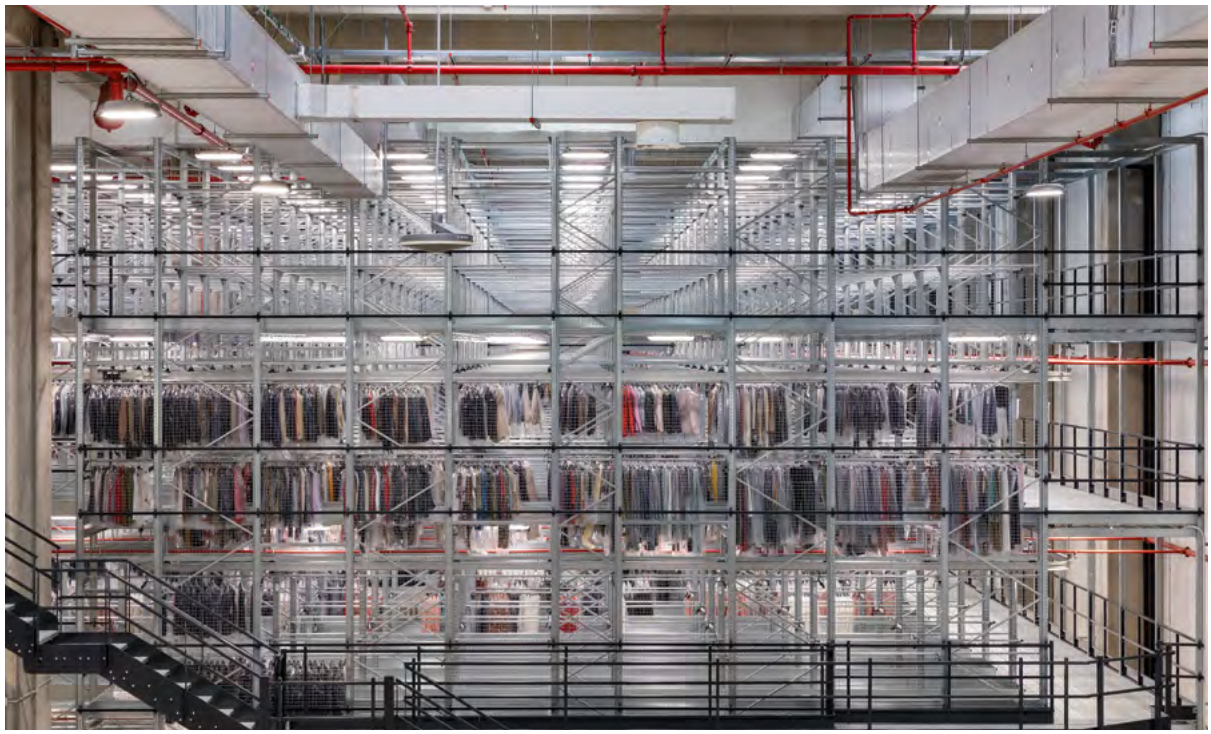


Consecutive years of partnership with contract manufacturers – 2023



42% of manufacturers have been collaborating with the Group for more than 11 years

With respect to contract manufacturers, the Salvatore Ferragamo Group works exclusively with highly specialized manufacturing companies that meet the most demanding quality standards. The selection and retention of external contract manufacturers is key to the Brand, mainly for the purposes of maintaining the world-class quality standards of its products as well as protecting Ferragamo's extensive know-how developed over the years. Approximately 42% of contract manufacturers have worked with Salvatore Ferragamo for over 11 years, including 52% of bag and suitcase manufacturers and 50% of accessory manufacturers. The **retention of external workshops** has been traditionally guaranteed by ongoing partnerships, the frequent exchange of information and skills between the Salvatore Ferragamo Group and the contract manufacturers, and the highly specialized products and production processes involved. This integration is supported by an IT system that connects the main workshops with the Group. This allows to share the progress of production and logistic processes, check whether raw materials are in the contract manufacturers' stock, and effectively plan the production stages as well as the procurement of raw materials and components. In addition, by signing the trademark protection agreement, the Salvatore Ferragamo Group bans external workshops from selling the Brand's products to third parties. Contract manufacturers are required to disclose if they work with any subcontractors, to which they can outsource different production processes, in accordance with the Policy limiting subcontracting to just one tier. In addition, the Group constantly monitors workshops through inspections performed by technical and production staff.



5.2.1 SUPPLY CHAIN MONITORING

For the Group, collaborating with the supply chain is key to achieving the highest ethical and sustainable business development standards: for this reason, it promotes monitoring and awareness-raising initiatives along its supply chain constantly monitoring the adequacy of the procurement model. In particular, risk elements in the supply chain are assessed – in terms of impact and likelihood of occurrence – with respect to human rights, child labor, forced and compulsory labor, non-discrimination, freedom of association and collective bargaining, occupational health and safety, working time, remuneration and regularity of working conditions and applied disciplinary practices.

In order to mitigate the likelihood and impact of the occurrence of risks of human rights violations in its production chain, the Group carries out several controls related to their respect and, more generally, to the promotion of integrity and ethics in business. In particular, in addition to a specific qualification procedure for suppliers in the production sector, starting in 2019, the Group disseminated and required the **signing of a specific Code of Conduct**. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. The recipients are responsible for guaranteeing their own compliance with the Code, as well as for disseminating it and asking their employees, suppliers and external collaborators to comply with it.

Supplier Code of Conduct

The Supplier Code of Conduct sets forth the ethical principles and rules of conduct that, along with the legal, regulatory and procedural norms, must characterize the commercial relations between the Group and its partners. The recipients are responsible for guaranteeing their compliance with the Code, disseminating it and requiring its respect by their employees, suppliers, external collaborators and others belonging to the supply chain for the Group.



audit of direct suppliers and subcontracting entities

In order to monitor compliance with the ethical and social standards characterizing its supply chain, the Group carries out **audits of its direct suppliers and sub-suppliers**, assessing their actual compliance with the principles set out in its Supplier Code of Conduct.

The monitoring activity is carried out by a specialized external company according to a multi-year plan and includes both the request for a self-assessment, by filling in a questionnaire, and on-site audits, with interviews with workers and management and an inspection of suppliers' production sites.

Based on the results of the audits carried out, in case of non-compliance with the provisions of the Code, the addressees are obliged to implement the actions required to adjust their activities and operations in order to remove, prevent or mitigate any identified non-compliance. The plan envisages specific actions to be implemented within agreed deadlines or suggestions for improvement activities.

In the event of serious or repeated violations of the Code, the Group reserves the right to terminate business relations with suppliers, as well as in the event of failure to implement the agreed improvement plan for the removal of any major non-conformities or failure to cooperate in the implementation of monitoring activities.

The Group encourages its suppliers to communicate any requests for information and interpretations on the adoption of the Code of Conduct. Moreover, it has set up specific channels for sending reports regarding alleged or ascertained violations of its provisions to the Group's Ethics Committee.
The committee is appointed by the Board of Directors and is responsible for assessing complaints or eventual violations of the Code of Ethics, of the laws and any other procedure within the Group, carrying out all the necessary investigations to verify their validity and promote the initiatives deemed necessary to address such violations.

By establishing and inviting the conscious use of its internal reporting channels, the Group aims to prevent and combat unlawful conduct or conduct contrary to the principles and rules prescribed in its organizational models, codes of ethics and corporate policies, protecting the confidentiality of those who report them and of other protected parties, safeguarding them from the risks of any retaliation, in full compliance with all applicable legal provisions.

To this end, the Company has adopted a **web platform managed by an external company, specialized in internal corporate reporting systems**. The data is therefore not transferred or managed through the servers owned by Ferragamo or the other Group companies.
This ensures that reports cannot be tracked, data is always protected and only members of the Ethics Committee have access to it.

In 2023, **46 self-assessments and 81 audits** of both direct suppliers and subcontractors were carried out through initial visits or on-site follow-ups. Among all the suppliers audited, relevant non-conformities were only found in 3 cases (corresponding to 4% of the suppliers examined), for which corrective actions and on-site follow-up were carried out. The most significant critical issues that emerged related to compliance with the standards provided for by applicable regulations on health, safety and hygiene in the workplace and, to a lesser extent, with respect to environmental issues and compliance with labor conditions and contracts.

In 2023, no reports or complaints were received with reference to issues related to human rights or violations of the Supplier Code of Conduct.

In **no case have critical issues been identified that present real or potential risks related to respect for human rights** (e.g. child labor, forced labor, freedom of association and collective bargaining).

Recognizing the importance of carefully monitoring its production chain, during 2024, the Salvatore Ferragamo Group will commit to continuing and increasing this activity, ensuring responsible management of its supply chain in compliance with current regulations in force.



6. SOCIAL RESPONSIBILITY



Giorgio Vasari, 1534 - BY PERMISSION OF THE MINISTRY OF CULTURE - Gallerie degli Uffizi.

6.1 Quality and Made in Italy

Ferragamo has always been synonymous with Made in Italy, and quality – an unmistakable sign of refinement and excellence – is indisputable, permeating every facet of the Company's spirit and business operations. Right from his early days in the United States in the 1920s, Salvatore Ferragamo was a pioneer in exporting Made in Italy quality, craftsmanship that is not just a question of manual skills but also of experience, utmost care and attention to detail, continuous research into materials and technologies.

For Salvatore Ferragamo, inventiveness knew no bounds. The challenges became stimuli for creativity, which found its highest expression in materials. The Founder never set limits to the fields in which to research and experiment. The material, in the same way as the shape and craftsmanship on which the beauty, comfort and durability of a shoe depend, was valorized by Salvatore in every model, so as to leave the material's qualities unchanged and, at the same time, to adapt it to the functionality of the shoe.

The **continuous research and experimentation** were not only for leather and embroidered uppers, the heirs of a centuries-long tradition of Italian craftsmanship, but also for poorer materials which had never been used for shoes in Ferragamo's time: paper, bark, raffia, fish skin and cellophane. Many of the Founder's most famous creations are products of his time and clearly show he was sensitive to the economic and manufacturing changes that swept Italy in the 20th century.

To strengthen the sole of his shoes during the autarky of the 1930s, Salvatore Ferragamo had the brilliant idea of using cork and thus created the wedge, one of the fashion industry's most revolutionary and enduring innovations. The change in vision, caused by unfavorable circumstances, becomes for the true creative designer a powerful stimulus to refine research and to find alternative solutions which maintain the key goals of fashion, i.e., glamour and innovation. This is the lesson that Ferragamo left us with his work: any material, even the most modest and apparently unsuitable for a luxury business, can be brilliantly and creatively adapted when the ideas, which are linked to the materials, are driven by limitless technical and innovative ability.

This extraordinary ability has become a legendary legacy today. The **Patent Archive of the Founder** has over 350 patents and trademarks – which at the start of the 21st century were retrieved from the patent fund of the Central State Archive – thus holding a technical and scientific know-how of inestimable value. The Founder's restless creativity is reflected in the massive number of ideas he patented over the years, such as the shell-shaped sole, the wedge, the sculpted heel, the invisible upper, the cage heel, and the metal sole. The Archive is still today a source of innovation and inspiration for the new generations of creative talents.

6.1.1 MANOVIA AND MODELLERIA

Manovia is Ferragamo's historic **prototyping and production department**. Founded in 1967, it has always stood out for its quality and craftsmanship in the planning and design of footwear. Recently renovated at the Osmannoro site, Manovia – which to date consists of approximately 20 artisans, material cutters, sewers and assemblers – mainly creates samples and prototypes and fine-tunes the structures (stretchers, heels, insoles and soles) for the new models. Since 2021, it has also been dedicated to a limited production of sneakers.

Together with Manovia, Modelleria is another place where the excellence of technique and the creativity of those who research materials, create style and make the Ferragamo product are celebrated. Launched in 2017, it is a **laboratory designed for the transmission of know-how** from master leather craftsmen to new talent.

Staying true to its Italian tradition and craftsmanship, the Group wants to celebrate the "Ferragamo touch" in the world of leather goods, with infinite possibilities for testing innovative types of leather and materials during the processing stages as well as improving the quality and efficiency of development processes.

Manovia and Modelleria embody the desire to preserve the know-how passed on by the Founder and carried on by the skilled craftsmen of the Salvatore Ferragamo Group.

6.2 Customer focus

Since the early days of the Company, Salvatore Ferragamo has always strived to guarantee the artisanal excellence in its creations, offering its customers a rewarding shopping experience. The Group continues to pursue several initiatives aimed at listening, communication and customer satisfaction, adopting a **customer-centric strategy** that allows anticipating the needs of existing and potential customers in order to create long-term value.
This strategy has been further strengthened with the arrival, at the beginning of 2022, of a new Creative Director at the helm of the Brand, who has made way for a new vision and stylistic direction.

During 2023, the Brand continued promoting the development of collections increasingly more focused on the needs of existing and potential customers, with the ultimate goal of **creating a dialog with the younger generations**, i.e., **Gen Z and Gen Alpha**. These activities have been made possible thanks to the collaboration between the Merchandising and Customer Experience teams, which worked increasingly side by side, thus enabling a better understanding of existing and potential customers, so as to propose collections that are increasingly focused on what the market is looking for. To continue pursuing its customer-centric strategy in 2023, the Group implemented a continuous flow of dialog with the markets with the aim of meeting specific requirements and sharing regional best practices.

6.2.1 RETAIL AND DIGITAL EXPERIENCES

To ensure maximum customer understanding and satisfaction in every situation, the Group strives to make its sales staff capable of conveying the same customer focus and passion for craftsmanship and quality that characterized Salvatore Ferragamo. In this regard, the retail training program focuses on the importance of customer relationship and of store managers and sales assistants training. The cornerstone of the retail strategy is directly linked to the customer experience, in order to enable them to experience "**Ferragamo emotions**". In 2023, in continuity with the actions already undertaken in 2022, the Group further developed its **clienteling**, customer listening and communication **tools**, reporting and KPIs for monitoring customer evolution, with a particular focus on:
- Customer Care service associated with Live Chat, Phone Orders and Net Promoter System/Heartbeat with "close the loop";
- completion of the roadmap of the Clienteling application (ClientiAmo) on the Primary B&M WW channel;
- use of **Emailing Campaigns** as a strategic and tactical cross-channel communication tool. The Company also worked on migrating to the Salesforce platform and consolidating its contact plan, focusing on the localizations and re-engagement of dormant or inactive contacts.

In line with the corporate rebranding, the Client Retention and Client Acquisition formats were implemented during 2023.

Also in 2023, to create opportunities for dialog with and listening to customers, the projects **ClientiAmo** – a clienteling app that facilitates personalized interaction between sales staff and customers – and **Heartbeat** – a net promoter score system dedicated to understanding customer needs with the aim of increasing customer satisfaction – continued.

With the adoption of ClientiAmo, the Group promoted its digital **adoption of Data Collection and Data Enrichment**. The dual version, in paper and digital form, has made it possible to satisfy all markets in compliance with local regulations and the preferences of each individual customer. At Ferragamo, the digitization of tools and experiences has always been accompanied by a highly human-centric approach that has guaranteed the quality of the 1:1 relationship with the brand, in answer to an increase in awareness-raising performance.

The Heartbeat project, which has been launched in 121 stores worldwide, has expanded the opportunities for store teams and the entire organization to listen to customers. The platform has given store managers, for the Brick and Mortar chain, and Customer Care, for eCommerce cases, the opportunity to implement timely actions to resolve the most critical situations, understand the behaviors that generate satisfaction and have great-

er awareness of the level of satisfaction generated by the experience offered. The evolution of the project has also made it possible to investigate the reasons behind customers' visits to a store and the satisfaction or dissatisfaction related to the non-purchase of the products, remaining in touch with customers for their future needs. With the introduction of text analytics, it was possible to analyze the sentiment expressed in the additional customer comments, also highlighting topics that are trending at certain times of the year. The Live chat service has made it possible to support the conversion of eCommerce contacts into sales and has been expanded with the inclusion of two other websites in the project, in Japan and Australia.

For Ferragamo, the store has always been one of the main points of contact to communicate and experience the Brand and product through an engaging experience. In the post-Covid era, greater emphasis has been given to activities with a focus on exclusivity and in-person experience, such as Brand Experience, Ferragamo Places and pampering opportunities through a gifting plan consistent with the collection and the relevant customer moments. However, in line with the new strategy, the Client Experience tools and formats have been partly kept digitized to allow the customer to use them remotely.

In 2023, the digital world, combined with the physical one, enabled the creation of innovative and engaging experiences for our customers. Two gift collections (PS24 and PF24) have been developed, allowing for greater consistency with the in-store collections. The gifting program included products available in different color variants and different price points, for a diverse audience spanning all segments and ages. The gifts were delivered at appropriate times of the year, taking into account holidays and personal occasions related to the specific customer. The products are exclusive because they are made with recycled materials, slow handling, in collaboration with the style, product, merchandising and pricing business units.



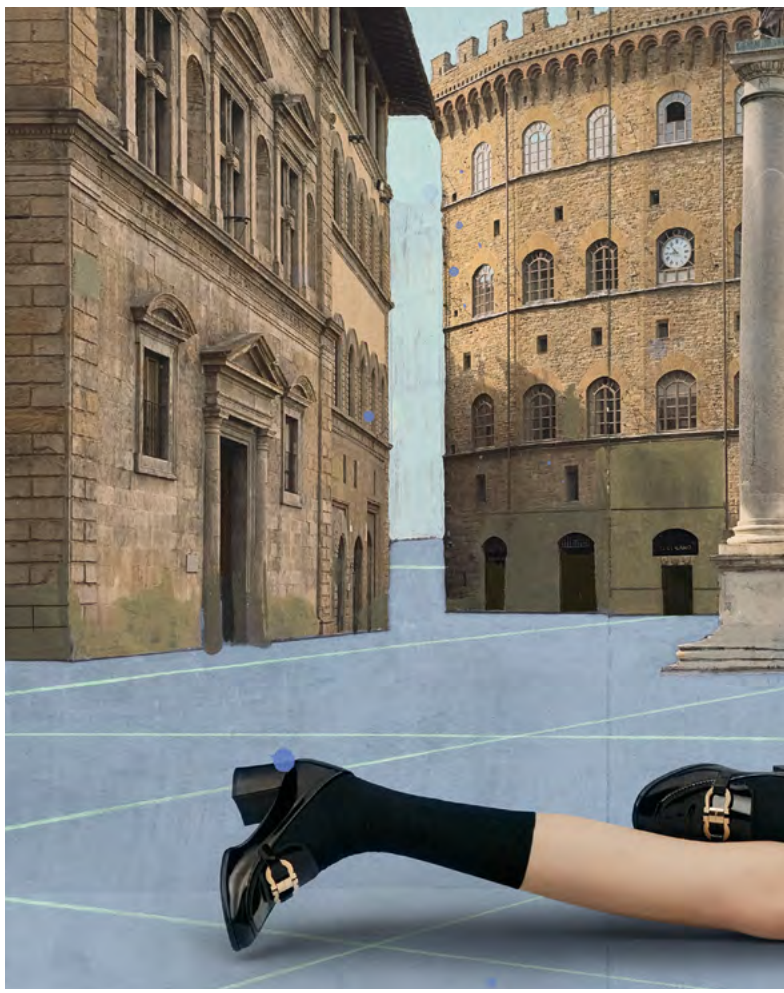
With a view to consistency with the **new Brand Identity**, in 2023 the Brand developed innovative, engaging and quality experiences for customers and prospects, aimed at making the new image and collections stand out.
In particular, with regard to In-Store Client Activations, a new format has been developed with Ferragamo red elements, offering a strong visual impact. The format was implemented worldwide to provide a consistent Brand image and strengthen the communication message, with the aim, on the one hand, of acquiring new customers and, on the other, of improving the relationship with existing customers, ferrying them over to the new collection.

The **AW23 and SS24 Global Brand Experiences** have also been developed in line with the new image and with a careful selection of customers inclined to appreciate the new aesthetics characterizing the collection. The digital format has been further updated, with a live streaming event from the Brand's showroom to present the runway collection to customers connected from other countries.
In line with 2022, the **Ferragamo Places Experience** program has also been enriched with private tours of the Archive, the Manovia department and Palazzo Feroni, dedicated to a selection of customers and prospects presented by Management, with the aim of building loyalty, as well as acquiring new customers.
For the Group, the integration of the digital world into the customer relationship completes the brand experience, offering the possibility to enrich the knowledge of the Brand in an effective and experiential way.

In 2023, Customer Care services continued their work to support sales on the Primary B&M and eCommerce channels.
Furthermore, with a focus on further improving the online experience and meeting the expectations of increasingly digital customers, the Group introduced additional innovative payment methods in some geographic areas, such as Apple Pay in Europe and the United States and installment payment in partnership with Klarna in Europe.

The theme of sustainability has also been given focus on the sustainability.ferragamo.com website, where information related to the Group's commitment to sustainability is presented. The site narrates the social and environmental sustainability initiatives, the commitment to the community and territory, and the Group's challenging goals for the future, which accompany the public on a journey through tradition and innovation, to discover Salvatore Ferragamo's deeply rooted sustainable culture. The experience on this website has been made inclusive and global, thanks to the optimization of the website for all devices and its availability in 8 languages.

Digital initiatives have also involved social media, the use of which fosters further customer engagement and ensures a comprehensive Brand experience. In 2023, several digital initiatives were launched on major platforms, such as Instagram, Facebook, Twitter, Pinterest, YouTube, Weibo, WeChat, LINE and TikTok, with a focus on strengthening the brand and product identity through creativity and diversity.



During the year, with the launch of the new branding strategy, each platform was leveraged to its full potential to create engaging dialog through products, events, fashion shows and exhibitions.

The presence of the Salvatore Ferragamo Group in social media – follower growth (2023 vs 2022)

Instagram	+7.77%
YouTube	+8%
Weibo	+20.9%
WeChat	+20.9%
LinkedIn	+7.9%

6.2.2 ANTI-COUNTERFEITING

Over the years, the Salvatore Ferragamo Group has implemented a series of online and offline anti-counterfeiting measures to protect its customers and the value of its trademarks.
In 2023, the Group improved its entire anti-counterfeiting system, in particular:
- the contract with the Incopro – Cosearch supplier, which monitors the presence of counterfeit products on the web (Online Brand Protection), has been updated;
- an **internal training on anti-counterfeiting** was carried out, with the aim of creating greater awareness and sensitivity on the issue among employees, to help increase the reports of counterfeit products online and/



or in physical stores and remove them from the market;
- the network of customs monitoring countries has been updated, increasing the focus on strategic countries for a global anti-counterfeiting approach.

In 2023, the Group continued to maintain a strong commitment to carry out local controls for markets of interest around the world through judicial and extrajudicial initiatives, both civil and criminal, recording an increase in the total number of products seized compared to the previous year. In particular, the number of seizures rose from 89,580 to 381,787 globally and in China, as is well known, one of the territories most affected by the phenomenon of counterfeiting, from 21,892 to 76,037.

As a result of the update of protection measures and monitoring activities, in 2023 there is a lower presence of counterfeit products on the online market globally. The number of removals of counterfeit product ads has, in fact, decreased from 61,210 to 42,554 and the number of illegal websites removed has decreased from 212 to 117.

This sustained commitment underlines how the protection of intellectual property is a priority for Ferragamo and how the Group is actively pursuing the fight against counterfeiting with a great deal of awareness and determination.

As part of the initiatives promoted in favor of customers, the Group uses the **Authenticity Tag** system, which protects the consumer that purchases a genuine and Made-in-Italy Ferragamo product, preventing and limiting counterfeiting. This traceability project consists in the implementation and adoption of an NFC (Near Field Communication) solution to uniquely identify Ferragamo products. NFC is a radio-frequency technology based on a chip, which stores the data, and an antenna capable of transmitting them once solicited by a reader, using radio waves. The combination of chip and antenna is the so-called Tag. The radio signals sent by the **RFID Tag** can be read through the most popular smartphones (equipped with an NFC reader). The Tag is embedded into the product at the end of the manufacturing process and activated following a quality control check. It cannot be counterfeited, as it is based on a unique identifier certified and assigned by a manufacturer.

Anyone with a smartphone with NFC technology can then read the tag, which provides a link to the official Ferragamo website (ferragamo.com). Industry insiders can also access an application that reads some of the data stored in the Tag, such as the serial number, the manufacturer number, and the collection the product is part of. The Group has gradually expanded the scope of the project in recent years, and the Tag is currently embedded into all leather products, with the exception of a few models, as well as on men's and women's t-shirts. Extensions of the application of the authenticity label are being studied, with the aim of also conveying information relating to the sustainability of the product to the end customer.



Francesco Granacci, 1515 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

6.3 Connection with the community and the local territory

After twelve years in the United States, in the summer of 1927 Salvatore Ferragamo returned to Italy and decided to set up his business in Florence, enraptured by the beauty of the Tuscan capital and fascinated by the skill of the local craftsmen. Since then, the link with the city of Florence has remained unbroken and has been strengthened through the Company's support for significant restoration projects and numerous charitable initiatives for many local causes. In addition to the Group's direct commitment to making a positive contribution to the area in which it operates, the activities of the Ferragamo Foundation and the Ferragamo Museum are also part of this context.
Founded on the deep-rooted values of family and community, the **Group** defined and adopted a **Charity Policy** to make several donations to charity initiatives promoting Italy's culture across the world as well as the health of women and children. The purpose of this policy is to provide a reference framework, for all Group subsidiaries, to be followed in defining donations, gifts and any participation in charitable associations, foundations and non-profit organizations. This process facilitates stronger governance and a new approval process, in order to coordinate more effectively charitable actions at an international level.

6.3.1 LINK WITH FLORENCE AND TUSCANY

Right from the start of his business, Salvatore Ferragamo sensed the close relation between the world of fashion and the world of art: a link of constant research, creativity and expression. The relationship with art, with the city of Florence and its entire territory has always been part of the DNA of the Brand that, over the years, has increased its dedication to promoting and safeguarding the Italian and Florentine artistic and cultural heritage, also through intense patronage of the arts. In this perspective, in 2019 the Company entered into an agreement with the City of Florence for the restoration of the major sculptural works in Piazza della Signoria and the bronze copy of David in Piazzale Michelangelo. The agreement, which continued throughout 2023 with the disbursement of the third and final installment, provided for the restoration of the equestrian statue of Cosimo I de' Medici by Giambologna in Piazza della Signoria, the Hercules and Cacus by Baccio Bandinelli and the copy of Michelangelo's David at the entrance to Palazzo Vecchio, the copy of Judith and Holofernes on the Arengario platform of Palazzo Vecchio, and the bronze copy of David on Piazzale Michelangelo.

Moreover, in 2023, the multi-year agreement stipulated in 2021 with the Educandato Statale SS. Annunziata for the **restoration of the Salone delle Feste** (ballroom) **in the Villa del Poggio Imperiale** continued, a world heritage site protected by UNESCO. The restoration work started in 2022 and will be completed in 2024.

Over the years Salvatore Ferragamo's liberal philanthropic contributions and support have allowed **the restoration of the Fountain of Neptune** in Piazza della Signoria in Florence, the reopening of 8 rooms of the Uffizi Gallery, the restoration of the Column of Justice in Piazza di Santa Trinità and the bridge of the same name in Florence and the setting up of the exhibition of Leonardo's Sant'Anna, work kept at the Louvre in Paris. The Group also supports the preservation of the city's and of Italy's cultural heritage, participating in the educational and cultural initiatives of the British Institute of Florence. Among the various activities in which it is engaged, Salvatore Ferragamo supports the Teatro del Maggio Musicale Fiorentino through membership.

In particular, on 19 December 2023, the ceremony for the awarding of the **Fiorino d'Oro to the Ferragamo Family** was held in the Salone dei Cinquecento, in recognition of the contribution made over the years to the city of Florence in terms of investments in culture and health and support for the fine arts

6.3.2 COMMITMENT TO WOMEN'S AND CHILDREN'S HEALTH

In line with its commitment to protecting the health of women and children, in 2020, an important five-year collaboration project was launched with the Meyer

Foundation of the Meyer Children's Hospital in Florence, an outstanding center for pediatric research and treatment. The collaboration envisages the Company's support for the Hospital's newborn screening activities and expansion plan. Following the presentation in 2021 of the first goals achieved thanks to the funds disbursed and allocated to the development of scientific research and technological development of the Children's Hospital, in 2022, the support continued in the pediatric orthopedics and traumatology area, a division specialized in the treatment of diseases of the musculoskeletal system of growing children. In 2023, the purchase of an advanced technology **machine that combines 2D and 3D capabilities** to enable greater intraoperative control and reduce the need for postoperative scans and corrective surgeries was finalized, and it was delivered in July 2023. Thanks to a special camera, the machine makes it possible to see the entire ocular fundus of the newborn and to immediately identify eventual pathologies of the retina. The advantage of these features is twofold: they allow to make an early diagnosis, as well as to monitor the results of any surgical therapies administered. Over the years, Salvatore Ferragamo has maintained a constant commitment to stimulating and keeping young people healthy, for example by supporting schools such as the School of Business Sciences financially and through activities, facilitating the entry of its students and start-ups into the world of work. From this point of view, the ongoing collaboration with the municipality of Florence is highly relevant and provides great benefits, promoting an offer of educational and training courses that supplement the teaching aimed at Florentine schools and coordinating them in a single project called "**The Keys to the City**". As part of this project framework, teachers, students and their families are offered a variety of educational paths, training courses, laboratory activities, visits and performances. In addition, in order to convey the values and emphasize Salvatore Ferragamo's legacy, the Museum and the Foundation offer a guided tour of the exhibition aimed at children, with the educational booklet of the Ferragamo Foundation.

In 2023, a new edition of **Corri la Vita** was held in Florence, a fundraising event aimed at contributing to the creation and qualification of national health facilities specializing in the treatment of breast cancer through psychological support, physical and social rehabilitation, prevention, training, and palliative care. The event saw the involvement of the whole region, with routes diversified by degree of difficulty and cultural destinations scattered throughout the city and its surroundings. Salvatore Ferragamo was the main sponsor of the event, donating **38,429 t-shirts**.
This year Salvatore Ferragamo will once again be awarded as the "Largest Group", for having reached an excellent number of participants. The objectives of the 2023 edition included supporting an important project promoted by the Institute for the Study, Prevention and Network of Oncology (ISPRO) of the Regional Health Service, aimed at further promoting the culture of cancer prevention, as well as supporting, as it does every year, the activities of Ce.Ri.On., the ISPRO-LILT Oncological Rehabilitation Center at Villa delle Rose, SenoNetwork, the portal that brings together all the Italian Breast Units and FILE (the Italian Foundation for Palliative Care).

In line with its Charity Policy, during the year Salvatore Ferragamo was able to support **CoorDown ODV** (the National Coordination of Associations of People with Down Syndrome) on several occasions. CoorDown has been focused on the protection of the rights of individuals with Down syndrome since 1987, promoting their inclusion in school, work, sports and social life. Among other support and collaboration initiatives, Salvatore Ferragamo has allocated funds from the decision not to print 2023 Christmas cards (now in electronic format) to CoorDown, to support the Association in training projects linked to the "**JustTheTwoOfUs**" international campaign, launched on the occasion of World Down Syndrome Day 2023 to promote the right of people with Down syndrome to have a romantic relationship and an independent sex life.
In 2023, Salvatore Ferragamo supported and played host to numerous groups in its company space for fundraising initiatives, including: Trisomia 21 Onlus, Fàedèsfa Onlus, an association that helps children with rare genetic disorders, AISM (the Italian Association for Multiple Sclerosis) and the AIRC Foundation for Cancer Research.

With a view to female empowerment, the Company has launched an important collaboration with the "**Ethical Fashion Initiative**" **(EFI)**, a United Nations program that aims to reduce poverty by promoting the creation of sustainable and fairly paid jobs for artisans who come from disadvantaged communities. Salvatore Ferragamo has decided to financially support the project promoted by the EFI in Burkina Faso for the next three years. The partnership aims to improve the social and economic conditions of women in Burkina Faso.



BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

The Company has made a donation to **Manusa Cooperativa Sociale** for the purchase of tools and equipment for the spinning and dyeing processes, which will allow a community of 2,400 women to work, receiving a living wage and concrete support in building their identities.
The partnership also provides for the continuous inclusion in the collection of fabrics made by the women of the community.

The Ferragamo Group has joined the National Chamber of Italian Fashion in supporting UNHCR (Office of the United High Commissioner for Refugees) with a €150,000 donation, offering concrete aid to the populations of Syria and Turkey following the earthquake that hit them.

In 2023, as in previous years, Ferragamo's social commitment was not limited to the Italian peninsula, but also involved the Group's foreign offices. In **Korea**, among the various activities aimed at contributing to the development and well-being of the local community, the **Seoul Forest Plogging** event took place, which promotes health and cleanliness of the city through the collection of waste during jogging sessions. In addition, the Love your W event was also organized, which marks the annual campaign for the prevention of breast cancer, where employees were able to participate in a photo shoot for a magazine committed to the issue collaborating with a local celebrity, selling about 80,000 copies.

In North America, a number of entities received support, such as: the American Italian Cancer Foundation, the Statue of Liberty Ellis Island Foundation and Unicef.

As can be seen from the many activities and initiatives that the Group implements every year, the support and development of local communities are key objectives: as evidence of this commitment, it should be noted that over the years the Group has always endeavored to limit the risk of generating actual or potential negative impacts on the well-being of the communities involved.

6.4 Ferragamo Museum and Foundation

The commitment to culture and social participation by the Group is clearly manifested through the establishment of the **Ferragamo Museum** and the **Ferragamo Foundation**. These entities play a vital role in preserving the Company's heritage in the territory where it operates, through a number of significant activities. The Ferragamo Museum is a tangible testimony to this commitment, providing a space dedicated to the exploration of history and innovation in the fashion world. At the same time, the Ferragamo Foundation plays a key role in promoting culture and participation through cultural initiatives and projects. These institutions contribute to the transmission of corporate traditions and the engagement of the community in cultural heritage.

During 2023, the Ferragamo Museum and the Ferragamo Foundation implemented the already rich program of collaborations focused primarily on young people.
During the XXI Corporate Culture Week, the Ferragamo Foundation and the Ferragamo Museum launched an educational project for educational institutions, for the 2022-2023 year, offering two conference series with training "workshops". The project's goal is to engage young students by offering them, through the promotion of the Brand's founding values, an education that complements their schooling and can be an inspiration for their future. The first training initiative, ***Women and society between yesterday and today***, is divided into five workshops: the first one engages participants in a virtual tour of the "**Women in Balance 1955-1965**" exhibition, while the other four explore the themes discussed in the exhibition, examining the economic boom period in Italy and analyzing the evolution of the role of women through reflections and examples of prominent figures, like Wanda Miletti Ferragamo. The second training initiative, *An Italian Story: The Shoemaker of Dreams, Salvatore Ferragamo*, explores in detail the life of the Group's Founder, contextualizing it from his emigration to the 1950s, highlighting important aspects related to the history of footwear and fashion.

The itinerary includes a visit to the "Salvatore Ferragamo 1898-1960" exhibition, with free admission for students and teachers of the participating classes, or the viewing of Luca Guadagnino's documentary entitled *Salvatore - Shoemaker of Dreams*. This is followed by 4 workshops in which students are invited to reflect on the life of the Group's Founder and the historical context that surrounds him in the various stages of his private and working life. These lecture series offer an in-depth immersion into the brand's history, providing an engaging educational space. The initiative aims to enrich students' education, inspiring them by narrating the Company's history and values, with the aim of stimulating their interest and future prospects. During 2023, more than 1,000 students in schools throughout Italy were involved.



6.4.1 FERRAGAMO MUSEUM

The Ferragamo Museum, established in 1995 inside the Group's historic headquarters by Wanda Miletti Ferragamo and her six children, is primarily aimed at **holding temporary exhibitions**, but is also involved in **organizing conferences, conventions and workshops** for children, the latter in collaboration with the Ferragamo Foundation. The Museum aims to reach an ever-wider audience by spreading the history and culture of the Brand throughout the local community.
In particular, the Ferragamo Museum intends to represent the Group by exhibiting its most significant items, passing on its history in full compliance with the Brand's identity and creating an ever-greater sense of belonging through relations with other institutions such as schools, universities, associations and cultural bodies.
In November 2015, the museum became the first green museum in Italy thanks to a project created by Museimpresa and Confindustria, which led to the achievement of the international ISO 14064 certification relating to the reporting of greenhouse gas emissions.

In 2019, the "Sustainable Thinking" exhibition was organized, with the aim of helping people reflect on the issues of sustainability, through the eyes of fashion and art. The process for obtaining ISO 20121 certification, which defines the requirements of a Management System for the sustainable organization of events, was in fact initiated for the exhibition.



The Museum therefore demonstrates attention to the issue of environmental – but also social – sustainability, promoting events and projects that explore inclusivity and allowing easier access to people with disabilities. In addition to using a barrier-free route, in 2023 the museum staff was also trained in the use of a stairlift created by TGR S.r.l. to allow visitors to easily climb and descend stairs in wheelchairs of different sizes.

Since the mid-nineties, the Museum has conceived and organized many initiatives and exhibitions with the aim not only to narrate the history of the Founder, but also of demonstrating the Company's openness and interest in the latest and most significant trends of the contemporary world which, from art, design, entertainment, costume, communication and information, extend their influence to the style and forms of dressing and living.

The exhibition project entitled "**Women in Balance 1955-1965**", inaugurated in May 2022 and open until September 2023, for which the Company was awarded the 2022 **Corporate Heritage Award** in the "Narration through events" section, examines the complex reality of women in Italy between the 1950s and the 1960s, when Wanda Miletti Ferragamo took the Company's reins. On this occasion, the Museum and the Ferragamo Foundation proposed a series of ten meetings entitled *Women in balance between yesterday and today*, conceived to help stimulate reflection on some of the themes addressed in the exhibition project and generate discussions in this regard with the contemporary world and with the new generations. Every Wednesday from January to March 2023 Palazzo Feroni welcomed conference participants who had the opportunity to visit the main floor. Each meeting, dedicated to a different topic, saw the participation of experts in the field – such as historians and scholars –, as well as personalities from the contemporary world as direct witnesses of the specific theme addressed.

The subsequent exhibition, entitled "**Salvatore Ferragamo 1898-1960**", open to the public from 27 October 2023, offers all visitors an in-depth look at the history of the Founder and the importance that his work has had in the history of fashion. Salvatore Ferragamo's creations are presented not only for their aesthetic value, but also as documents that attest to his entrepreneurial and innovative ability, his passion for colors, his anatomical knowledge of the human skeleton and foot, the craftsmanship, the research of materials and the diversity of his inspiration, drawn from the world of art and ancient and contemporary culture, which have marked his work and his life.

On the occasion of the exhibition, Chora Media and Museo Ferragamo presented a new **podcast series entitled *Salvatore Ferragamo. Shoemaker of Dreams***, which traces the extraordinary life of a man who has become a legend of Italian fashion in the world. Over the course of eight episodes, lasting about twenty minutes each, the listener is transported into the heart of history, through the birth and rise of the Ferragamo fashion house, following the dream of the Founder who made it famous. Through inspirational words taken directly from Salvatore Ferragamo's autobiography (*Salvatore Ferragamo. Shoemaker of Dreams*, last reprinted by Electa in 2020), and with contributions from the director of the Ferragamo Museum, Stefania Ricci, and historian Elvira Valleri, listeners are guided on an exciting journey to discover the secrets and passions behind the Ferragamo brand. Since its release, this podcast is one of the most listened to in its category.

Thanks to its closeness and commitment to the local territory and to the new generations, for each new exhibition the Museum offers an educational path dedicated to young visitors, accompanied by an educational book, published by the Ferragamo Foundation, in Italian and English, distributed free of charge to schools and families and available in both paper and digital format.

The exhibitions, like all the Company's cultural events, obtained ISO 20121:2012 certification, which establishes a Management System prerequisites for the sustainable organization of events.

The Museum constantly cooperates with many institutions, associations, schools and universities throughout Italy, taking part in cultural events and sometimes offering reduced-price entry tickets to the Museum and organizing special tours.

In 2023, the Group continued working together with leading Italian cultural institutions such as Museimpresa (the Italian association of corporate archives and museums), the Portal of the 20th Century Fashion Archives, a platform created in 2011 at the State Archives in Rome, ANAI (the Italian National Association of Archivists) and Europeana Fashion, the European digital library to which

the Salvatore Ferragamo Group submitted more than 1,000 records of historic footwear. The Ferragamo Museum is part of ICOM (International Council of Museums), the most important and prestigious international organization for museums and museum professionals.

In 2023, the Ferragamo Museum, in collaboration with the Ferragamo Foundation, joined the project dedicated to upper secondary schools launched by Museimpresa entitled: "A scuola d'Impresa. L'Italia nei nostri musei e archivi d'impresa" (Learning about business. Italy in our museums and corporate archives), which will take place in 2024. The Ferragamo Museum offers an itinerary entitled *The Fashion Museum: preserving, knowing, enhancing*, which will be carried out by two senior classes from the Pascoli High School in Florence.

Finally, every year the Museum renews its collaborative relationship with the main universities in the Florence area and internationally. Thanks to relationships consolidated over time, the Museum is also part of the education programs offered to primary and secondary schools, thus ensuring an increasingly high number of visitors among young students.

In continuity with what has already been done in recent years, two events dedicated to children and new generations were also held in 2023: **F@MU – The National Day of Families at the Museum and Florence for Children**, an event promoted by the Municipality of Florence. The two events, organized by the Ferragamo Foundation, featured educational activities such as workshops for children and families on themes related to the Company's heritage and a visit to the current exhibition with the support of the educational publication.

6.4.2 FERRAGAMO FOUNDATION

On 15 March 2013, the Ferragamo Family set up the Ferragamo Foundation in Florence to promote the values of craftsmanship and Made in Italy as well as to invest in the education and training of those seeking a career in the world of fashion, design, and the most elegant and artistic forms of Italian craftsmanship, in keeping with the values and style of Salvatore Ferragamo's works.
The Foundation intends to promote knowledge and recollection of Salvatore Ferragamo's work and personality in order to enhance and disseminate them and to let the global audience learn of his artistic qualities and of the role he played in the history not only of shoemaking, but also of international fashion.

The protection and **enhancement of the Historical Archive** managed by the Foundation play a key role in achieving these objectives, in which a diverse range of assets are preserved, including documents, patents but above all products that testify both to the entire span of Salvatore Ferragamo's professional life, as well as to the Brand's history.

The Ferragamo Foundation has begun a digitalization and cataloging process of all the material in its Archives through a database capable of collecting extremely heterogeneous information and data.
Moreover, thanks to the mass import process developed in 2019, the process of uploading press review articles mentioning the Company and the Group directly in the



cataloging software was automated by creating a cataloging record with information and attached files. The interface created allowed **more than 10,000 new press review** records to be imported in 2023.

Education and training are key objectives around which the Foundation plans its work. For each new exhibition hosted by the Ferragamo Museum, the Foundation designs a special educational path for children between 6 and 12 years of age, accompanied by a publication, both in Italian and English, intended for young visitors. Educational visits to the museum are also organized for the younger public, both during the year and on holidays or on the occasion of other anniversaries.
At the same time, creative workshops aimed at children, adolescents and their families are organized, focused on craftsmanship and the world of fashion and design. The goal is to convey values such as creativity, love for art, sustainability and courage to experiment, with workshops on footwear, scarves, bags and clothing, encouraging the active participation of children and young people through theoretical and practical phases, guided by specialized personnel.

In 2023, the Ferragamo Foundation organized a number of **PCTO projects** focused on upper secondary schools. The Ferragamo Foundation stipulates agreements with local schools, working together to establish an educational pact. The students are then hosted at the Foundation's headquarters and involved in the operational context of archiving. They work directly with books, products, catalogs and advertising campaigns, they learn the use of cataloging software and the work process behind the management of a fashion archive. During the year, a project entitled "**Business Archive**" was completed with the **Tornabuoni Cellini Institute in Florence**, specializing in Fashion, Industrial and Craft Production. The students, under the constant guidance of specialized staff, contributed to the implementation of the archive with the creation of cataloguing cards for part of the footwear collection, containing the analytical description of the product and the search for related documentary material.

Still in the field of education and training, in 2023 the Ferragamo Foundation once again collaborated on **ITS – International Talent Support**, one of the world's most authoritative contests for emerging talents in fashion involving every year hundreds of young people from all around the world. The Foundation sponsored the 2023 edition, continuing to provide a special prize dedicated to the accessories category. The winner of the 2023 Ferragamo Foundation award is Yuxi Sun, a 29 years old designer of Chinese nationality who presented the "**Rewilding**" project, a unisex footwear collection that expresses the designer's reflection on the concept of nature and relationship with the body.

In 2023, the Ferragamo Foundation continued to be part of the **WE-H project**, promoted by the Academia for a Better World, the Université Paris-Saclay and sponsored by UNESCO. The WE-H platform aims to create a link between Salvatore Ferragamo's historic-artistic-cultural heritage and the talent potential, currently neglected, of the younger generations living in highly unstable environments or in disadvantaged regions of the world. In 2023, the promoters of the project dedicated themselves to a fundraising campaign and a reorganization of their bodies. In 2024, the Company is planning to resume activities with resources exclusively dedicated to the Ferragamo Foundation aimed at enhancing our presence on the portal.

In 2023, the Foundation once again continued its collaboration with "Artigianato e Palazzo" as part of the "**Blogs & Crafts**" competition for young artisans and bloggers, now in its 10th edition. The initiative supports the new generations of artisans and increases online and social media visibility, to create a productive combination of "doing" and "communicating" skills.

In 2023, the Ferragamo Foundation established **a partnership with the Ministry of Tourism for the Tourism Digital Hub (TDH)** portal, www.italia.it. The site was created with the aim of changing the current logic of tourism and territorial promotion using a single platform, which facilitates meeting between tourism supply and demand. The content used to populate the portal is partly generated by the internal editorial office and partly shared by public partners (e.g. the Regions) and private partners. This collaboration will allow the Foundation to promote its initiatives (educational workshops and other activities) scheduled for 2024.
Finally, in 2023, the Foundation, as the body responsible for managing the Company's archive, was engaged in the preparation of documentation and footwear for the Museum's new exhibition, "Salvatore Ferragamo 1898-1960", dedicated to the Founder.

6.4.3 SALVATORE FERRAGAMO ARCHIVE

The history of the Ferragamo Family and of the Brand, as well as all the Company's Heritage, is documented thanks to the patrimony of the Ferragamo Historical Archive, under the management of the Ferragamo Foundation since 2013 and dedicated to Fiamma Ferragamo, the Founder's daughter. All Archive material is kept in a single space at the Osmannoro site in Florence.

The Ferragamo Archive, which includes shoes, garments, bags and other accessories, documents and photographic material, stretchers, historical leathers and works of art, represents the memory of the entire corporate culture, codes, values and identity of the Brand, and is a continuous source of inspiration for designers and marketing managers involved in the development of new products and communication campaigns. To this end, an area dedicated to the search and consultation of archival materials, catalogs and journals has been created in the Archive space.

At the 2023 Corporate Heritage Awards, in the "Narration through places" section, the **Ferragamo Archive was awarded** as the custodian of a treasure trove of the Company's history and culture and an important storytelling tool.

The Foundation, in collaboration with various corporate functions, organizes guided tours of the historical Archive and of the underlying footwear production department. The visits are offered to new hires, designers of the creative departments, collaborators, selected guests, schools and students of the sector who collaborate with the Company. In 2023, the relocation of products and other objects from the various divisions to the historical archive continued, in order to concentrate all the material in one place and safeguard it, ensure its best possible preservation and facilitate its management. By virtue of this, all the assets relating to corporate packaging from recent years have been transferred from the Packaging Office to the Archive, complementing the existing historical packaging.

In addition, the global valuation of the historical archive holdings has been updated, adding the latest acquisitions: gold jewelry, packaging, objects from auctions-donations-various acquisitions and new collections.

The Salvatore Ferragamo Archive in figures

Over
14,900
Shoe models

Over
1,600
Bags

Over
5,000
Garments

Approx
5,600
Ties

Approx
650,000
Documentary materials

7. EU TAXONOMY



Sandro Botticelli, 1481 - BY PERMISSION OF THE MINISTRY OF CULTURE – Gallerie degli Uffizi.

7.1 INTRODUCTION

Regulation (EU) 2020/852 (hereinafter referred to as the "Taxonomy Regulation") introduced the EU Taxonomy framework into the European regulatory system, with the aim of defining the conditions under which certain economic activities can be considered "environmentally sustainable" and stimulating transparency in relation to the initiatives put in place to promote the ecological transition, including through the adoption of sustainable financial models.

In line with the provisions of Article 8 of the Taxonomy Regulation, the Salvatore Ferragamo Group (hereinafter referred to as the "Group") is subject to the obligation to include within its NFS, drawn up pursuant to Italian Legislative Decree 254/2016 in transposition of the relevant European legislation, a specific disclosure on how and to what extent the Company's activities are associated with economic activities considered to be "environmentally sustainable" pursuant to Articles 3 and 9 of the same Taxonomy Regulation.

The Taxonomy Regulation and the additional Delegated Regulations (EU) 2021/2178, (EU) 2021/2139, (EU) 2022/1214 and (EU) 2023/2486 provide that, for the 2023 reporting period, companies subject to the aforementioned obligations must communicate a set of information relating to economic activities considered eligible[34] or non-eligible[35] for the purposes of the EU Taxonomy (hereinafter also referred to as "Eligible Activity", and "Non-eligible Activity") as well as to activities aligned to the EU Taxonomy ("Aligned Activity")[36], in other words that comply with the technical requirements defined by the legislation, that do not cause significant damage to any of the environmental objectives and that are carried out in compliance with the minimum safeguards envisaged.

In particular, for the 2023 reporting year, the Taxonomy Regulation and the other regulatory elements related to it, require the reporting of shares of turnover, CapEx and OpEx considered eligible and aligned for the first two objectives of Article 9 of the Taxonomy Regulation (Climate Change Mitigation and Climate Change Adaptation) and the eligibility for the other four environmental objectives. In line with last year, specific analyses have been carried out to assess the degree of eligibility and alignment, based on the delegated acts available to date, of information related to economic activities that can contribute substantially to the six environmental objectives defined by the Taxonomy.

7.2 ANALYSIS OF ELIGIBLE ACTIVITIES

In order to comply with the aforementioned requirements, the list of economic activities included in the reference documentation for the six objectives set out in Article 9 of the Taxonomy Regulation, for which the reference technical documentation is available at the date of publication of this document, was examined, comparing them with those of the Group, both by comparison of the respective NACE/ATECO[37] codes and by comparison of the substantial description of the activities.

Based on the interpretation of the requirements applicable to date, the Group has assessed that its main activities are not included among those currently identified by the reference legislation. As a result, they are not considered eligible – and therefore not aligned – as of the date of drafting this document.

This assessment focused on the Group's main economic activities, linked to the manufacture and marketing of

[34] Economic activity described in the delegated acts adopted pursuant to Article 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, regardless of whether that economic activity meets one or all of the technical screening criteria set out in the aforementioned delegated acts.

[35] Economic activity not described in the delegated acts adopted pursuant to Article 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852.

[36] Economic activity that meets the requirements set out in Article 3 of Regulation (EU) 2020/852, in other words that simultaneously meets the following requirements: a) contributes substantially to one or more of the environmental objectives set out in Article 9 of Regulation (EU) 2020/852; b) does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17; c) is carried out in compliance with the minimum safeguards laid down in Article 18; and d) complies with technical screening criteria that have been established by the Commission in accordance with Article 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2).

[37] NACE: abbreviation for the Statistical Classification of Economic Activities in the European Community, a classification used in national accounts schemes by the Statistical Office of the European Union (Eurostat) and accepted by the statistical offices of the member countries. ATECO: Italian equivalent of NACE, classification adopted by the Italian National Institute of Statistics (ISTAT).

clothing, footwear and accessories. The residual leasing activities of owned properties and sub-leasing of leased properties, to be attributed entirely to the Ferragamo USA Group, were excluded from this analysis, as such activities are considered marginal and not a substantial expression of the Group's activities, in the same way as activities linked to the sale of spare parts were considered marginal, identified among the economic activities that can contribute to the objective linked to the transition towards a circular economy, according to the latest Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023.

In light of these considerations, the KPIs provided for by the Taxonomy Regulation were calculated, developing a preliminary analysis that also took into account investments and operating expenses related to the purchase of output from Taxonomy-eligible economic activities and/or individual measures enabling greenhouse gas reductions.

7.3 METHODOLOGY FOR CALCULATING THE KPIS PROVIDED FOR BY THE TAXONOMY REGULATION

The Group carried out an analysis of turnover, investments and operating expenses related to the 2023 financial year, for the calculation of the KPIs required pursuant to the Taxonomy Regulation and the additional applicable regulatory references[38], as described below.

TURNOVER[39] KPI:

For the calculation of the turnover indicator, the consolidated net turnover was considered for the denominator, in accordance with IAS 1.82(a). As for the numerator, based on the above considerations and on the interpretation of the Taxonomy Regulation, no proportion of turnover generated by the sale of goods or services related to economic activities considered eligible, and therefore not aligned in relation to the six objectives set out in Article 9 of the Regulation, was identified as of the date of publication of this NFS.

CAPEX[40] KPI:

For the calculation of the Capital Expenditure (CapEx) indicator, in the denominator, in line with the provisions of the applicable legislation, the increases in property, plant and equipment, investment property, right-of-use assets, and intangible assets with a finite useful life (net of decreases in tangible and intangible assets in progress) that occurred during the year were considered, before depreciation/amortization and any revaluations, including those resulting from restatements and impairments, for the year in question, and excluding changes in fair value. In particular, the denominator includes any acquisitions of property, plant and equipment (IAS 16), intangible assets (IAS 38), investment property (IAS 40) and right-of-use assets (IFRS 16).
As far as the numerator is concerned, increases in fixed assets in line with the Group's interpretation of the Taxonomy Regulation and the additional regulatory references were considered eligible. The increases in fixed assets re-

[38] The analysis and methodology for calculating the KPIs were carried out with particular reference to the interpretation of the information defined in Annex I of the "Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Article 8 of Regulation (EU) 2020/852" and of the "Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets" document published on 2 February 2022, of the Commission Delegated Regulation (EU) of 27 June 2023 amending Delegated Regulation (EU) 2021/2139, setting out the additional technical screening criteria for determining under what conditions certain economic activities can be considered to contribute substantially to climate change mitigation or adaptation and whether they do not cause significant harm to any another environmental objective. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by laying down technical screening criteria for determining the conditions under which an economic activity can be considered to contribute substantially to the sustainable use and protection of water and marine resources, the transition to a circular economy, the prevention and control of pollution or the protection and restoration of biodiversity and ecosystems, and whether it does not cause significant harm to any other environmental objective, and amending Delegated Regulation (EU) 2021/2178 as regards the public disclosure of specific information relating to such economic activities.
[39] The financial data included in this KPI correspond to the Group's net revenues shown in the Annual Report as at 31 December 2023: Consolidated Financial Statements, note 32 of the Consolidated Financial Statements.
[40] The financial data included in this KPI correspond to the increases in fixed assets shown in the 2023 Annual Report: Consolidated Financial Statements, notes 5, 6, 8 and 9.

lated to the purchase of output from Taxonomy-eligible economic activities and/or individual measures enabling greenhouse gas reductions have thus been considered. These mainly include investments made for energy efficiency and the reduction of energy consumption of buildings and stores, for the installation of charging stations for electric vehicles and for the renewal of the company fleet with hybrid and/or electric vehicles. As a result, the remaining part of property, plant and equipment, intangible assets and right-of-use assets considered in the denominator were deemed non-eligible

OPEX[41] KPI:

For the calculation of the Operating Expenditure (OpEx) indicator, in the denominator, in line with the provisions of the applicable legislation, all non-capitalized direct costs related to research and development, building renovation measures, short-term leases and variable lease payments, maintenance and repair, and any other direct expenditures relating to the ordinary maintenance of property, plant and equipment – either by the company or by third parties to whom activities are outsourced – that is necessary to ensure the continued and effective operation of such assets were taken into account. Expenses related to the day-to-day operation of property, plant and equipment such as raw materials, cost of employees using the machine, electricity or fluids needed for the operation of such assets were not included.

As far as the numerator is concerned, the costs included in the denominator related to the purchase of output from Taxonomy-eligible economic activities and/or individual measures enabling greenhouse gas reductions were considered eligible. In particular, the costs related to energy efficiency and reducing the energy consumption of buildings and costs for short-term contracts for the corporate fleet of hybrid and/or electric vehicles were included. Consequently, the following were considered as non-eligible: the remaining part of costs included in the denominator.

Analysis results

In view of the analysis carried out, summarized in the previous points, based on the current interpretation of the applicable legislation, the Group calculated, with reference to the year ended 31 December 2023, the proportion of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) related to economic activities currently considered to be eligible with reference to the six environmental objectives[42], and were considered 0% aligned net of some CapEx and OpEx of negligible amount[43].

In the Group's interpretation, these results exclusively reflect that the activities carried out by the Group do not appear to be prevalent and, in the light of the analyses carried out, eligible in relation to the economic activities currently included in the reference technical documentation linked to environmental objectives according to the documentation currently available.

For more details relating to the Group's environmental commitment, with particular reference to the science-based targets (SBTs) defined for carbon footprint reduction, please refer to section 4.2 "Climate change and emissions monitoring" of the NFS.

In 2024, the Group will work to improve the monitoring and control of the indicators required by Regulation (EU) 2020/852.

[41] The financial data included in this KPI are included in the consolidated operating costs shown in the 2023 Annual Report: Consolidated Financial Statements, notes 34 and 35.

[42] For the calculation of the KPIs reported above, the potential double counting in the allocation to the numerator of Turnover, CapEx and OpEx was avoided through the use of financial information, as accounted for in the Consolidated Financial Statements as at 31 December 2023. Moreover, each CapEx or OpEx identified has been linked to the primary economic activity included in the Delegated Acts and therefore each item has not been considered more than once.

[43] For more details, please refer to the Annex Taxonomy – Key Performance Indicators (KPIs) as required by Annexes II of Delegated Regulation (EU) 2021/2178. It should be noted that, given the negligibility of the values that emerged from the analysis, the Capex and Opex values in the attached tables are equal to zero.

8. ANNEXES



Giovanni Bellini, 1490-1500 - BY PERMISSION OF THE MINISTRY OF CULTURE - Gallerie degli Uffizi.

Breakdown of employees by employment contract, gender and geographic area - 2023 GRI 2-7

	2023									
	Temporary contracts			Permanent contracts			Non-guaranteed hours			
No. of people	Men	Women	Total	Men	Women	Total	Men	Women	Total	Total
Parent company	17	23	40	373	533	906	0	0	0	946
Europe	10	21	31	91	142	233	1	0	1	265
North America	25	29	54	251	253	504	0	0	0	558
Central and South America	0	0	0	119	86	205	0	0	0	205
Asia Pacific	12	14	26	299	989	1,288	12	30	42	1,356
Japan	4	17	21	75	251	326	0	0	0	347
Total	**68**	**104**	**172**	**1,208**	**2,254**	**3,462**	**13**	**30**	**43**	**3,677**

Breakdown of employees by employment contract, gender and geographic area - 2022

	2022									
	Temporary contracts			Permanent contracts			Non-guaranteed hours			
No. of people	Men	Women	Total	Men	Women	Total	Men	Women	Total	Total
Parent company	17	35	52	377	511	888	0	0	0	940
Europe	11	21	32	93	176	269	0	0	0	301
North America	28	31	59	256	251	507	0	0	0	566
Central and South America	2	6	8	121	101	222	0	0	0	230
Asia Pacific	4	23	27	281	1,075	1,356	10	41	51	1,434
Japan	1	17	18	87	254	341	0	0	0	359
Total	**63**	**133**	**196**	**1,215**	**2,368**	**3,583**	**10**	**41**	**51**	**3,830**

Breakdown of employees by professional category and gender

	2023			2022		
No. of people	Men	Women	Total	Men	Women	Total
Full-time	1,224	2,168	3,392	1,226	2,319	3,545
Part-time	65	220	285	62	223	285
Total	**1,289**	**2,388**	**3,677**	**1,288**	**2,542**	**3,830**

Breakdown of employees by type (headquarters and retail), age group and gender GRI 405-1

	2023							
	<30		30-50		>50		Total	
No. of people	Men	Women	Men	Women	Men	Women	Men	Women
Headquarter	39	83	300	446	150	194	489	723
Retail	226	321	488	1,129	86	215	800	1,665
Total	**265**	**404**	**788**	**1,575**	**236**	**409**	**1,289**	**2,388**

Breakdown of employees by type (headquarters and retail), age group and gender

	2022							
	<30		30-50		>50		Total	
No. of people	Men	Women	Men	Women	Men	Women	Men	Women
Headquarter	29	90	316	483	146	182	491	755
Retail	215	341	496	1,251	86	195	797	1,787
Total	**244**	**431**	**812**	**1,734**	**232**	**377**	**1,288**	**2,542**

Breakdown of employees by occupational classification and gender GRI 405-1

	2023			2022		
Percentage	Men	Women	Total	Men	Women	Total
Managers (of which top managers, middle managers and store managers)	279	412	691	286	443	729
White collars	816	1,865	2,681	810	1,990	2,800
Blue collars	194	111	305	192	109	301
Total	**1,289**	**2,388**	**3,677**	**1,288**	**2,542**	**3,830**

Breakdown of employees by occupational classification and age group

	2023				2022			
No. of people	<30	30-50	>50	Total	<30	30-50	>50	Total
Managers	13	494	184	691	12	520	197	729
White collars	604	1,696	381	2,681	623	1,836	341	2,800
Blue collars	52	173	80	305	40	190	71	301
Total	**669**	**2,363**	**645**	**3,677**	**675**	**2,546**	**609**	**3,830**

Employees who received a performance assessment, broken down by occupational classification and gender

GRI 404-3

	2023			2022		
Percentage	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Managers (of which top managers, middle managers and store managers)	99.64%	99.76%	99.71%	98.3%	96.2%	97.0%
White collars	97.43%	98.77%	98.36%	71.6%	83.0%	79.7%
Blue collars	99.48%	100%	99.67%	91.7%	96.3%	93.4%
Total	**98.22%**	**98.99%**	**98.72%**	**80.5%**	**85.8%**	**84.0%**

New employees – 2023

GRI 401-1

	<30		30-50		>50		Total		Turnover		
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Total**
Parent company	21	37	26	40	9	5	56	82	14.36%	14.75%	14.58%
Europe	35	41	25	21	1	4	61	66	59.80%	40.49%	47.92%
North America	56	51	47	61	9	15	112	127	40.58%	45.04%	42.83%
Central and South America	21	5	27	27	0	1	48	33	40.34%	38.37%	39.51%
Asia Pacific	117	194	126	265	5	45	248	504	76.78%	48.79%	55.46%
Japan	5	14	14	29	0	12	19	55	24.05%	20.52%	21.33%
Total	**255**	**342**	**265**	**443**	**24**	**82**	**544**	**867**	**42.20%**	**36.31%**	**38.37%**

New Employees - 2022

	<30		30-50		>50		Total		Turnover	
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Parent company	22	36	29	39	6	9	57	84	14.5%	15.4%
Europe	26	54	27	46	0	1	53	101	51.0%	51.3%
North America	83	81	63	75	9	15	155	171	54.6%	60.6%
Central and South America	18	15	28	29	1	3	47	47	38.2%	43.9%
Asia Pacific	98	180	77	209	2	21	177	410	60.0%	36%
Japan	1	11	18	35	1	7	20	53	22.7%	19.6%
Total	**248**	**377**	**242**	**433**	**19**	**56**	**509**	**866**	**39.5%**	**34.1%**

Employees that left the Company – 2023

	<30		30-50		>50		Total		Turnover		
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Total**
Parent company	11	26	31	27	18	19	60	72	15.38%	12.95%	13.95%
Europe	27	41	35	51	0	7	62	99	60.78%	60.74%	60.75%
North America	57	39	53	71	10	19	120	129	43.48%	45.74%	44.62%
Central and South America	9	14	37	43	4	2	50	59	42.02%	68.60%	53.17%
Asia Pacific	96	180	115	372	9	57	220	609	68.11%	58.95%	61.13%
Japan	3	7	19	44	7	13	29	64	36.71%	23.88%	26.80%
Total	**203**	**307**	**290**	**608**	**48**	**117**	**541**	**1032**	**41.97%**	**43.22%**	**42.78%**

Employees that left the Company – 2022

	<30		30-50		>50		Total		Turnover	
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Parent company	7	19	21	47	13	7	41	73	10.4%	13.4%
Europe	30	44	34	59	2	12	66	115	63.5%	58.4%
North America	69	69	62	70	17	30	148	169	52.1%	59.9%
Central and South America	18	3	31	33	1	2	50	38	40.7%	35.5%
Asia Pacific	81	171	98	263	2	29	181	463	61.4%	40.6%
Japan	2	12	16	41	5	12	23	65	26.1%	24.0%
Total	**207**	**318**	**262**	**513**	**40**	**92**	**509**	**923**	**39.5%**	**36.3%**

Ratio between women's and men's basic salary[44] – 2023

GRI 405-2

	Ratio of women to men 2023						
Basic salary	**Parent company**	**Europe**	**North America**	**Central and South America**	**Asia Pacific**	**Japan**	**Total**
Managers	71%	94%	100%	80%	86%	107%	78%
White collars	85%	99%	101%	112%	93%	93%	88%
Blue collars	87%	88%	92%	100%	89%	-	96%
TOTAL	**71%**	**89%**	**102%**	**85%**	**90%**	**85%**	**77%**

Ratio between women's and men's total remuneration[44] – 2023

	Ratio of women to men 2023						
Total remuneration	**Parent company**	**Europe**	**North America**	**Central and South America**	**Asia Pacific**	**Japan**	**Total**
Managers	61%	92%	101%	78%	90%	104%	71%
White collars	83%	99%	101%	113%	93%	93%	88%
Blue collars	85%	88%	91%	100%	89%	-	95%
TOTAL	**62%**	**87%**	**103%**	**81%**	**91%**	**84%**	**73%**

[44] Remuneration data was restated using the Purchasing Power Parity (PPP) rate and IMF (World Economic Outlook).

Ratio between women's and men's basic salary – 2022

	Ratio of women to men 2022						
Basic salary	**Parent company**	**Europe**	**North America**	**Central and South America**	**Asia Pacific**	**Japan**	**Total**
Managers	70%	100%	102%	75%	81%	73%	**74%**
White collars	85%	93%	104%	105%	89%	94%	**85%**
Blue collars	90%	92%	89%	87%	84%	-	**98%**
TOTAL	**70%**	**91%**	**108%**	**90%**	**82%**	**69%**	**74%**

Ratio between women's and men's total remuneration – 2022

	Ratio of women to men 2022						
Remunerazione Totale	**Parent company**	**Europe**	**North America**	**Central and South America**	**Asia Pacific**	**Japan**	**Total**
Managers	59%	100%	103%	70%	79%	75%	**67%**
White collars	84%	93%	104%	107%	90%	95%	**86%**
Blue collars	88%	92%	89%	87%	84%	-	**97%**
TOTAL	**61%**	**90%**	**110%**	**87%**	**81%**	**70%**	**70%**

Annual direct remuneration ratio 2023[45] – Salvatore Ferragamo Group GRI 2-21

	2023	**2022**
Ratio between highest annual direct remuneration and median value	155 83 fixed remuneration	83 fixed remuneration
Ratio of the percentage increase in annual total compensation for the highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	-	

[45] Remuneration data was restated using the Purchasing Power Parity (PPP) rate and IMF (World Economic Outlook). In the "2023 Annual Direct Remuneration Report", the gross annual remuneration and the annual variable bonus have been taken into account for the sake of uniformity of comparison. Therefore, extraordinary or non-comparable elements of remuneration have not been taken into account, such as, for example, the lump-sum compensation for the entry into service of the Chief Executive Officer and General Manager (with reference to the 2022 figure) and the long-term plans component (in cash or equity) whose fair value is shown in the Notes to the Financial Statements (under note 45) for the Chief Executive Officer and in the "Share-based payments" section for key Group personnel assigned in the first cycle of the "Performance and Restricted Shares 2023-2025" Plan. Considering only the base salary, the variance is zero. The difference compared to 2022 is inherent in the inclusion of the calculation of annual incentive plans in the calculation methodology.

Injuries (employees)

	2023	2022
No. of injuries	56 (23 for men; 33 for women)[46]	57 (17 for men; 0 for women) [47]

Health and safety indicators – 2023[48] (employees)

	Parent company			Europe			North America		
Rates	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Rate of fatalities	0	0	0	0	0	0	0	0	0
Rate for high-consequence work-related injuries (excluding fatalities)	0.29	0	0.13	0	0	0	0	0.82	0.41
Rate for recordable work-related injuries	2.02	1.58	1.78	1.18	2.96	2.27	6.03	6.14	6.09

	Central and South America			Asia Pacific			Japan		
Rates	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Rate of fatalities	0	0	0	0	0	0	0	0	0
Rate for high-consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	0	0	0
Rate for recordable work-related injuries	0	0	0	0	0.59	0.44	0	0.84	0.66

[46] Of which 14 in the Parent Company, 5 in Europe, 6 in Asia Pacific, 30 in North America and 1 in Japan. 3 of the 56 injuries recorded were classified as "severe". Work-related injuries are considered severe if they result in death or injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to his pre-injury state of health within 6 months.

[47] Of which 7 in Salvatore Ferragamo S.p.A., 10 in Europe, 3 in Asia Pacific, 31 in North America, 2 in Central and South America and 4 in Japan. Only 2 of the 57 injuries recorded in 2022 were classified as "severe". Work-related injuries are considered severe if they result in death or injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to his pre-injury state of health within 6 months. The injuries that occurred in 2022 are mainly related to the normal course of business such as warehouse activities.

[48] Injury rates were calculated as the ratio of the total number of injuries to the total hours worked, using a multiplication factor of 200,000. It should also be noted that only events that resulted in at least one or more days of absence were considered as injuries. The hours worked for 2023 correspond to: 1,575,855.6 for the Parent Company, 440,215.95 for Europe, 985,638 for North America, 449,945 for Central and South America, 2,696,642.63 for Asia Pacific and 303,694 for Japan.

Health and safety indicators – 2022 (employees)

	Parent company			Europe			North America		
Rates	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Rate of fatalities	0	0	0	0	0	0	0	0	0
Rate for high-consequence work-related injuries (excluding fatalities)	0	0	0	0	1,8	0,8	0	0	0
Rate for recordable work-related injuries	0.6	0.6	0.6	1.5	5.3	3.3	2.8	6.9	4.4

	Central and South America			Asia Pacific			Japan		
Rates	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Rate of fatalities	0	0	0	0	0	0	0	0	0
Rate for high-consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	0	0	0
Rate for recordable work-related injuries	0	1.6	0.8	0	0.3	0.2	0	1.8	1.3



Country-by-country reportings[49] GRI 207-4

Italy

Size	2022	2021
Number of employees - average workforce	898	873
Tax data	**2022**	**2021**
Revenues from third parties*	220,911	223,393
Revenues from intra-group transactions*	579,948	408,938
Tangible assets other than cash and cash equivalents	212,188	202,448
Income tax paid in the year	6,842	2,205
Corporate income taxes accrued on profits/losses**	29,811	5,339

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions

Europe

Size	2022	2021
Number of employees - average workforce	268	234
Tax data	**2022**	**2021**
Revenues from third parties*	88,294	66,128
Revenues from intra-group transactions*	20,254	25,068
Tangible assets other than cash and cash equivalents	140,530	160,959
Income tax paid in the year	3,818	659
Corporate income taxes accrued on profits/losses**	3,376	303

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions

[49] Given the sensitivity and confidentiality of tax information, GRI indicator 207-4 is reported in aggregate form and no disclosure of pre-tax profit/loss is made.

North America

Size	2022	2021
Number of employees - average workforce	509	456
Tax data	**2022**	**2021**
Revenues from third parties*	401,985	332,759
Revenues from intra-group transactions*	190,292	108,804
Tangible assets other than cash and cash equivalents	179,625	179,042
Income tax paid in the year	346	6,712
Corporate income taxes accrued on profits/losses**	1,398	613

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions

Central and South America

Size	2022	2021
Number of employees - average workforce	226	214
Tax data	**2022**	**2021**
Revenues from third parties*	81,639	64,797
Revenues from intra-group transactions*	1,729	645
Tangible assets other than cash and cash equivalents	16,128	10,038
Income tax paid in the year	1,249	3,172
Corporate income taxes accrued on profits/losses**	1,144	1,436

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

Asia Pacific

Size	2022	2021
Number of employees - average workforce	1,399	1,391
Tax data	**2022**	**2021**
Revenues from third parties*	428,272	447,759
Revenues from intra-group transactions*	146,758	150,115
Tangible assets other than cash and cash equivalents	143,798	152,350
Income tax paid in the year	8,123	11,388
Corporate income taxes accrued on profits/losses**	3,928	11,272

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions

Japan

Size	2022	2021
Number of employees - average workforce	400	393
Tax data	**2022**	**2021**
Revenues from third parties*	100,009	89,682
Revenues from intra-group transactions*	796	1,063
Tangible assets other than cash and cash equivalents	6,765	12,286
Income tax paid in the year	139	34
Corporate income taxes accrued on profits/losses**	425	- 5

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions

Taxonomy – Key Performance Indicators (KPIs)

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – Disclosure covering year 2023

(In thousands of Euro)

Financial year 2023		Year 2023		Substantial contribution criteria						DNSH ('Do No Significant Harm') criteria									
Economic activities (1)	Code (a) (2)	Turnover (3)	Proportion of turnover, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of turnover aligned to (A.1.) or eligible for the purposes of (A.2.) Taxonomy, year N-1 (18)	Category of enabling activity (19)	Category of transitional activity (20)
Text		Currency	%	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1			%														%		
Activity 2 (d)			%														%		
Activity 3			%														%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	%	%	%	%	%	%								%		
Of which enabling			%	%	%	%	%	%	%								%		
Of which transitional			%	%	%	%	%	%	%								%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)										
Activity 1 (e)			%	Eligible	Eligible			Eligible									%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	%	%	%	%	%	%								%		
Turnover of Taxonomy-eligible activities (A.1+A.2)		**0**	**0%**	%	%	%	%	%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		1,156,272	100%																
TOTAL		**1,156,272**	**100 %**																

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – Disclosure covering year 2023

(In thousands of Euro)

Financial year 2023		Year 2023		Substantial contribution criteria						DNSH ('Do No Significant Harm') criteria									
Economic activities (1)	Code (a) (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of turnover aligned to (A.1.) or eligible for the purposes of (A.2.) Taxonomy, year N-1 (18)	Category of enabling activity (19)	Category of transitional activity (20)
Text		Currency	%	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1			%														%		
Activity 2 (d)			%														%		
Activity 3			%														%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	%	%	%	%	%	%								%		
Of which enabling			%	%	%	%	%	%	%								%		
Of which transitional			%	%	%	%	%	%	%								%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)	Eligible; Non-eligible (f)										
Activity 1 (e)			%														%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	%	%	%	%	%	%								%		
"A. CapEx of Taxonomy-eligible activities (A.1+A.2) "		**0**	**0%**	%	%	%	%	%	%										
B. ATTIVITÀ NON AMMISSIBILI ALLA TASSONOMIA																			
CapEx of Taxonomy-non-eligible activities		339,663	100%																
TOTAL		**339,663**	**100 %**																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – Disclosure covering year 2023

(In thousands of Euro)

Financial year 2023		YEAR 2023		Substantial contribution criteria						DNSH ('Do No Significant Harm') criteria									
Economic activities (1)	Codice (a) (2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of OpEx aligned to (A.1.) or eligible for the purposes of (A.2.) Taxonomy, year N-1 (18)	Category of enabling activity (19)	Category of transitional activity (20)
Text		Currency	%	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes; No; Non-eligible (b) (c)	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1			%														%		
Activity 2 (d)			%														%		
Activity 3			%														%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	%	%	%	%	%	%								%		
Of which enabling			%	%	%	%	%	%	%								%		
Of which transitional			%	%	%	%	%	%	%								%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (f)																			
				Eligible; Non-eligible (e)	Eligible; Non-eligible (e)	Eligible; Non-eligible (e)	Eligible; Non-eligible (e)	Eligible; Non-eligible (e)	Eligible; Non-eligible (e)										
Activity 1 (d)			%														%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	%	%	%	%	%	%								%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**0**	**0%**	%	%	%	%	%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		82,196	100%																
TOTAL		**82,196**	**100 %**																

* *Total direct expenditures as at 31.12.2023 related to R&D costs, building renovations, short-term leases, maintenance and repair, other direct expenditure for the ordinary maintenance of property, plant and equipment, building-related insurance.



Paolo Veronese, 1570-75 - BY PERMISSION OF THE MINISTRY OF CULTURE - Gallerie degli Uffizi.

9. SCOPE OF ITALIAN LEGISLATIVE DECREE 254/2016 AND GROUP'S MATERIAL TOPICS



Paolo Veronese, 1570-75 - BY PERMISSION OF THE MINISTRY OF CULTURE - Galleria degli Uffizi.

The following table shows the material topics identified for the Salvatore Ferragamo Group and its stakeholders through the materiality analysis, grouped into the areas provided for by Italian Legislative Decree 254/2016, and the Topic-Specific Standard associated with them.

Areas of Italian Legislative Decree 254/2016	Material topics	Reconciliation of Topic-Specific Standard
Environmental	Climate change	Emissions, Energy
	Materials, innovation and circular economy	Materials, Waste
	Respect for biodiversity	Biodiversity
	Responsible use of water resources	Water and Effluents
Social	Responsible and transparent procurement	Supplier Social Assessment
	Brand experience	Marketing and Labeling
	Product quality and safety	Occupational Health and Safety
	Privacy and data protection	Customer Privacy
	Occupational health and safety	Occupational Health and Safety
	Support to local communities	Local Communities
Employee-related matters	Attracting and nurturing talent	Employment, Training and Education, Diversity and Equal Opportunity
	Diversity, equity & inclusion	Diversity and Equal Opportunity
	Working conditions and human rights along the value chain	Child Labor, Forced or Compulsory Labor
Anti-corruption and anti-bribery	Governance, ethical business & sustainable growth	Anti-competitive Behavior, Economic Performance, Tax, Anti-corruption, Procurement Practices
Respect of human rights	Working conditions and human rights along the value chain	Child Labor, Forced or Compulsory Labor

10. TABLE OF GRI INDICATORS



Statement of use	Salvatore Ferragamo S.p.A. reported in accordance with the GRI Standards for the period 1 January 2023 - 31 December 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	Not applicable

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
GRI 2: General Disclosures 2021	2-1 Organizational details	Annual Report, pp. 6; 10	
	2-2 Entities included in the organization's sustainability reporting	NFS, p. 99	
	2-3 Reporting period, frequency and contact point	NFS, p. 99	
	2-4 Restatements of information	NFS, p. 100	
	2-5 External assurance	NFS, pp. 100; p. 236-239	
	2-6 Activities, value chain and other business relationships	Annual Report, pp. 22-23 NFS, pp. 178; 211	
	2-7 Employees	NFS, pp. 136; 211	
	2-8 Workers who are not employees	NFS, p. 137	
	2-9 Governance structure and composition	Annual Report, pp. 14-15	
	2-10 Nomination and selection of the highest governance body	Annual Report, pp. 14-15 Corporate Governance Report Company's website: https://group.ferragamo.com/en/governance/board-of-directors/	
	2-11 Chair of the highest governance body	Annual Report, pp. 14-15	
	2-12 Role of the highest governance body in overseeing the management of impacts	NFS, pp. 109-110; 126-133	
	2-13 Delegation of responsibility for managing impacts	NFS, pp. 126-133	
	2-14 Role of the highest governance body in sustainability reporting	NFS, pp. 109-110; 126-128	
	2-15 Conflicts of interest	Procedure governing related party transactions: https://group.ferragamo.com/en/governance/corporate-governance/procedure	
	2-16 Communication of critical concerns	NFS, pp. 126-133	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
	2-17 Collective knowledge of the highest governance body	NFS, p. 143	
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report https://group.ferragamo.com/en/governance/corporate-governance/corporate-governance-reports	
	2-19 Remuneration policies	Remuneration Report https://group.ferragamo.com/en/governance/corporate-governance/remuneration/remuneration-report	
	2-20 Process to determine remuneration	Remuneration Report https://group.ferragamo.com/en/governance/corporate-governance/remuneration/remuneration-report	
	2-21 Annual total compensation ratio	NFS, p. 216	
	2-22 Statement on sustainable development strategy	Annual Report, pp. 4-5 NFS, p. 95	
	2-23 Policy commitments	Documents and policies available at the following link: https://sustainability.ferragamo.com/en/download-area	
	2-24 Embedding policy commitments	NFS, pp. 104-117	
	2-25 Processes to remediate negative impacts	NFS, pp. 111-115	
	2-26 Mechanisms for seeking advice and raising concerns	NFS, pp. 131-133	
	2-27 Compliance with laws and regulations	NFS, p. 131	
	2-28 Membership associations	NFS, pp. 105-107	
	2-29 Approach to stakeholder engagement	NFS, pp. 108; 116-117	
	2-30 Collective bargaining agreements	NFS, p. 154	
Material topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	NFS, pp. 108-110	
	3-2 List of material topics	NFS, pp. 111-116	
Governance, ethical business & sustainable growth			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 122-124; 131-133	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	NFS, pp. 124-125	
	201-4 Financial assistance received from government	In 2023, funding was obtained through the Youth Guarantee Program of the Tuscany Region and through Fondimpresa and Fondirigenti, in the amount of €9,000 and over €151,000 respectively. In 2022, more than €32,000 had been financed by the Youth Guarantee Program. For both years, funding relates to Salvatore Ferragamo S.p.A. only.	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	NFS, pp. 184-185	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	NFS, pp. 147-150	
	205-3 Confirmed incidents of corruption and actions taken	During 2023 and 2022 there were no incidents of corruption.	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During 2023 and 2022 there were no legal actions for anti-competitive behavior, anti-trust and monopoly practices.	
GRI 207: Tax 2019	207-1 Approach to tax	NFS, pp. 122-123	
	207-2 Tax governance, control and risk management	NFS, pp. 122-123	
	207-3 Stakeholder engagement and management of concerns related to tax	NFS, pp. 122-123	
	207-4 Country-by-country reporting	NFS, pp. 219-221	
Responsible and transparent procurement			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 178-189	
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	NFS, pp. 187-189	
Materials, innovation and circular economy			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116, 173-177	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	NFS, pp. 173-177	
	301-2 Recycled input materials used	NFS, pp. 173-177	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	NFS, pp. 161-162	
	306-2 Management of significant waste-related impacts	NFS, pp. 161-162	
	306-3 Waste generated	NFS, pp. 161-162	
	306-4 Waste diverted from disposal	NFS, pp. 161-162	
	306-5 Waste directed to disposal	NFS, pp. 161-162	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
Responsible use of water resources			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 11-116; 160	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	NFS, p. 160	
	303-2 Management of water discharge-related impacts	NFS, p. 160	
	303-3 Water withdrawal	NFS, p. 160 With reference to water consumption, considering the Group's activity and the fact that production is outsourced, no withdrawals are made from water-stressed areas. The breakdown for freshwater and other types of water is not available, as it is considered not significant..	
Respect for biodiversity			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 171-172	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NFS, pp. 171-172	
Climate change			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 159-160; 165-167	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	NFS, p. 159-160	
	302-3 Energy intensity	NFS, p. 159-160	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	NFS, pp. 165-166	
	305-2 Energy indirect (Scope 2) GHG emissions	NFS, pp. 165-166	
	305-3 Other indirect (Scope 3) GHG emissions	NFS, pp. 165-167	
	305-4 GHG emissions intensity	NFS, pp. 166	
	305-6 Emissions of ozone-depleting substances (ODS)	Considering the nature of its business, the Salvatore Ferragamo Group has not identified other significant emissions of ozone-depleting substances in 2023 and 2022.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Considering the nature of its business, the Salvatore Ferragamo Group has not identified significant emissions of NOx, SOx, or other gases in 2023 and 2022.	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
Attracting and nurturing talent			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 136-137; 141-142; 147; 213-216	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	NFS, pp. 136-137; 213-214	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	NFS, pp. 141-142 Benefits for full-time employees of the Group vary according to local regulations and practices.	
GRI 404: Training and Education 2016	Benefits for full-time employees of the Group vary according to local regulations and practices.	NFS, p. 147	
	404-3 Percentage of employees receiving regular performance and career development reviews	NFS, p. 213	
GRI 405: Diversity and Equal Opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	NFS, pp. 215-216	
Occupational health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 101-102; 138-140; 148; 217	
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	Annual Report, pp. 581-88 NFS, pp. 138-140	
	403-2 Hazard identification, risk assessment, and incident investigation	Annual Report, pp. 81-88 NFS, pp. 138-140	
	403-3 Occupational health services	NFS, pp. 138-140	
	403-4 Worker participation, consultation, and communication on occupational health and safety	NFS, pp. 138-140	
	403-5 Worker training on occupational health and safety	NFS, pp. 138-140; 148	
	403-6 Promotion of worker health	NFS, pp. 138-140	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Annual Report, pp. 81-88 NFS, pp. 138-140	
	403-8 Workers covered by an occupational health and safety management system	NFS, pp. 99-101; 138-140 The ISO 45001 management system covers all Salvatore Ferragamo S.p.A. employees.	
	403-9 Work-related injuries	NFS, pp. 138-140; 217	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
Working conditions and human rights along the value chain			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 101-102; 111-116; 129-130; 187-189	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	NFS, pp. 129-130; 187-189	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFS, pp. 187-189	
Diversity, equity & inclusion			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 138; 152; 212	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Annual Report, pp. 14-15 NFS, pp. 138; 212	
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	NFS, p. 152	
Support to local communities			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 197-199	
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	NFS, pp. 197-199	
Product quality and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 182-183	
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	During 2023 and 2022 there were no incidents of non-compliance with regulations on health and safety of products and services.	
Brand experience			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 111-116; 192-196	
GRI 417: Marketing and Labeling 2016	417-3 Incidents of non-compliance concerning marketing communications	During 2023 and 2022, there were no incidents of non-compliance concerning marketing communications.	
Privacy and data protection			
GRI 3: Material Topics2021	3-3 Management of material topics	NFS, pp. 111-116; 131-133; 192-196	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	During 2023 and 2022, the Group received no substantiated complaints concerning breaches of customer privacy and losses of customer data.	



11. INDEPENDENT AUDITOR'S REPORT



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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Salvatore Ferragamo S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5.1.g) of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2023 consolidated non-financial statement of the Salvatore Ferragamo Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 6 March 2024 (the "NFS").

Our procedures did not cover the information set out in the "EU taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salvatore Ferragamo S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

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

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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20124 Milano MI ITALIA

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In the fiscal year of this engagement, our company applied International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintained a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.

2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.

4 Gaining an understanding of the following:

- the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at group level,
  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited Salvatore Ferragamo S.p.A. and Ferragamo USA Inc, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2023 consolidated non-financial statement of the Salvatore Ferragamo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Our conclusion does not extend to the information set out in the "EU taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Florence, 28 March 2024

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit



CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2023

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Financial Statements

Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	Notes	31 December 2023	of which with related parties	31 December 2022	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	5	200,688		191,564	
Investment property	6	22,666		27,747	
Goodwill	7	6,679		6,679	
Right-of-use assets	8	616,612	92,645	479,724	92,040
Intangible assets with a finite useful life	9	36,872		34,903	
Other non current assets	10	4,496		5,860	
Other non current financial assets	11	13,760	11	15,570	3,093
Deferred tax assets	38	122,349		109,090	
TOTAL NON CURRENT ASSETS		**1,024,122**	**92,656**	**871,137**	**95,133**
CURRENT ASSETS					
Inventories	12	298,345		275,323	
Right of return assets	13	6,044		5,703	
Trade receivables	14	106,821	1,029	94,490	50
Tax receivables	15	34,025		30,581	
Other current assets	16	37,712	14	41,447	-
Other current financial assets	17	36,812		10,255	
Cash and cash equivalents	18	268,988		391,354	
TOTAL CURRENT ASSETS		**788,747**	**1,043**	**849,153**	**50**
Assets held for sale	19	63		-	
TOTAL ASSETS HELD FOR SALE		**63**	-	-	-
TOTAL ASSETS		**1,812,932**	**93,699**	**1,720,290**	**95,183**

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	Notes	31 December 2023	of which with related parties	31 December 2022	of which with related parties
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	20	16,879		16,879	
Reserves	20	678,227		665,322	
Net profit/(loss) – Group		26,060		69,609	
TOTAL GROUP SHAREHOLDERS' EQUITY		**721,166**		**751,810**	
MINORITY INTERESTS					
Share capital and reserves – minority interests		822		27,856	
Net profit/(loss) – minority interests		175		(4,257)	
TOTAL MINORITY INTERESTS		**997**		**23,599**	
TOTAL SHAREHOLDERS' EQUITY		**722,163**		**775,409**	
NON CURRENT LIABILITIES					
Provisions for risks and charges	22	23,928		21,251	
Employee benefit liabilities	23	6,954		7,581	
Other non current liabilities	24	16,223	351	17,128	1,462
Non current lease liabilities	25	596,603	92,410	468,737	85,042
Deferred tax liabilities	38	6,832		6,071	
TOTAL NON CURRENT LIABILITIES		**650,540**	**92,761**	**520,768**	**86,504**
CURRENT LIABILITIES					
Trade payables	26	173,323	292	174,016	317
Refund liabilities	27	9,563		10,100	
Interest-bearing loans & borrowings	21	80,129		29,264	
Tax payables	28	12,687		25,216	
Other current liabilities	29	48,806	9,657	77,835	27,418
Current lease liabilities	25	114,439	9,358	106,586	14,931
Other current financial liabilities	30	1,282		1,096	
TOTAL CURRENT LIABILITIES		**440,229**	**19,307**	**424,113**	**42,666**
TOTAL LIABILITIES		**1,090,769**	**112,068**	**944,881**	**129,170**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,812,932**	**112,068**	**1,720,290**	**129,170**

Consolidated Income Statement

(In thousands of Euro)	Notes	2023	of which with related parties	2022	of which with related parties
Revenues from contracts with customers	32	1,153,557	203	1,248,907	189
Rental income investment properties	33	2,714		2,901	
Revenues		**1,156,271**		**1,251,808**	
Cost of goods sold	34-35	(316,839)	-	(350,693)	-
Gross profit		**839,432**		**901,115**	
Style, product development and logistics costs	34-35	(53,086)	(603)	(49,263)	(811)
Sales & distribution costs	34-35	(454,649)	(18,243)	(453,167)	(16,726)
Marketing & communication costs	34-35	(113,695)	(648)	(92,064)	(273)
General and administrative costs	34-35	(137,142)	(13,201)	(168,819)	(26,195)
Other operating costs	34-35	(29,721)	(154)	(29,024)	(162)
Other income	36	20,883	16	19,160	6
Operating profit/(loss)		**72,022**		**127,938**	
Financial charges	37	(69,387)	(4,512)	(78,703)	(2,901)
Financial income	37	42,949	-	51,927	-
Profit/(loss) before taxes		**45,584**		**101,162**	
Income taxes	38	(19,349)		(35,810)	
Net profit/(loss) for the period		**26,235**		**65,352**	
Net profit/(loss) – Group		26,060		69,609	
Net profit/(loss) – minority interests		175		(4,257)	

(In Euro)	Notes	2023	2022
Basic earnings/(loss) per share – ordinary shares	39	0.157	0.419
Diluted earnings/(loss) per share – ordinary shares	39	0.157	0.419

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Notes	2023	2022
Net profit/(loss) for the period (A)		**26,235**	**65,352**
Other gains/(losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Currency translation differences of foreign operations	20	4,373	3,405
- Net gain/(loss) from cash flow hedge	3	(3,943)	17,921
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		947	(4,301)
Total other gains/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**1,377**	**17,025**
Other gains/(losses) that will not be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from recognition of defined-benefit plans for employees	23	95	1,296
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		24	(197)
Total other gains/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**119**	**1,099**
Total other gains/(losses) net of taxes (B1+B2 = B) from continuing operations		**1,496**	**18,124**
Total comprehensive income for the period, net of taxes (A+B)		**27,731**	**83,476**
Group		27,646	88,438
Minority interests		85	(4,962)

Consolidated Statement of Cash Flows

(In thousands of Euro)	Notes	2023	of which with related parties	2022	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		**26,235**		**65,352**	
Adjustments to reconcile net profit (loss) to net cash from/ (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	5-6-8-9	179,789	19,137	170,962	17,692
Income taxes	38	19,349		35,810	
Provision for employee benefit plans	23	814		564	
Allocation to/(use of) the provision for obsolete inventory	12	4,760		(8,704)	
Losses and provision for bad debt	14	2,117		1,649	
Losses/(gains) on disposal of tangible/intangible assets		475	(16)	1,334	
Interest expense and interest expense on lease liabilities	37	23,332	4,511	16,099	2,091
Interest income	37	(8,230)	-	(2,008)	-
Other non-monetary items		8,546	3,871	2,270	6,368
Changes in operating assets and liabilities:					
Trade receivables	14	(28,068)	(979)	20,942	(6)
Inventories	12	(29,148)		7,122	
Trade payables	26	1,475	(25)	(10,216)	57
Other tax receivables and payables	15-28	(5,058)		(2,420)	
Employee benefits payments	23	(1,283)		(803)	
Other assets and liabilities		(3,395)	(15,804)	4,414	29,474
Other – net		(3,284)		(2,857)	
Income taxes paid		(56,678)		(18,513)	
Interest expense and interest expense on lease liabilities paid	18-25	(22,475)	(4,119)	(15,933)	(2,922)
Interest income received		8,230	-	2,008	-
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**117,503**	**6,576**	**267,072**	**52,754**
Cash flow from investing activities:					
Purchase of tangible assets	5-6	(58,086)	(2)	(41,608)	(2)
Purchase of intangible assets	9	(13,655)		(14,255)	
Proceeds from the sale of tangible and intangible assets		53	16	-	
Net change in other current financial assets		(25,278)		(9,999)	
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**(96,966)**	**14**	**(65,862)**	**(2)**
Cash flow from financing activities:					
Net change in financial payables	18	51,563		(109,265)	
Repayment of lease liabilities	18-25	(116,403)	(16,008)	(114,610)	(15,853)
Dividends paid to shareholders of the Parent company	40	(46,350)	(33,540)	(56,733)	(40,688)
Purchase of minority interests in companies consolidated on a line-by-line basis		(38,904)		-	
Treasury share repurchase	20	-		(42,670)	
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**(150,094)**	**(49,548)**	**(323,278)**	**(56,541)**
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS		**(129,557)**		**(122,068)**	
OPENING NET CASH AND CASH EQUIVALENTS		**391,354**		**511,796**	
Increase/(decrease) in cash and cash equivalents		(129,557)		(122,068)	
Effect of exchange rate translation differences		**5,662**		**1,626**	
CLOSING NET CASH AND CASH EQUIVALENTS	**18**	**267,459**		**391,354**	

Statement of Changes in Consolidated Shareholders' Equity

Note 20

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2023	**16,879**	**(58,202)**	**2,995**	**4,188**	**570,585**	**7,216**	**(6,865)**	**138,387**	**8,442**	**(1,424)**	**69,609**	**751,810**	**23,599**	**775,409**
Allocation of results	-	-	-	-	89,239	-	-	(19,630)	-	-	(69,609)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	26,060	26,060	175	26,235
Other comprehensive income/(losses)	-	-	-	-	-	(2,996)	4,548	(80)	-	114	-	1,586	(90)	1,496
Total comprehensive	**-**	**-**	**-**	**-**	**-**	**(2,996)**	**4,548**	**(80)**	**-**	**114**	**26,060**	**27,646**	**85**	**27,731**
Distribution of dividends	-	-	-	-	(46,348)	-	-	-	-	-	-	(46,348)	-	(46,348)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	4,355	(21,484)	(25)	39	-	(17,115)	(22,687)	(39,802)
Stock Grant Reserve	-	-	-	-	-	-	-	-	5,173	-	-	5,173	-	5,173
Treasury share award	-	1,979	-	-	-	-	-	-	(1,979)	-	-	-	-	-
As at 31.12.2023	**16,879**	**(56,223)**	**2,995**	**4,188**	**613,476**	**4,220**	**2,038**	**97,193**	**11,611**	**(1,271)**	**26,060**	**721,166**	**997**	**722,163**

Note 20

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2022	**16,879**	**(15,532)**	**2,995**	**4,188**	**594,520**	**(6,404)**	**(10,418)**	**98,676**	**3,375**	**(2,613)**	**78,647**	**764,313**	**21,566**	**785,879**
Allocation of results	-	-	-	-	32,800	-	-	45,847	-	-	(78,647)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	69,609	69,609	(4,257)	65,352
Other comprehensive income/(losses)	-	-	-	-	-	13,620	3,655	471	-	1,083	-	18,829	(705)	18,124
Total comprehensive	**-**	**-**	**-**	**-**	**-**	**13,620**	**3,655**	**471**	**-**	**1,083**	**69,609**	**88,438**	**(4,962)**	**83,476**
Distribution of dividends	-	-	-	-	(56,735)	-	-	-	-	-	-	(56,735)	-	(56,735)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	(102)	(6,607)	(56)	106	-	(6,659)	6,995	336
Treasury share repurchase	-	(42,670)	-	-	-	-	-	-	-		-	(42,670)	-	(42,670)
Stock Grant Reserve	-	-	-	-	-	-	-	-	5,123	-	-	5,123	-	5,123
As at 31.12.2022	**16,879**	**(58,202)**	**2,995**	**4,188**	**570,585**	**7,216**	**(6,865)**	**138,387**	**8,442**	**(1,424)**	**69,609**	**751,810**	**23,599**	**775,409**

Explanatory Notes to the Consolidated Financial Statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated in Italy, with registered office in via Tornabuoni 2 Florence, as a joint-stock company under Italian law and is structured according to the traditional management and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are traded on Euronext Milan, organized and operated by Borsa Italiana S.p.A..

The Salvatore Ferragamo Group is one of the main players in the luxury sector and dates back to 1927.
The consolidated financial statements for the year ended 31 December 2023 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 6 March 2024.

The Salvatore Ferragamo Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, jewels, and other accessories. The product range also includes fragrances, eyewear, and watches manufactured under license by third parties. The Group is also active in the licensing of the Salvatore Ferragamo trademark and in real estate management.

The Salvatore Ferragamo Group is present in more than 90 countries around the world, directly through subsidiaries in 26 countries, and sells its products primarily through a network of Salvatore Ferragamo single-brand stores, either directly operated (DOS) or operated through third parties, as well as through a significant and well-established presence in department stores and multi-brand specialty stores, and through the e-commerce channel. For further details on the Group's main activities, reference is made to the Board of Directors' report on operations.

1.1 Management and coordination

Pursuant to art 2497 and ff. of the Italian Civil Code, Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni 2.

In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2022 and 2021 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2022	31 December 2021
STATEMENT OF FINANCIAL POSITION		
ASSETS		
B) Fixed assets	175,302,990	174,132,690
C) Current assets	49,269,615	35,403,201
D) Accruals and Deferrals	2,440	2,273
TOTAL ASSETS	**224,575,045**	**209,538,164**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	127,448,376	153,550,236
- Profit/(loss) for the year	29,688,465	(1,226,880)
B) Provisions for risks and charges	-	-
D) Payables	17,522,360	7,152,175
E) Accruals and Deferrals	165,884	312,673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**224,575,045**	**209,538,164**
INCOME STATEMENT		
A) Value of production	366,866	336,391
B) Costs of production	(3,306,037)	(2,933,122)
Difference between value and costs of production	**(2,939,171)**	**(2,596,731)**
C) Financial income and charges	32,304,452	506,626
Profit before taxes	**29,365,281**	**(2,090,105)**
Income taxes for the year, current and deferred	323,184	863,225
Profit/(loss) for the year	**29,688,465**	**(1,226,880)**

2. Basis of presentation

2.1 Statement of compliance with IFRS

The Consolidated Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), endorsed by the European Union and in force at the reporting date. The explanatory notes to the Consolidated Financial Statements have been supplemented with the extra information requested by CONSOB and by the provisions it has issued in implementation of art. 9 of Italian Leg. Decree 38/2005 (resolutions 15519 and 15520) dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 78 of the Issuers' Regulation, the EC document of November 2003 and, where applicable, the Italian Civil Code. The term "IFRS" used herein includes International Accounting Standards ("IAS") which are still in force as well as all the interpretations issued by the IFRS Interpretation Committee, previously referred to as International Financial Reporting Interpretations Committee ("IFRIC") and, before that, Standing Interpretations Committee ("SIC").

2.2 Contents and structure of the consolidated financial statements

The functional currency is the Euro and all amounts are expressed in thousands of Euro, unless otherwise indicated.
The consolidated statement of financial position distinguishes between current and non current assets and liabilities, where:

- non current assets refer to positive balances to be realized after more than 12 months and include intangible, tangible and financial assets, as well as deferred tax assets;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to liabilities due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities, as well as deferred tax liabilities;
- current liabilities refer to liabilities due within 12 months, including the short-term portion of medium/long-term loans, provisions for risks and charges and employee benefit liabilities.

Differently from the separate financial statements of the Parent company Salvatore Ferragamo S.p.A., the consolidated income statement is shown in accordance with a classification of costs by function, which is considered more representative than the so-called presentation of costs by nature. The Group allocates costs by function using the cost centers that represent the function of the cost. The structure chosen is in line with internal reporting processes and business operations. The breakdown of costs by nature is included in the explanatory notes (note 35 "Breakdown by nature of income statement cost items"). The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2022 and the consolidated income statement for 2022.

2.3 Accounting standards

2.3.1 General notes

The Consolidated Financial Statements have been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value and on a going concern basis.
The accounting standards adopted in the Consolidated Financial Statements as at 31 December 2023 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2023. For more details, please refer to the section "Changes in international accounting standards".

Discretionary valuations and significant accounting estimates

The preparation of the Consolidated Financial Statements has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Group's products are subject to market trends and changes in fashion trends, product inventories at the end of the season are subject to impairment. Specifically, the provision for obsolete inventory of finished products, reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons,

considering the ability to sell them through the Group's various distribution channels. This assumption may vary across the different geographic areas in which the Group operates based on the knowledge of the individual market's characteristics concerning the local ability to absorb sales of products from previous seasons. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials;

- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the company has well-established and consolidated relations. The Group uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Group updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of credit risks, please refer to notes 3 "Management of financial risks (IFRS 7)" and 14 "Trade receivables";
- provisions for risks and charges, specifically the costs for the contractual commitment to renovate in the future leased properties and costs for ongoing or foreseeable disputes;
- right of return to adjust revenues from contracts with customers, where envisaged under contractual terms and conditions or customary business practices for selling goods. The Group has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- useful life of property, plant and equipment, intangible assets with a finite useful life and investment property, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 23 "Employee benefit liabilities";
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Group's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Group uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to notes 3 "Management of financial risks (IFRS 7)" and 31 "Financial instruments and fair value measurement";

- fair value of share-based payments plans, settled in either cash or shares, that the Parent company uses to provide incentives to the Group's management; for details about the assumptions underlying the measurement of fair value, reference should be made to note 41 "Share-based payments";
- risk of defeat in the disputes involving the Group; the Group recognizes a liability when facing legal disputes and lawsuits if it believes it is probable that they will require an outflow of financial resources and a reliable estimate can be made of the amount of the potential losses. Given the uncertainty surrounding the outcome of these proceedings, it is hard to reliably estimate the outflow of resources that will be required to settle them, therefore the amount of the provisions for legal disputes may change as a result of future developments in the outstanding proceedings. The Group monitors the status of ongoing lawsuit and proceedings and consults with its legal advisors as well as legal experts. Moreover, the Group assesses uncertain tax positions and, if required, recognizes a liability.

With reference to IFRS 16, the Group, in its capacity as lessee, made the significant accounting estimates reported below:

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property leases vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Group has considered these conclusions in identifying the lease term. In defining the lease term, the Group considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Company considered whether there are significant economic disincentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Company considered paragraph B35 of IFRS 16. Applying the above, considering the specific facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:
  - for annual leases that are automatically renewed except in the event of termination, the Group considered an average term of five years based on historical evidence;
  - in the other cases, if only the Group can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

After the lease commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Group and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- Definition of the discount rate: as most leases entered into by the Group do not contain an implicit interest rate, the Group calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Group identified each country as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in the country in which the lease was entered into, based on the different lease terms, increased by the Group's Credit spread.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts, and are periodically reviewed – recognizing, if necessary, the impact of each change in the income statement in the period in which these estimates and assumptions should differ from actual circumstances.

Impairment/Reversal of impairment of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, Right-of-use assets, and Goodwill

The book value of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Right-of-use assets is subject to impairment testing when there are indicators of impairment (events or changed situations suggesting that the book value cannot be recovered) which require an immediate assessment of impairment, or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

The impairment test is carried out by considering the individual geographic areas in which the Group operates as cash generating units ("CGUs"). Said areas usually coincide with the Group's individual legal entities, except where multiple legal entities of the Group operate in the same country or in neighboring territories or markets with a shared and homogeneous customer base.

The cash flows are taken from the estimates made by management, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts refer to a time period of three years and the long-term growth rate (g) used to estimate the terminal value of the asset was assumed to be equal to the rate of inflation expected to prevail over the medium-long term in the main markets where the Group operates. Cash flows do not include restructuring activities for which the Company does not have a current obligation, or significant future investments which will increase the yield on the assets that make up the cash-generating unit that is being valued. The recoverable amount is very dependent on the discount rate used in the discounted cash flow model and also on the expected future incoming cash flows and on the growth rate used for the purposes of the extrapolation.

Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

The impairment loss for Goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which Goodwill has been allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which Goodwill has been allocated, an impairment loss is recognized. An impairment loss recognized for Goodwill shall not be reversed in subsequent periods.

Disclosure on impairment

Based on the provisions of the impairment test procedure approved by the Board of Directors, the Group undertook an analysis aimed at identifying any indicators of impairment and/or impairment losses on assets, or whether any reasons for impairment that arose in previous years no longer exist.

During 2023, the Group reported an operating profit, albeit down by 43.7% from the previous year, partly due to the 7.6% decrease in revenues.

Global economic expectations for 2024 are for moderate growth, although uncertainties remain, mainly related to the evolution of inflation, which, although declining from the highs of the past two years, could lead to a reduction in consumers' willingness to spend and their purchasing power, as well as the development and consequences of the Russian-Ukrainian and Middle Eastern conflicts.

The analysis identified signs of weakness, with the following CGUs performing below expectations: Ferragamo (Singapore) Pte Ltd, Ferragamo (Thailand) Limited, Ferragamo Australia Pty Ltd., Ferragamo USA Group, Ferragamo Korea Ltd., Ferragamo Retail Macau Limited, Ferragamo Retail Taiwan Limited and the CGU related to the China region including Hong Kong, which were therefore tested for impairment. The Group has not identified indicators of impairment for the other CGUs. The result of the impairment test determined an impairment loss of Euro 6.6 million for the CGUs of Ferragamo (Singapore) Pte Ltd, Ferragamo (Thailand) Limited, Ferragamo Australia Pty Ltd. and Ferragamo Retail Macau Limited; for more details, see note 5 "Property, plant and equipment" in this document.

Climate change impact assessment

In line with the priorities defined by the European Securities and Market Authority (ESMA) of 25 October 2023 for the 2023 reporting year, as mentioned in the section "Main risks and uncertainties" of the Directors' report on operations, the Group started a project in 2023 to integrate a specific framework into the ERM model that will allow the climate change risk factor to be assessed as part of both physical risks and transition risks and opportunities. The analyses provided a climate change risk assessment that focused on the main climate-related exposures for the Group's most relevant sites in a short/medium-term horizon, as well as on the Group's exposure to possible legislative-regulatory, market, technological and reputational disruptions. The work of analyzing transition risks consisted in their identification based on their nature and in the assessment of the related short/medium-term and long-term impacts.

The long-term analysis considered the three forecast scenarios defined by the Intergovernmental Panel on Climate Change (IPCC): the first (best) scenario foresees a limited climate development, the second (mid) a gradual intensification of natural phenomena, and the third (worst) a significant intensification of the same.

Over the years, the Group has strengthened its proactive approach to the dynamics associated with climate change, and several measures have been implemented in 2023 to mitigate potential exposure to sustainable transition risks. These include:

- The Group manages the risks of temporary business interruption due to external events or natural catastrophes by taking out insurance policies to cover direct damage to company assets and any related indirect losses due to business interruption.
- The Performance and Restricted Shares Plan 2023-2025, approved by the Shareholders' Meeting of 26 April 2023, and reserved for selected employees and/or directors and/or collaborators of Salvatore Ferragamo S.p.A. and/or other companies belonging to the Ferragamo Group, who are considered key to the pursuit of sustainable success in the medium-long term, provides for ESG goals, including those related to environmental sustainability (100% renewable energy in all company locations worldwide by 2029). For more details, please refer to note 41 "Share-based payments" in the Consolidated Financial Statements.
- n 2023, an ESG Steering Committee was established, a strategic body comprising the top management of key corporate functions, with the aim of providing in-depth oversight of the progress of the Sustainability Plan, ensuring constant monitoring and providing valuable feedback to optimize performance in the corporate sustainability sphere. The composition of the committee ensured cross-cutting and expert leadership on sustainability issues.
- In 2023, to accelerate the adoption of renewable electricity by investing in new clean energy infrastructure, the Group, as part of the Fashion Pact with 11 other brands, signed a Collective Virtual Power Purchase Agreement (CVPPA) for the European region. The first of its kind for the fashion industry, the CVPPA aims to add more than 100,000 MWh per year of new renewable electricity generation to the grid.
- In 2023, a data collection activity was also launched with regard to the main textile and tanning suppliers, focusing on the use of chemicals in the production phases, in order to monitor and mitigate the impacts of the related supply chain risks.

For more information, see the Consolidated Non-Financial Statement in the Directors' report on operations. During 2024, the Company will continue to strengthen its assessment of the risk of climate change on the potential impacts on the Group's assets and processes, making it possible to appropriately address and implement further control measures to help limit exposure to these risks.

2.3.2 Property, plant and equipment

Tangible assets are recorded at historic cost, including the additional costs directly attributable and necessary to use the asset for the purpose for which it has been bought. This cost includes the costs to replace part of the plant and equipment when incurred, if they comply with the recognition criteria.
The net value (cost less accumulated depreciation and accumulated impairment) of parts of replaced plant and equipment is recognized in the income statement at the time of replacement.

Maintenance and repair expenses, which do not increase the value and/or extend the remaining life of the assets, are recognized in the income statement in the year in which they are incurred, otherwise they are capitalized.

Tangible assets are shown net of the related accumulated depreciation and any accumulated impairment determined in accordance with the method described below.

Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company. The useful lives of the main classes of tangible assets are as follows:

	Useful life
Buildings	33 years
Plant and Equipment	5-6 years
Industrial and commercial equipment	4-7 years
Other assets:	
- Office furniture and furnishings	5-8 years
- Electronic machines	3-5 years
- Historic collection	5 years
- Vehicles	3-4 years
Leasehold improvements	On the basis of the residual term of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash-generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is reversed should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e., on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

2.3.3 Investment property

Tangible assets held for income purposes and not for instrumental use are shown in a specific item called "Investment property", in accordance with IAS 40, and are recognized at cost. The assets which fall under this category are represented by land and/or buildings (or parts of buildings) held by the owner or lessee under a financial or operating lease in order to lease them out.

These types of property are classified separately from other property assets held. Investment property is shown net of the relevant accumulated depreciation and any impairment. The useful life of Group investment property is 33 years.

The book value of investment property is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is reversed should the reasons for it no longer exist.

Investment property is derecognized on disposal (i.e., on the date the buyer obtains control over it) or when the investment is permanently unusable and no future economic benefits are expected from its disposal. The amount of consideration to be considered to calculate the gain or loss on the derecognition of an investment property is determined in accordance with transaction pricing requirements in IFRS 15.

2.3.4 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration. The Group uses the exemption under IFRS 16 for intangible assets.

The Group as lessee

The Group applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Group recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:

The Group recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities.

The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Group in restoring the underlying asset to its original condition, if required by the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value.
The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.
The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash-generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is reversed should the reasons for it no longer exist.

Lease liabilities:
At the commencement date of the lease, the Group recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the Group is reasonably certain to exercise the option to terminate.
The variable lease payments that do not depend on an index or a rate, but that in the case of the Group mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Group uses the Incremental Borrowing Rate (IBR) as at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
the Group has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Group as lessor
Lease contracts in which the Group largely retains all the risks and benefits of ownership of the asset are classified as operating leases.

Lease payments are recognized on a straight-line basis over the term of the lease contracts in place at the reporting date and, if they derive from investment property, they are classified under "Rental income investment properties". The Group capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

2.3.5 Business combinations and goodwill

Business combinations are accounted for using the purchase method.
The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company. For every business combination, the acquirer must assess any minority interests in the acquired company at fair value or in proportion to the share of minority interests in the net identifiable assets of the acquired company. Acquisition costs are recognized in the income statement under administrative costs.

The Group shall determine to have acquired a business when an integrated set of activities and assets includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. An acquired process shall be considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process, or significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.
Every potential consideration must be recognized by the acquirer at the fair value on the acquisition date. The change in the fair value of the potential consideration classified as a financial asset or liability pursuant to IFRS 9 will be recognized in accordance with the provisions of IFRS 9, in the income statement or in the statement of comprehensive income. If the potential consideration is classified as an equity instrument, its value is not remeasured and its discharge is recognized under shareholders' equity. When the contingent consideration is outside the scope of IFRS 9, it must nonetheless be measured at fair value through profit or loss.
The goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the fair value of the net identifiable assets acquired and the liabilities assumed by the Group.
This requires the fair value recognition of the identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the purchased company.
After the initial recognition, goodwill is valued at cost less accumulated impairment. For impairment test purposes, the goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's individual cash-generating units, or to groups of cash-generating units which should benefit from the synergies of the combination, regardless of the fact that other Group assets or liabilities are allocated to these units or groups of units.
When the Group acquires a business, it must classify or designate the financial assets acquired or the liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. This includes a test to establish whether an embedded derivative must be separated from the primary contract.
In a business combination achieved in stages, the company shall remeasure its previously held equity interest at its fair value and recognize the resulting gain or loss, if any, in profit or loss.
If the goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of this unit, the goodwill relating to the disposed asset must be included in the book value of the asset when the gain or loss arising from the disposal is determined. The goodwill relating to the disposed asset must be determined on the basis of the values relating to the disposed asset and the part of the cash-generating unit which is kept.

Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

2.3.6 Intangible assets

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.
Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Key money	On the basis of the residual term of the asset's lease contract
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.
The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is reversed should the reasons for it no longer exist.

Development costs

Research costs are charged to the income statement when they are incurred.
Development costs incurred in relation to a particular project are capitalized only when the Group can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.
During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized in reference to the period in which the project is likely to generate revenues for the Group.

Industrial patents and intellectual property rights

Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the filing and registration of trademarks and patents relating to Group products.

Concessions, licenses, trademarks and similar rights
This item refers to costs for the filing and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Other intangible assets with a finite useful life
This item mainly refers to the sums paid to lease property by taking over existing contracts or by obtaining the withdrawal of lessees so as to be able to enter into new contracts with the lessors (key money). These charges are amortized over the term of the lease contract.

Starting from 2020, the item includes also the know-how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years.

2.3.7. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets
On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI (Solely Payments of Principal and Interest) test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Group's business model for managing financial assets refers to how the Group manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

After initial recognition, the Group measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)
The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Group currently does not have this type of instruments.

Financial assets at fair value through profit or loss
In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions. Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss. This category includes derivative instruments. Derivatives are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.
A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reclassification

A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Group changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for Expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Group expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Group adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost. This is the case of financial liabilities held for trading. In addition, the Group may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term.
This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)
After initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss. It is not possible to reclassify financial liabilities.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Group elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge – if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.

- Cash flow hedge – if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

2.3.8. Cash and cash equivalents

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

2.3.9 Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

2.3.10. Inventories

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

2.3.11 Assets held for sale

This item is composed of non current assets, whose book value will be recovered mainly through their sale rather than through their continued use. Assets classified as held for sale are valued at the lower of their net book value and their fair value net of sale costs.

2.3.12 Provisions for risks and charges

Provisions for risks and charges are allocated when the Group must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.

When the Group believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

2.3.13 Pension Funds and other long-term employee benefits

In Italy, the Group has a "Defined-benefit plan" for employee severance indemnities. With respect to Salvatore Ferragamo S.p.A., the plan concerns only the amounts recognized up to 31 December 2006. In addition, the Group has "Defined-contribution plans" for employee severance indemnities accrued after said date. This distinction derives from the 2007 Budget Law and the relevant enabling legislation, which require allocating employee severance indemnities to either supplementary pensions schemes or the Treasury Fund of the Italian Social Security Institute (INPS).

The Group also has other "Defined-benefit plans" in the United States, Mexico, Thailand, France, Belgium, Principality of Monaco, Taiwan, Japan, and Switzerland.
Moreover, the Group has defined-contribution plans for its employees.

The Group's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the present value. The cost of the benefits provided under the defined-benefit plan is determined using the actuarial technique of the projected unit credit method. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19.Net interest on the net defined-benefit liability shall be determined by multiplying the net liability by the discount rate.

The actuarial assessment of liabilities has been entrusted to independent actuaries.

2.3.14 Fair value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – Valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:

- Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- Receivables and payables and unlisted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Listed financial instruments: the market value at the reference date is used.

2.3.15 Costs

Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.
Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Group.
Costs are recognized according to their nature considering the standards applicable under IFRS.

2.3.16 Revenues from contracts with customers

Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.

The Group considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return

Some contracts allow customers to return goods within a specified period of time. The Group uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Group will be entitled. The guidance in IFRS 15 regarding the constraints on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Group adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the cost of sales) is recognized also for the right to recover goods from customers.

Royalties

Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

2.3.17 Right of return assets

A right of return asset represents the Group's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Group regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

2.3.18 Refund liabilities

The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Group expects will have to be refunded to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.3.19 Share-based payment plans

The Group recognizes additional benefits to some employees, directors and collaborators holding key positions, through equity-settled share-based payments, which provide for the physical delivery of shares and through cash-settled plans based on share value.

Equity-settled transactions

In accordance with the provisions of IFRS 2 – Share-based payments – rights in favor of employees are valued at fair value when the recipient is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the recipients have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions.

The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions

In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the recipient is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

2.3.20 Financial income and charges

Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

2.3.21 Dividends

Dividends are recognized when the shareholders' right to receive payment arises.

2.3.22 Government grants

Government grants are recognized when there is reasonable certainty that said grants will be received, and all the conditions of said grants are met. Grants related to income are shown as a positive component in the income statement.

2.3.23 Income taxes

Current taxes

Current taxes reflect a realistic estimate of the tax burden, determined by applying the rates and laws in force in the countries where the Salvatore Ferragamo Group operates; the amount payable for current taxes is recognized in the statement of financial position net of any tax advances paid. The Group regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.

Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes

Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.

Deferred tax liabilities are recorded for all taxable temporary differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.
Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and whose values are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

2.3.24 Earnings per share

Basic earnings per share is calculated by dividing the profit and/or loss for the period attributable to the Shareholders of the Parent company by the weighted average number of outstanding shares during the year. For the purposes of calculating the diluted earnings per share, the weighted average number of the outstanding shares is modified by assuming the conversion of all potential shares with a diluting effect. The net result is also adjusted to take account of the impact, net of taxes, of the conversion.

2.3.25 Put and call agreements on minority interests

In the case of put options granted to minority shareholders, the Group recognizes a financial liability corresponding to the present value of the exercise price of the option. If the terms and conditions of the put option already give the Group access to the economic benefits associated with the interest concerned by the option, the Group accounts for this interest as if it were already acquired and, therefore, on initial recognition of the liability, this amount is reclassified from equity as a deduction from minority interests. The liability is subsequently remeasured at the end of each period in compliance with IFRS 9. In other cases, under the accounting policy chosen by the Group, on initial recognition of the liability, this amount shall be reclassified to the Group's equity, continuing to account for the profits and losses attributable to such minority interests and the equity held by minority interests; any change in the amount of the liability shall be recognized in equity.

2.3.26 IAS 29 Financial reporting in hyperinflationary economies

Effective 1 July 2018, Argentina's economy is considered hyperinflationary in accordance with "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). This standard requires that the financial statements of entities whose functional currency is the currency of an economy considered hyperinflationary to be restated by using a general price index that reflects changes in general purchasing power.

The inflation index used in Argentina is a synthetic index with the following characteristics: (a) as of 1 January 2017, a new national consumer price index is used; and (b) for periods up to 31 December 2016, the wholesale price index is used.

Therefore, all items of the financial statements of Ferragamo Argentina S.A. have been divided into monetary and non-monetary items. Monetary items are money held and assets or liabilities to be received or paid in cash; all other items are non-monetary. Monetary items are not restated because they are already expressed in terms of current monetary unity. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power. The gain or loss on the net monetary position is included in net income. The effect of inflation on the net monetary position and non-monetary assets and liabilities of Ferragamo Argentina S.A. for the year ended 31 December 2023 resulted in a 284 thousand Euro net profit with an immaterial impact on the consolidated financial statements (742 thousand Euro net loss in the consolidated income statement as at 31 December 2022).

After restating non-monetary assets as per IAS 29, the Group also assessed whether the restated amount of the asset exceeded its recoverable amount. In addition, the application of IAS 29 gave rise to temporary tax differences: while the carrying amount of non-monetary assets is adjusted for inflation, a similar adjustment is not made for tax purposes; the result of such temporary difference is a deferred tax liability that has been recognized in profit or loss.

2.3.27 Changes in international accounting standards

The Group has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force. In addition to the standards described below, which became effective as from 1 January 2023, we also note the introduction of IFRS 17 Insurance Contracts and amendments thereto, which is not applicable to the Salvatore Ferragamo Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption for deferred tax, so as to exclude transactions that give rise to equal amounts of taxable and deductible temporary differences, as in the case of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The deferred tax assets and liabilities related to leases and decommissioning obligations shall therefore be recognized at the beginning of the earliest comparative period presented, recognizing the relevant cumulative effect as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest comparative period presented. Previously, the Group recognized deferred taxes related to leases using the "integrally linked" approach, achieving the same result as the application of this amendment, except that deferred tax assets or liabilities were recognized on a net basis. As a result of the amendments, the Group recognizes deferred tax assets on Lease Liabilities and deferred tax liabilities on Right-of-Use Assets separately, but there is no impact on the statement of financial position, as these balances can be offset. The application of the amendments had no impact on retained earnings as at 1 January 2022. The main impact of the amendments is the different presentation in the explanatory notes of deferred tax assets and liabilities, details of which are given in note 38 "Income Taxes" in this document.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted, provided that this fact is disclosed. These amendments did not have any significant impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirements for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; in addition, they added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, and earlier application is permitted. As the amendments to "IFRS Practice Statement 2: Making Materiality Judgements" set out non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, an effective date for these amendments is not required.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. These amendments did not have any impact on the Group.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules

Effective as from 1 January 2024, the Salvatore Ferragamo Group, as a multinational group exceeding the revenue threshold of 750 million Euro for two out of the previous four financial years, falls within the scope of the Pillar Two income taxes provided for by Directive (EU) 2022/2523, adopted in Italy by Italian Legislative Decree no. 209 of 27 December 2023, which aims to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (known as global minimum tax).

According to paragraph 4.A of IAS 12 (paragraph added by Regulation (EU) 2023/2468 of the European Commission), which provides, as an exception to the provisions of this standard, that an entity does not recognize and does not disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, no information is disclosed and no deferred tax assets or liabilities are recognized related to Pillar Two income taxes.

The Pillar Two income tax exposure for all Group companies in each jurisdiction is a function of the level of effective taxation, which for each such jurisdiction depends on a number of interrelated factors, mainly the income generated there, the level of the nominal tax rate, the tax rules for determining the tax base, the provision, form and use of incentives or other tax benefits.

However, given the novelty and complexity underlying the determination of the level of effective taxation, Pillar Two rules provides for the possibility, for the first periods of application (known as the transitional regime for periods beginning before 31 December 2026 and ending no later than 30 June 2028), of applying a simplified regime (known as Transitional CbCR Safe Harbor) based primarily on accounting information available for each relevant jurisdiction, which, if at least one of three tests is met, will result in a reduction of the compliance burden and in the zeroing of Pillar Two taxes.

Based on known or reasonably estimable information, the Salvatore Ferragamo Group's exposure to the Pillar Two income taxes at the end of the reporting period is not considered to be material, as:

- the majority of the Group's entities located in jurisdictions that meet at least one of the three tests of the Transitional CbCR Safe Harbors qualify for a zeroing of Pillar Two taxes; and
- for the remaining Group entities located in jurisdictions that do not meet any of the three tests of the Transitional CbCR Safe Harbors, the effective tax rate in those jurisdictions is close to the minimum of 15% or the profits in those jurisdictions are small relative to the Group's total profits.

The Group, with the support of external consultants, is organizing and preparing for compliance with Pillar Two rules, also with a view to managing the exposure for subsequent periods, by putting in place appropriate systems and procedures aimed at:

- identifying, locating and characterizing all Group companies for the purposes of Pillar Two rules, including on an ongoing basis;
- calculating the simplified tests (known as Transitional CbCR Safe Harbors) for each relevant jurisdiction in order to enjoy the related benefits in terms of reducing compliance burden and zeroing out Pillar Two taxes;
- carrying out full and detailed calculations of the relevant quantities as required by Pillar Two rules for all jurisdictions that fail any of the above tests.

2.3.28 Standards issued but not yet in force

Set out below are the standards which, when preparing the Group's Consolidated Financial Statements, had already been issued but were not yet in force. The list refers to the standards and interpretations which the Group expects will in all likelihood be applicable in the future. The Group intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In 2020 and 2022, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current, including in relation to liabilities subject to covenants, and to define the disclosures required in the financial statements. The amendments will be effective for annual periods beginning on or after 1 January 2024, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the consolidated financial statements.

Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback

In September 2022, the IASB issued amendments to IFRS16 to clarify the parameters that the lessor/seller should use to recognize variable lease payments in a "Sale and Leaseback" transaction. The amendments introduce a new model for accounting for variable payments and will require the lessor/seller to reassess and potentially reformulate sale and leaseback transactions entered into as from 2019. The amendments will be effective for annual periods beginning on or after 1 January 2024, and must be applied retrospectively to Sale and Leaseback transactions entered into after the date of initial application of IFRS16. Earlier application is permitted, provided that this fact is disclosed. The Group is currently assessing the impact the amendments will have on the consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments to clarify the characteristics of financial arrangements with suppliers and to require additional disclosures in the financial statements. The more detailed information required is intended to enable readers of the financial statements to understand the impact of financial arrangements with suppliers on liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual periods beginning on or after 1 January 2024; however, earlier application is permitted, provided that this fact is disclosed. The Group is currently assessing the impact the amendments will have on the consolidated financial statements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued an amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates to clarify:

- when a currency is not exchangeable for other currencies;
- how a company should estimate spot exchange rates when a currency cannot be exchanged.

The amendments will require more detailed disclosures to enable readers of the financial statements to understand the precise exchange rate used, the estimation process, the nature and impact on the financial statement data of using an estimated exchange rate, and the risks to the company related to the non-exchangeability of currencies. The amendments will be effective for annual periods beginning on or after 1 January 2025. Earlier application is permitted. The Group is currently assessing whether the amendments will have an impact on the consolidated financial statements.

2.4 Consolidation area

The Consolidated Financial Statements as at 31 December 2023 contain the equity and financial position as well as the operating performance of the Parent company Salvatore Ferragamo S.p.A. and its foreign subsidiaries consolidated on a line-by-line basis. These are identified collectively as the Salvatore Ferragamo Group.

The Consolidated Financial Statements as at 31 December 2023 include the 2023 accounts of Group companies, which have been prepared by adopting the same accounting policies as the Parent company. Subsidiaries are those entities over which the Group has control, or when the Group is exposed to variable returns arising from its transactions with the entity, or can claim rights over such returns, and at the same time has the ability to influence such returns by exercising its influence over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the moment when the parent company starts to exercise control until such control ends. Should it lose such control, the Group eliminates the assets and liabilities of the subsidiary and any previous minority interests in shareholders' equity, including any other item of other comprehensive income relating to the subsidiary. Any profit or loss arising from the loss of control is recorded under net profit/(loss) for the year. Any equity investment in the former subsidiary is measured at fair value on the date of loss of control.

All intragroup balances and transactions, including any unrealized profits and losses deriving from transactions among Group companies, are completely eliminated.

Minority interests represent the part of profits or losses and of net assets not held by the Group and are shown in a separate item of the income statement, and in the statement of financial position among shareholders' equity items, separately from Group shareholders' equity.

Acquisitions of subsidiaries are recognized using the purchase method, allocating the cost of the business combination at the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and including the result of the purchased company recorded from the acquisition date to the end of the year. Changes in the Group's equity interest in a subsidiary which do not cause the loss of control are recognized as equity transactions.

The following companies are included in the scope of consolidation as at 31 December 2023 and are consolidated on a line-by-line basis.

Company name	Location	Currency	Share capital	31 December 2023 Controlling interest (%)		Notes
				Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,879,000		Parent company	
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	3,187,970,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	16,000,000	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	89.13%		
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		100%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		100%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	100%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		100%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		100%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	100%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	300,000,000	100%		(4)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd	Singapore	Singapore Dollar	47,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		

1 - Through Ferragamo USA Inc. 2 – Through Ferragamo Hong Kong Ltd. 3 – Through Ferrimag Ltd. 4 – Non-operating company.

During 2023, the composition of the Salvatore Ferragamo Group saw the following changes:

- on 3 November 2023, the Ferragamo Group completed the purchase of minority interests in the subsidiaries Ferragamo Moda (Shanghai) Co. Limited, Ferragamo Retail Macau Limited and Ferrimag Limited (sub-holdings of Ferragamo Retail HK Ltd., Ferragamo Retail Taiwan Limited and Ferragamo Fashion Trading (Shanghai) Co. Ltd.), held by Imaginex Holdings Limited and Imaginex Overseas Limited, which are controlled by the then board member Peter K. C. Woo – who subsequently resigned as director on 13 November 2023 – through the transfer of the equity investments and the simultaneous payment of the agreed consideration of 42 million USD (equal to approximately 39 million Euro). These companies were already consolidated on a line-by-line basis and the acquisition took the form of an equity transaction.

In addition, please note that Ferragamo Argentina S.A. operates in a country that has been considered a hyperinflationary economy since 1 July 2018 in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies"; therefore, this accounting standard has been applied since 2018 in the reporting of the financial position, financial performance, and cash flows of Ferragamo Argentina S.A. for consolidation purposes, as detailed in note 2 "Basis of presentation". The impact of the application of the new standard in the years from 2018 to 2023 is not to be considered material at the Group level.

2.4.1 Subsidiaries with material minority interests

With reference to subsidiaries with significant minority interests, it should be noted that as at 31 December 2022, subsidiaries with significant minority interests also included the investments in Ferragamo Fashion Trading (Shanghai) Co. Ltd and Ferragamo Retail HK Limited, whose 25% minority interests were acquired by the Ferragamo Group in 2023, thereby obtaining full control. Therefore, the main business carried out and the percentage of minority interests as at 31 December 2023 and 2022 of Ferragamo Japan K.K., the only Group company with minority interests, are shown below.

		Minority interest (%)	
Company	**Activity**	**31 December 2023**	**31 December 2022**
Ferragamo Japan K.K.	Retail company for the Japanese market	10.87%	10.87%

The following tables provide the main economic and financial data of Ferragamo Japan K.K.. This information is based on the balances of the 2023 and 2022 accounts, which were drawn up for the purposes of preparing the consolidated financial statements, gross of intercompany eliminations.

(In thousands of Euro)		
Ferragamo Japan K.K.	**31 December 2023**	**31 December 2022**
Non current assets	32,211	7,603
Current assets	53,249	60,015
Non current liabilities	28,620	7,622
Current liabilities	47,691	51,627
Shareholders' equity	9,149	8,369
Minority interests	**995**	**910**
Revenues	86,450	99,298
Profit for the year	1,611	4,341
Net profit/(loss) – minority interests	**175**	**472**
Total comprehensive income for the period	1,654	4,428
Comprehensive income attributed to minority interests	**180**	**481**
Net cash from/(used in) operating activities	(2,328)	14,168
Net cash from/(used in) investing activities	(1,756)	(694)
Net cash from/(used in) financing activities	(3,759)	(4,549)
Increase/(decrease) in cash and cash equivalents	**(7,843)**	**8,925**
Dividends paid to minority interes	-	-

IFRS 12 requires disclosure if there are legal, contractual and/or regulatory requirements as well as minority interest protection rights that may in some cases limit the Group's ability to access the assets or use them and cancel liabilities of the Group. An analysis of these cases does not show significant restrictions.

2.4.2 Translation of financial statements in currencies other than the Euro and of items denominated in foreign currency

The consolidated financial statements are expressed in Euro, which is the functional and presentation currency adopted by the Parent company. Every Group company establishes its own functional currency, which is used to value the items included in the individual reports.

Transactions in foreign currency are initially recorded at the exchange rate in force at the transaction date (referred to the functional currency). Monetary assets and liabilities, which are denominated in foreign currency, are translated into the functional currency at the exchange rate in force at the reporting date.

All exchange rate differences are recorded in the income statement.

Non-monetary items which are valued at historic cost and denominated in foreign currencies are translated by using the exchange rates in force at the date of initial recognition of the transaction.
The exchange rates used to determine the value in Euro of subsidiaries' financial statements expressed in foreign currency (to 1 Euro) were as follows:

	Average exchange rates		Exchange rates at the end of the reporting period	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
US Dollar	1.0813	1.0530	1.1050	1.0666
Swiss Franc	0.9718	1.0047	0.9260	0.9847
Japanese Yen	151.9902	138.0274	156.3301	140.6600
Pound Sterling	0.8698	0.8528	0.8690	0.8869
Australian Dollar	1.6288	1.5167	1.6263	1.5693
South Korean Won	1412.8884	1358.0683	1433.6506	1344.0860
Hong Kong Dollar	8.4650	8.2451	8.6314	8.3163
Mexican Peso	19.1830	21.1869	18.7231	20.8560
New Taiwanese Dollar	33.6853	31.3145	33.9354	32.8012
Singapore Dollar	1.4523	1.4512	1.4591	1.4300
Thai Baht	37.6311	36.8562	37.9730	36.8350
Malaysian Ringgit	4.9320	4.6279	5.0775	4.6984
Indian Rupee	89.3001	82.6864	91.9045	88.1710
Macau Pataca	8.7164	8.4900	8.9127	8.5766
Chinese Renminbi	7.6600	7.0788	7.8509	7.3582
Chilean Peso	907.4245	916.8340	968.7763	915.7677
Argentine Peso	895.1990	137.0036	895.1990	189.1890
Brazilian Real	5.4010	5.4399	5.3618	5.6386
Canadian Dollar	1.4595	1.3695	1.4642	1.4440

At the reporting date, the assets and liabilities of Group companies are converted into the Group's presentation currency (the Euro) at the exchange rate in force on that date, and their income statement is converted using the average exchange rate for the period. Translation differences are recorded directly under shareholders' equity, are shown separately in a specific reserve and are recognized in the statement of comprehensive income. On disposal of a particular foreign company, the accumulated translation differences which have been recorded as component of the statement of comprehensive income for that particular foreign company are recorded in the income statement.

Any goodwill resulting from the acquisition of a foreign company and any adjustment to fair value of the book values of assets or liabilities arising from the acquisition of that foreign company are recognized as assets and liabilities of the foreign company, are expressed in the functional currency of the foreign company and are translated at the exchange rate in force at the end of the period.

3. Management of financial risks (IFRS 7)

The Salvatore Ferragamo Group is exposed in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit (or counterparty) risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines established by the Parent company, in compliance with the goals set centrally by the Board of Directors. This enables the control and coordination of the operations of the individual subsidiaries, also through more effective financial planning and control, the systematic monitoring of the Group's levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions. In accordance with these directives, the Group specifically controls the management of individual financial risks and intervenes to contain their impact, also by using derivatives. Derivatives are used for hedging purposes only. In accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities largely consist of trade payables, payables to banks and other financial payables, and lease liabilities following the introduction of the accounting standard IFRS 16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.
Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the market value of assets and liabilities to changes in the level of interest rates (it refers to fixed-rate assets or liabilities).

The Salvatore Ferragamo Group is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating-rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Bank debt is represented by short-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally Euribor/Libor/SOFR or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. Drawdowns range from one day to a maximum of less than seven months; the interest period and the market rate used (Euribor/Libor/SOFR) do not exceed twelve months. The margins applied are in line with best market standards.

Cash surpluses are used with reference banks in short-term time deposit transactions, referring to the Euribor/Libor/SOFR rate for the period or the benchmark of the investment currency on the specific interbank market, in cash-pooling structures or in intercompany loans, regulated at current market conditions, in order to limit the Group's exposure to the banking system, counterparty risk and the impact of financial charges.

Salvatore Ferragamo S.p.A., with a view to moderately diversifying its cash management, made an insurance investment in a readily adjustable Type I policy in 2022 and an investment in short-term Italian government bonds (Buoni Ordinari del Tesoro) in 2023.

As part of the general policy of optimizing financial resources, the aim is to find a balance between companies with surplus liquidity and others with financial requirements, using the least costly forms of financing.
Sensitivity to interest rate risk is monitored at Group level, by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates. At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating-rate debt into fixed-rate debt, nor did the Group make use of such derivatives in the previous year.

The sensitivity analysis of the interest rate risk to which the Group is exposed was undertaken by considering the financial statement items which give rise to floating-rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2023 and 2022, considering the amounts of sensitive assets and liabilities, interest rate trends and the relevant market volatility, showed no contingent gains and losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates continues having a minor impact on the Group's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency. In particular, the exchange rate risk can be classified based on the nature of the exposure and of the relevant effects:

- on operating results, due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk);
- on the consolidated financial statements, operating result and shareholders' equity, due to the translation of assets and liabilities of companies which prepare their financial statements in a different currency from the Group's functional currency (translation risk).

The Group operates internationally and therefore is exposed to risks arising from exchange rate fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The functional and presentation currency for the Group's financial data is the Euro.

In accordance with IFRS, for companies whose presentation currency is different from the Group's functional currency:

- income statements are translated into Euro at the average exchange rate for the period; if revenues and margins are equal in local currency, exchange rate changes may affect the value in Euro of revenues, costs and operating results;
- assets and liabilities are translated into Euro at the year-end exchange rate and therefore may have different values as a consequence of exchange rate movements. This change has an impact on shareholders' equity, where it is reclassified under "Translation reserve", and is recorded in the statement of comprehensive income.

Besides absolute amounts, financial ratios may also vary, if the proportions between profit, assets, debt and shareholders' equity in the various currencies change due to exchange rate changes.
It is not the Group's policy to hedge its exposure to translation exchange risk.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement. In keeping with the exchange rate risk management policy adopted in recent years, the Group manages exchange rate risk arising from its business, in line with the provisions of the Exchange rate risk management policy and the risk management objectives that are periodically established at Corporate level, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

The Group has a strong presence in international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US Dollar and Chinese Renminbi. In the year ended 31 December 2023, around 31% of the Company's net revenues were denominated in US Dollars, around 9% in Chinese Renminbi, around 6% in South Korean Won, around 6% in Mexican Peso, and around 5% in Japanese Yen. In the year ended 31 December 2022, around 40% of the Company's net revenues were denominated in US Dollars, around 10% in Chinese Renminbi, around 6% in Japanese Yen, around 5% in South Korean Won, and around 4% in Mexican Peso. The currency risks originate mainly from exports of the Company in US Dollars, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

In seeking ever greater efficiency and more specific control of risks, and also following the increase in the Group's investments in distribution companies operating in the strategic markets of the Greater China, exchange rate risk management is centralized at the Parent company. Goods transferred for consideration to subsidiaries are settled directly in the currency of the country where they operate and sell. In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. In particular, the Group is exposed to changes in the exchange rate between the Euro and the US Dollar, in relation to sales in Dollars both on the North American market and on few other markets, mainly Asian ones. In this context, the Group is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Parent company (as a manufacturing company) enters into currency forward contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Group covered its exchange rate risk almost exclusively with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. In this way the company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

To the above operations we may add residual operations of some Asian and Latin American subsidiaries which make purchases of goods in US Dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are significantly lower than those of the Parent company.

In addition, the Group controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) through financial instruments, whose recognition in accordance with IFRSs follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Parent company's future transactions in foreign currencies (which can be classified as cash flow hedges pursuant to IFRSs) are accounted for in accordance with hedge accounting rules.

The following table shows the changes in the Cash flow hedge reserve for the years ended 31 December 2023 and 31 December 2022:

Exchange rate risk

(In thousands of Euro)	2023	2022
Opening balance	**9,495**	**(8,426)**
+ increases for recognition of new positive effectiveness	15,707	14,430
- decreases for recognition of new negative effectiveness	(2,805)	(22,173)
- decreases due to the transfer of effectiveness from the Cash flow hedge reserve and recognition of income in profit or loss	(20,219)	(3,554)
+ increases due to the transfer of effectiveness from the Cash flow hedge reserve and recognition of cost in profit or loss	3,374	29,218
Closing balance	**5,552**	**9,495**

Overall, the reserve, which consists of the value changes in hedges for expected transactions in foreign currency, decreased by 3,943 thousand Euro during 2023, whereas it had increased by 17,921 thousand Euro in 2022. The changes in value reflect the Euro's performance against the main hedged currencies, specifically the Euro's exchange rate with other currencies, mainly the US Dollar and the Chinese Renminbi, which witnessed a general slight appreciation of the single currency during the year. The amount transferred from the Reserve to "Revenues from sales" on occurrence of the underlying flows was a positive total of 16,845 thousand Euro in 2023, compared to a negative 25,664 thousand Euro in 2022. In 2023, no hedge was interrupted due to the cancellation of the expected underlying value; hedges were one hundred percent effective for the whole duration of the underlying asset.

A hedge may become ineffective as a result of:

- differences in the timing of cash flows of the hedged item and the hedging instrument;
- changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Group held at the end of 2023 and 2022. The number of foreign currencies in the tables shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items): Financial recognition

31 December 2023

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	27,000	36,000	53,000	74,000	5,000	**195,000**
Average forward exchange rate (EUR/USD)	1.051	1.071	1.090	1.096	1.088	
Notional amount in CAD	2,000	500	5,000	2,000	-	**9,500**
Average forward exchange rate (EUR/CAD)	1.449	1.478	1.479	1.502	-	
Notional amount in CNY	40,000	100,000	50,000	110,000	-	**300,000**
Average forward exchange rate (EUR/CNY)	7.302	7.305	7.505	7.773	-	
Notional amount in GBP	1,000	1,700	1,000	-	-	**3,700**
Average forward exchange rate (EUR/GBP)	0.878	0.874	0.871	-	-	
Notional amount in HKD	8,000	11,000	7,000	18,000	-	**44,000**
Average forward exchange rate (EUR/HKD)	8.363	8.418	8.473	8.405	-	
Notional amount in JPY	400,000	1,000,000	600,000	800,000	-	**2,800,000**
Average forward exchange rate (EUR/JPY)	137.631	145.682	153.665	151.440	-	
Notional amount in KRW	4,000,000	10,000,000	12,000,000	14,000,000	-	**40,000,000**
Average forward exchange rate (EUR/KRW)	1,394.800	1,422.317	1,396.625	1,415.937	-	
Notional amount in MXN	30,000	80,000	100,000	40,000	-	**250,000**
Average forward exchange rate (EUR/MXN)	21.285	20.580	19.779	19.261	-	

31 December 2022

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	22,000	65,000	86,000	79,000	-	**252,000**
Average forward exchange rate (EUR/USD)	1.142	1.130	1.074	1.026	-	
Notional amount in CAD	-	1,500	1,000	2,000	-	**4,500**
Average forward exchange rate (EUR/CAD)	-	1.370	1.353	1.359	-	
Notional amount in CNY	80,000	140,000	100,000	140,000	-	**460,000**
Average forward exchange rate (EUR/CNY)	7.360	7.294	7.265	7.047	-	
Notional amount in GBP	-	-	250	1,000	-	**1,250**
Average forward exchange rate (EUR/GBP)	-	-	0.887	0.901	-	
Notional amount in HKD	4,000	21,000	5,000	8,000	-	**38,000**
Average forward exchange rate (EUR/HKD)	8.854	8.800	8.175	8.107	-	
Notional amount in JPY	500,000	1,200,000	1,050,000	800,000	-	**3,550,000**
Average forward exchange rate (EUR/JPY)	129.656	133.220	137.817	137.278	-	
Notional amount in KRW	5,000,000	13,000,000	10,000,000	14,000,000	4,000,000	**46,000,000**
Average forward exchange rate (EUR/KRW)	1,371.400	1,367.402	1,354.036	1,383.503	1,382.500	
Notional amount in MXN	40,000	140,000	40,000	210,000	-	**430,000**
Average forward exchange rate (EUR/MXN)	23.570	23.790	23.455	22.112	-	

Cash flow analysis (hedged items): Impact on the income statement

31 December 2023

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**144,000**	56,000	73,000	15,000	-	-
Sales expected in JPY	**2,600,000**	1,300,000	500,000	700,000	100,000	-
Sales expected in GBP	**2,700**	1,700	1,000	-	-	-
Sales expected in MXN	**140,000**	100,000	40,000	-	-	-
Sales expected in CAD	**7,000**	1,000	6,000	-	-	-
Sales expected in CNY	**275,000**	110,000	90,000	75,000	-	-
Sales expected in HKD	**30,000**	8,000	17,000	5,000	-	-
Sales expected in KRW	**36,000,000**	14,000,000	14,000,000	8,000,000	-	-

31 dicembre 2022

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**183,000**	89,000	91,000	3,000	-	-
Sales expected in JPY	**3,050,000**	1,200,000	1,350,000	500,000	-	-
Sales expected in GBP	**1,250**	-	750	500	-	-
Sales expected in MXN	**250,000**	40,000	210,000	-	-	-
Sales expected in CAD	**3,500**	500	3,000	-	-	-
Sales expected in CNY	**350,000**	170,000	150,000	30,000	-	-
Sales expected in HKD	**30,000**	17,000	13,000	-	-	-
Sales expected in KRW	**36,000,000**	14,000,000	14,000,000	8,000,000	-	-

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US Dollar, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2023 as well as 31 December 2022. The above tables set out the financial recognition dates of underlying assets by currency and the dates on which the impact on the income statement is recognized. This is determined upon the invoicing of the estimated flows, which are the object of the exchange rate hedge, as at 31 December 2023 and 2022.

Below is the impact of the hedged items on the statement of financial position:

Expected highly probable sales

(In thousands of Euro)	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	*Carrying amount*	
			Line item "other current assets"	Line item "other current liabilities"
31 December 2023	225,927	5,552	4,454	(272)
31 December 2022	287,034	9,495	6,595	(2,685)

The Argentine Peso depreciated sharply in 2023, particularly in December, as a result of local political measures; however, the currency is not significant to the Group's overall exposure to exchange rate risk.

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Group's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short- and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with the requirements of IFRS 7 and therefore does not take into account the effects arising from the translation of financial statements of foreign companies whose functional currency is different from the Euro. Exchange rates were considered for currencies whose changes generate an impact on the income statement and shareholders' equity, in absolute terms, of over one million Euro.

31 December 2023

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	9.8%	Derivatives	2,000	1,625
			Non-derivatives	(467)	-
	EUR/USD	6.7%	Derivatives	12,070	9,764
			Non-derivatives	(1,581)	-
	EUR/KRW	7.7%	Derivatives	441	1,984
			Non-derivatives	(5)	-
	EUR/CNY	5.9%	Derivatives	526	2,068
			Non-derivatives	(60)	-
	EUR/MXN	12.2%	Derivatives	1,726	833
			Non-derivatives	(45)	-
	EUR/SGD	4.6%	Derivatives	382	-
			Non-derivatives	(62)	-
	EUR/GBP	6.0%	Derivatives	1,133	228
			Non-derivatives	(25)	-
	EUR/CAD	5.9%	Derivatives	781	331
			Non-derivatives	(83)	-
	EUR/BRL	14.0%	Derivatives	799	-
			Non-derivatives	(2)	-
	USD/KRW	10.1%	Derivatives	-	-
			Non-derivatives	202	-
Total				**17,730**	**16,833**

31 December 2023

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(9.8%)	Derivatives	(2,486)	(2,020)
			Non-derivatives	565	-
	EUR/USD	(6.7%)	Derivatives	(14,197)	(11,485)
			Non-derivatives	1,784	-
	EUR/KRW	(7.7%)	Derivatives	(524)	(2,357)
			Non-derivatives	5	-
	EUR/CNY	(5.9%)	Derivatives	(597)	(2,345)
			Non-derivatives	64	-
	EUR/MXN	(12.2%)	Derivatives	(2,221)	(1,072)
			Non-derivatives	58	-
	EUR/SGD	(4.6%)	Derivatives	(430)	-
			Non-derivatives	68	-
	EUR/GBP	(6.0%)	Derivatives	(1,328)	(268)
			Non-derivatives	25	-
	EUR/CAD	(5.9%)	Derivatives	(907)	(385)
			Non-derivatives	94	-
	EUR/BRL	(14.0%)	Derivatives	(1,171)	-
			Non-derivatives	2	-
	USD/KRW	(10.1%)	Derivatives	-	-
			Non-derivatives	(202)	-
Total				**(21,398)**	**(19,932)**

31 December 2022

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	10.8%	Derivatives	4,029	2,119
			Non-derivatives	(51)	-
	EUR/USD	8.1%	Derivatives	4,566	12,855
			Non-derivatives	(1,040)	-
	EUR/KRW	8.6%	Derivatives	705	1,999
			Non-derivatives	(2)	-
	EUR/CNY	6.3%	Derivatives	883	2,808
			Non-derivatives	(426)	-
	EUR/MXN	12.5%	Derivatives	1,300	1,336
			Non-derivatives	(63)	-
	EUR/SGD	5.9%	Derivatives	2,068	-
			Non-derivatives	(7)	-
	EUR/GBP	7.9%	Derivatives	663	103
			Non-derivatives	39	-
	EUR/CAD	7.5%	Derivatives	144	168
			Non-derivatives	(10)	-
	EUR/BRL	18.9%	Derivatives	493	-
			Non-derivatives	-	-
	USD/KRW	10.8%	Derivatives	-	-
			Non-derivatives	1,209	-
Total				**14,500**	**21,388**

31 December 2022

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(10.8%)	Derivatives	(5,008)	(2,633)
			Non-derivatives	62	-
	EUR/USD	(8.1%)	Derivatives	(5,371)	(15,121)
			Non-derivatives	1,202	-
	EUR/KRW	(8.6%)	Derivatives	(838)	(2,374)
			Non-derivatives	2	-
	EUR/CNY	(6.3%)	Derivatives	(1,001)	(3,184)
			Non-derivatives	478	-
	EUR/MXN	(12.5%)	Derivatives	(1,674)	(1,719)
			Non-derivatives	80	-
	EUR/SGD	(5.9%)	Derivatives	(2,328)	-
			Non-derivatives	7	-
	EUR/GBP	(7.9%)	Derivatives	(777)	(121)
			Non-derivatives	(52)	-
	EUR/CAD	(7.5%)	Derivatives	(167)	(195)
			Non-derivatives	10	-
	EUR/BRL	(18.9%)	Derivatives	(722)	-
			Non-derivatives	-	-
	USD/KRW	(10.8%)	Derivatives	-	-
			Non-derivatives	(1,209)	-
Total				**(17,306)**	**(25,347)**

As the above table shows, a positive change in the listed exchange rates (EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN EUR/SGD, EUR/GBP, EUR/CAD, EUR/BRL, and USD/KRW) would have resulted in a 17,730 thousand Euro profit and 14,500 thousand Euro profit as at 31 December 2023 and 31 December 2022, respectively; a negative change in exchange rates would have caused a 21,398 thousand Euro loss and 17,306 thousand Euro loss as at 31 December 2023 and 31 December 2022, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges as a result of the assumed positive exchange rate changes would have amounted to 16,833 thousand Euro and 21,388 thousand Euro as at 31 December 2023 and 31 December 2022, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 19,932 thousand Euro and 25,347 thousand Euro as at 31 December 2023 and 31 December 2022, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Group shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the Cash flow hedge reserve and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on equity in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).

The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.

The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash. Liquidity needs or surpluses are monitored on a daily basis by the Parent company in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.

The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short- and medium-term needs of the Group's individual companies according to efficiency and cost-effectiveness criteria. As at 31 December 2023, committed credit lines totaling 380,000 thousand Euro, fully available in one or more instalments (revolving), were outstanding with several bank counterparties. As at the same date, there were also uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries totaling 428,504 thousand Euro.

As at 31 December 2023, the Group had unused committed credit lines (in the form of revolving credit lines or term loans) amounting to 380,000 thousand Euro and uncommitted credit lines totaling 348,540 thousand Euro, against gross debt of 79,964 thousand Euro and an adjusted net financial position amounting to a surplus of 224,389 thousand Euro (486,653 thousand Euro debt when considering also lease liabilities in accordance with IFRS 16). As at 31 December 2023, committed credit lines had a maximum residual maturity of forty-one months and a weighted average residual maturity of twenty-one months. The credit lines and the related financial operations are spread among leading national and international banks. As at the reporting date, their maximum use is below one year. The Group's current committed revolving credit lines do not require compliance with financial covenants. For more details, see note 21 "Interest-bearing loans & borrowings – Limitations on the use of financial resources".

It has always been the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. Also during 2023, the Group's policy was to use a significant part of its cash surpluses in time-deposit investments, as well as to take out intercompany loans, regulated at current market conditions, so as to contain the increase in bank debt and the related financial charges.

Cash surpluses are used with reference banks in short-term (usually between one day and three months) time deposit transactions, referring to the Euribor/Libor/SOFR rate for the period or the benchmark of the investment currency on the specific interbank market. Liquidity investments are carried out with the prime objectives of making resources available at short notice (in the event of maturities longer than three months, the relevant contracts allow promptly liquidating them without penalties) and neutralizing the risk of capital losses, avoiding speculative transactions. Salvatore Ferragamo S.p.A., with a view to moderately diversifying its cash management, made an investment in short-term Italian government bonds (Buoni Ordinari del Tesoro) of 20,000 thousand Euro in 2023 and increased the insurance investment in a readily adjustable Type I policy of 10,000 thousand Euro, made in 2022, by an additional 5,000 thousand Euro.

In 2023, the Board of Directors of Salvatore Ferragamo S.p.A. also approved a policy for the management and mitigation of liquidity risk, the main objective of which is to ensure adequate coverage of the financial needs of Group companies.

These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Group has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's overall ability to generate cash flows from current operations, the constant availability of an adequate amount of committed credit lines has allowed to face the most turbulent market phases and volatility in credit flows with confidence. The total financial position of each company and that of the Group overall is measured every month, and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Group to safely address the repayment of loans at their natural maturity and to meet the needs arising from investment activities and working capital management.

31 December 2023

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	168,466	4,857	-	-	173,323
Payables to banks	70,820	9,653	-	-	80,473
Other financial payables	898	-	-	-	898
Lease liabilities	34,886	97,070	398,933	280,406	811,295
Guarantee deposits	347	-	59	177	583
Derivatives – non-hedging component	517	-	-	-	517
Derivatives – hedging component	350	566	-	-	916
Total	**276,284**	**112,146**	**398,992**	**280,583**	**1,068,005**

31 December 2022

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	165,065	8,951	-	-	174,016
Payables to banks	29,343	-	-	-	29,343
Payables due to shareholders for dividends	2	-	-	-	2
Lease liabilities	31,888	86,820	356,035	158,934	633,677
Guarantee deposits	171	-	70	184	425
Derivatives – non-hedging component	1,179	-	-	-	1,179
Derivatives – hedging component	5,335	2,057	-	-	7,392
Total	**232,983**	**97,828**	**356,105**	**159,118**	**846,034**

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months.

In 2023, payables to banks had a maximum residual maturity of less than 7 months and, for the most part, less than 3 months.

The reported financial assets have a shorter remaining life, as they mostly relate to cash and cash equivalents.

Credit risk

Credit risk represents the Group's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties. The Group's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables. The Group's exposure to trade credit risk refers to wholesale sales and receivables associated with licensing and rental income investment property revenues, which combined represent nearly 27.2 percent of global turnover; the remaining turnover refers to retail sales with cash payment or payment by credit or debit cards at the time of purchase. Trade receivables, mainly related to wholesale sales and, to a lesser extent, to e-commerce or retail sales in department stores, generally have maturities of less than 90 days. The Group generally favors trade dealings with customers with whom it has well-established and consolidated relations. It is the Group's policy to check credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers helps to further mitigate the risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency, historical data, and forecast economic conditions.

Besides obtaining, where possible, guarantees from wholesale customers or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, another instrument used to manage commercial credit risk is the subscription of insurance policies, with the aim of preventing the risk of non-payment through careful selection of the customer portfolio jointly with the insurance companies, which agree to guarantee payment of the indemnity in the case of insolvency.

In general, the Company believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations and by diversifying the accounting currency of surplus cash.

The Group negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, financial assets at amortized cost and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

	31 December 2023		31 December 2022	
(In thousands of Euro)	Current portion	Non current portion	Current portion	Non current portion
Financial assets at fair value through profit or loss				
Other financial assets	37	-	-	-
Receivables and loans				
Trade receivables	106,821	-	94,490	-
Receivables due from credit cards	15,608	-	15,576	-
Cash and cash equivalents	268,988	-	391,354	-
Guarantee deposits	-	13,760	-	15,570
Other current financial assets	35,240	-	9,999	-
Derivatives	8,348	-	7,507	-
Total	**435,042**	**13,760**	**518,926**	**15,570**

The table shows how the Group's exposure to credit risk – both commercial and counterparty risk – is defined by the book value of the items representing outstanding financial assets as at 31 December 2023 and 31 December 2022, and is almost exclusively limited to the current portion. The non current portion refers entirely to the item "Guarantee deposits", which mainly includes the cash deposits made by various entities for property leases and is recognized at nominal value.

(In thousands of Euro)	31 December 2023	%	31 December 2022	%
Italy	22,084	20.7%	15,043	15.9%
Europe	12,363	11.6%	10,287	10.9%
North America	19,508	18.3%	19,143	20.3%
Japan	6,434	6.0%	6,778	7.2%
Asia Pacific	36,575	34.2%	35,074	37.1%
Central and South America	9,857	9.2%	8,165	8.6%
Total	**106,821**	**100.0%**	**94,490**	**100.0%**

The table shows the concentration of commercial credit risk by geographic area of the Group's activity in the two years under review.

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2023	93,374	4,860	3,177	1,093	1,170	3,147	**106,821**
31 December 2022	82,535	7,223	2,211	1,082	423	1,016	**94,490**
Figures in % as at 31 December 2023	87.4%	4.6%	3.0%	1.0%	1.1%	2.9%	**100.0%**
Figures in % as at 31 December 2022	87.3%	7.7%	2.3%	1.1%	0.5%	1.1%	**100.0%**

The analysis carried out on the maturity dates of receivables which are past due but not impaired shows they are concentrated within thirty days for the years ended 31 December 2023 and 31 December 2022.

The concentration of sales to the main customers is shown in the table below; for the concentration of sales by geographic area, reference should be made to the specific section above:

Concentration of market risk	2023	2022
Percentage of revenues with the biggest customer	1.5%	1.9%
Percentage of revenues with the 3 biggest customers	4.1%	4.7%
Percentage of revenues with the 10 biggest customers	10.0%	10.7%

Capital management

The main objective of the Group's capital management activity is to ensure that a solid credit rating as well as adequate levels of equity indicators are maintained in order to support business and optimize value for shareholders. The Group manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Group can modify the dividends paid to shareholders, repay the capital or issue new shares. No change was made to the objectives, policies or procedures during 2023 and 2022.

To this end, the Group's capital management aims to, among other things, ensure compliance with any covenants associated with financial payables to banks that define capital structure requirements.
The Group includes under net debt, interest-bearing loans, lease liabilities, other financial payables, trade and other payables, net of cash and cash equivalents.

"Other financial payables" include the value of agreements for the purchase of minority interests (reference should be made to note 42 "Put and call agreements on minority interests"), which amounted to 898 thousand Euro as at 31 December 2023 (zero as at 31 December 2022).

The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2023	31 December 2022
Interest-bearing loans	80,129	29,264
Lease liabilities	711,042	575,323
Other financial payables	898	-
Trade payables and Other payables (net of hedging derivatives)	221,571	245,665
Cash and cash equivalents	268,988	391,354
Net debt	**744,652**	**458,898**
Group shareholders' equity (net of the Cash flow hedge reserve)	716,946	744,594
Minority interests	997	23,599
Shareholders' equity (net of the Cash flow hedge reserve)	**717,943**	**768,193**
Shareholders' equity and net debt	**1,462,595**	**1,227,091**
Net debt/Shareholders' equity	**103.7%**	**59.7%**

4. Business combinations and purchases of minority interests

During 2023 there were no business combinations.
Please note that on 3 November 2023, the Ferragamo Group completed the purchase of minority interests in the subsidiaries Ferragamo Moda (Shanghai) Co. Limited, Ferragamo Retail Macau Limited and Ferrimag Limited (sub-holdings of Ferragamo Retail HK Ltd., Ferragamo Retail Taiwan Limited and Ferragamo Fashion Trading (Shanghai) Co. Ltd.), held by Imaginex Holdings Limited and Imaginex Overseas Limited, which are controlled by the then board member Peter K. C. Woo – who subsequently resigned as director on 13 November 2023 – through the transfer of the equity investments and the simultaneous payment of the agreed consideration of 42 million USD (equal to approximately 39 million Euro). These companies were already consolidated on a line-by-line basis and the acquisition took the form of an equity transaction, which resulted in a decrease in minority interests of 22,687 thousand Euro and, for the difference from the purchase price, a decrease in the Ferragamo Group's equity of 16,217 thousand Euro.

Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

5. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2023 and 2022 is shown in the following table:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Acc. depreciation and Impairment	Net value	Historical Cost	Acc. depreciation and Impairment	Net value
Land	28,998	-	28,998	29,613	-	29,613
Buildings	101,668	46,536	55,132	100,277	45,127	55,150
Plant and equipment	63,699	49,332	14,367	59,086	45,030	14,056
Industrial and commercial equipment	135,829	112,348	23,481	130,273	108,300	21,973
Other assets	87,668	77,642	10,026	83,051	74,511	8,540
Leasehold improvements	298,253	248,078	50,175	293,632	239,699	53,933
Fixed assets in progress and payments on account	18,509	-	18,509	8,299	-	8,299
Total	**734,624**	**533,936**	**200,688**	**704,231**	**512,667**	**191,564**

The following tables show the changes in property, plant and equipment for the years ended 31 December 2023 and 2022.

(In thousands of Euro)	Value as at 01.01.2023	Translation diff.	Additions	Disposals	Depreciation	Reclass.	Impairment	Non current assets to be disposed of	Value as at 31.12.2023
Land	29,613	(615)	-	-	-	-	-	-	28,998
Buildings	55,150	(186)	2,833	-	(2,602)	-	-	(63)	55,132
Plant and equipment	14,056	(6)	4,841	(4)	(4,520)	-	-	-	14,367
Industrial and commercial equipment	21,973	(555)	11,475	(340)	(8,437)	-	(635)	-	23,481
Other assets	8,540	(101)	6,197	(14)	(4,417)	(18)	(161)	-	10,026
Leasehold improvements	53,933	(1,733)	22,692	(169)	(18,699)	-	(5,849)	-	50,175
Fixed assets in progress and payments on account	8,299	(230)	28,523	(18,083)	-	-	-	-	18,509
Total	**191,564**	**(3,426)**	**76,561**	**(18,610)**	**(38,675)**	**(18)**	**(6,645)**	**(63)**	**200,688**

(In thousands of Euro)	Value as at 01.01.2022	Translation diff.	Additions	Disposals	Depreciation	Reclass.	Impair-ment	Value as at 31.12.2022
Land	29,371	242	-	-	-	-	-	29,613
Buildings	56,680	237	842	(6)	(2,603)	-	-	55,150
Plant and equipment	17,141	2	1,529	-	(4,616)	-	-	14,056
Industrial and commercial equipment	20,308	268	10,074	(481)	(8,045)	(68)	(83)	21,973
Other assets	8,492	45	4,460	(47)	(4,478)	68	-	8,540
Leasehold improvements	46,916	911	25,487	(727)	(18,351)	-	(303)	53,933
Fixed assets in progress and payments on account	7,946	254	9,126	(9,027)	-	-	-	8,299
Total	**186,854**	**1,959**	**51,518**	**(10,288)**	**(38,093)**	**-**	**(386)**	**191,564**

The increase, net of the decrease in "Fixed assets in progress and payments on account":

- in "Buildings" and "Plant and equipment" largely refers to improvement works at the Osmannoro-Sesto Fiorentino facility, owned by Salvatore Ferragamo S.p.A., which included the fitting out of a new Ready-To-Wear atelier department;
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores;
- In "Other assets" mainly refers to IT equipment (2,467 thousand Euro) and furniture and furnishings (3,585 thousand Euro); some of which were destined to the Milan showroom and offices on Corso Matteotti, which were renovated during the year;
- in "Leasehold improvements" refers mainly to work carried out for the opening or refurbishment of stores;
- in "Fixed assets in progress and payments on account" refers largely to expenses incurred and payments on account made for the renovation and opening of new stores that were not yet operational as at the reporting date, including works on the Via Monte Napoleone store in Milan, where the new store concept was created and opened on the occasion of the fashion show in February 2024, as well as work for the construction of a building to be used for general interest production activities at the area owned by Salvatore Ferragamo S.p.A. in the municipality of Sesto Fiorentino-Osmannoro.

The increase in Tangible assets under "Leasehold improvements" (recognized against the "Provision for risks and charges", note 22) included the costs for the restoration of premises leased from third parties, which amounted to 392 thousand Euro in 2023 (883 thousand Euro in 2022).

Disposals mainly refer to assets (not fully depreciated) relating to stores which have been renovated or closed during the year.

The decrease in Non current assets to be disposed of refers to a building in the United States that is held for sale as it is no longer used in the Group's operations.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources, considering also the impairment losses recognized as at 31 December 2020 on Property, plant and equipment after testing the assets for impairment. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets. As in the past, the analysis was carried out by considering the individual geographic areas in which the Group operates as CGUs (Cash Generating Units). Said areas usually coincide with the Group's individual legal entities, except where multiple legal en-

tities of the Group operate in the same country or in neighboring territories and markets with a shared and homogeneous customer base. As a result of these analyses, the following CGUs were tested for impairment: Ferragamo (Singapore) Pte Ltd, Ferragamo (Thailand) Limited, Ferragamo Australia Pty Ltd., Ferragamo USA Group, Ferragamo Korea Ltd., Ferragamo Retail Macau Limited, Ferragamo Retail Taiwan Limited, and the CGU related to the Chinese area (including Hong Kong). These CGUs showed signs of weakness, underperforming compared to expectations. The Group has not identified indicators of impairment for the other CGUs.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted Cash-Flow – DCF analysis).

The DCF analysis was performed based on the budget for the year 2024 (approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 20 December 2023); as for the two following explicit forecast years (2025-2026), the Group used forecast data prepared by management, which represent the best estimate the Group can make of the economic conditions expected for the period, as per the impairment test procedure approved by the Board of Directors on 25 January 2024. The values assigned to the main assumptions reflect management's assessment of how the sectors will perform in the future and are based on both internal and external sources.
The main assumptions to determine the recoverable amount are given below.

CGUs tested for impairment	WACC (discount rate)	Growth rate "g"
Ferragamo (Singapore) Pte Ltd.	9.76%	2.00%
Ferragamo (Thailand) Limited	9.79%	1.90%
Ferragamo Australia Pty Ltd.	11.19%	2.40%
Ferragamo Korea Ltd.	10.51%	2.00%
Ferragamo Retail Macau Limited	10.58%	1.70%
Ferragamo Retail Taiwan Limited	8.12%	1.50%
Ferragamo USA Group	11.15%	1.60%
Chinese area + HK	9.64%	2.24%

The discount rate (Weighted Average Cost of Capital, WACC), considering the Group's positive adjusted net financial position, is based on government bond yields in the reference markets and in the same currency as the cash flows, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.
The growth rate "g" was assumed to be equal to the inflation rate expected to prevail over the medium-long term in the reference market.

The Terminal Value was determined using the perpetuity model with a long-term growth rate "g" that represents the present value, in the final projected year, of all the expected future cash flows.

The impairment test resulted in an impairment loss for Property, plant and equipment in the following CGUs: Ferragamo (Singapore) Pte Ltd., Ferragamo (Thailand) Limited, Ferragamo Australia Pty Ltd., Ferragamo Retail Macau Limited. The outcome of the impairment tests carried out is shown below:

(In thousands of Euro)	
Ferragamo (Singapore) Pte Ltd.	3,534
Ferragamo (Thailand) Limited	1,433
Ferragamo Australia Pty Ltd.	544
Ferragamo Retail Macau Limited	1,134
Total	**6,645**

The sensitivity analysis was carried out assuming +/-1% changes in the basic assumptions regarding WACC and g, which were used to determine the recoverable amount. This analysis, carried out on impaired CGUs, showed that negative changes in the underlying assumptions could lead to further impairment. On the other hand, the same analysis carried out on the CGUs related to Ferragamo Retail Taiwan Limited and the Chinese area (including Hong Kong) did not show any impairment in any of the scenarios assumed. The analysis carried out on the CGU of Ferragamo Korea Ltd. showed an impairment only in scenarios characterized by particularly unfavorable WACC and g; while the analysis carried out on the CGU of Ferragamo USA Group, which was already written down in FY 2020, shows an impairment due to an adverse change in even one of the two parameters.

6. Investment property

The breakdown of the item as at 31 December 2023 and 2022 is set out in the following table:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Land	5,065	-	5,065	5,247	-	5,247
Buildings	11,930	11,892	38	12,359	12,254	105
Right-of-use assets - Buildings	101,327	83,764	17,563	104,975	82,580	22,395
Total	**118,322**	**95,656**	**22,666**	**122,581**	**94,834**	**27,747**

Investment property refers entirely to buildings located in the United States.

Please note that the right-of-use assets qualifying as investment property are classified in this line item and amounted to 17,563 thousand Euro as at 31 December 2023.

The following tables show the change in investment property for the years ended 31 December 2023 and 2022:

(In thousands of Euro)	Value as at 01.01.2023	Translation difference	Additions	Depreciation	Value as at 31.12.2023
Land	5,247	(182)	-	-	5,065
Buildings	105	(2)	-	(65)	38
Right-of-use assets - Buildings	22,395	(690)	-	(4,142)	17,563
Total	**27,747**	**(874)**	**-**	**(4,207)**	**22,666**

(In thousands of Euro)	Value as at 01.01.2022	Translation difference	Additions	Depreciation	Value as at 31.12.2022
Land	4,942	305	-	-	5,247
Buildings	237	17	-	(149)	105
Right-of-use assets - Buildings	25,044	1,604	-	(4,253)	22,395
Total	**30,223**	**1,926**	**-**	**(4,402)**	**27,747**

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets. The analyses carried out did not show any indicators of impairment as regards this item. For more details, see note 5 "Property, plant and equipment".

In addition, the Group periodically assesses the fair value of investment property recorded in the financial statements; on the basis of these estimates, the fair values are higher than the book values.

7. Goodwill

The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l. and is attributable to the synergies and other economic benefits arising from the combination of the assets of the acquirees with those of Salvatore Ferragamo S.p.A., with respect to the design and manufacturing of men's footwear. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. This item was unchanged in 2023 and 2022.

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Impairment	Net value	Historical Cost	Impairment	Net value
Goodwill	6,679	-	6,679	6,679	-	6,679
Total	**6,679**	**-**	**6,679**	**6,679**	**-**	**6,679**

As required by the procedure for analyzing impairment indicators adopted by the Group, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

In reviewing its impairment indicators, the Group considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2023, the Group's market capitalization comfortably exceeded the book value of equity, ruling out the existence of an impairment indicator.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted Cash-Flow – DCF analysis).

The DCF analysis was performed based on the budget for the year 2024 (approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 20 December 2023); as for the two following explicit forecast years (2025-2026), the Group used forecast data prepared by management, which represent the best estimate the Group can make of the economic conditions expected for the period, as per the impairment test procedure approved by the Board of Directors on 25 January 2024.

The main assumptions to determine the recoverable amount are given below:

- Growth rate "g": 1.96%, which was assumed to be equal to the rate of inflation expected to prevail over the medium-long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 10.72% considering the Group's positive adjusted net financial position (surplus), it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

The Terminal Value was determined using the perpetuity model with a long-term growth rate "g" and represents the present value, in the final projected year, of all the expected future cash flows.

From the analyses carried out no need emerged to record any impairment on this item. For more details, see note 5 "Property, plant and equipment".

The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in both parameters.

8. Right-of-use assets

The following table shows the breakdown of Right-of-use assets as at 31 December 2023 and 2022:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Buildings	1,050,724	437,206	613,518	833,408	355,907	477,501
Vehicles	6,069	2,983	3,086	5,220	3,007	2,213
Equipment and other assets	499	491	8	494	484	10
Total	**1,057,292**	**440,680**	**616,612**	**839,122**	**359,398**	**479,724**

The following table shows the changes in right-of-use assets for the years ended 31 December 2023 and 2022.

(In thousands of Euro)	Value as at 01.01.2023	Translation difference	Additions	Disposals	Depreciation	Value as at 31.12.2023
Buildings	477,501	(8,141)	265,290	(4,144)	(116,988)	613,518
Vehicles	2,213	3	2,629	(128)	(1,631)	3,086
Equipment and other assets	10	1	4	-	(7)	8
Total	**479,724**	**(8,137)**	**267,923**	**(4,272)**	**(118,626)**	**616,612**

(In thousands of Euro)	Value as at 01.01.2022	Translation difference	Additions	Disposals	Depreciation	Value as at 31.12.2022
Buildings	497,932	8,033	101,751	(15,687)	(114,528)	477,501
Vehicles	2,036	4	1,648	(37)	(1,438)	2,213
Equipment and other assets	79	-	21	1	(91)	10
Total	**500,047**	**8,037**	**103,420**	**(15,723)**	**(116,057)**	**479,724**

The line item "Buildings" includes Right-of-use assets largely relating to leases of stores (accounting for approximately 92% of right-of-use assets – Buildings) and, to a lesser extent, leases of offices, company lodgings, and other premises. The main increases recorded during the year refer to new leases entered into during the period or to extensions of existing leases, mainly for stores, while the main decreases concern leases that were terminated early or for which a reduction in future lease payments has been negotiated.

The increase in Right-of-use assets – Buildings, recognized against the "Provision for risks and charges" (note 22), included the costs for the restoration of premises leased from third parties under leases that fall within the scope of IFRS 16, which amounted to 1,250 thousand Euro in 2023 (699 thousand Euro in 2022).

For more details on cash outflows related to leases, see notes 25 "Lease liabilities" and 35 "Breakdown by nature of income statement cost items".

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change decisions about the location of stores.

From the analyses carried out no need emerged to record any impairment on this item. For more details, see note 5 "Property, plant and equipment".

9. Intangible assets with a finite useful life

The breakdown of intangible assets with a finite useful life as at 31 December 2023 and 2022 is shown in the following table:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Acc. amortization and Impairment	Net value	Historical Cost	Acc. amortization and Impairment	Net value
Industrial patents and use of intellectual property rights	30,518	29,015	1,503	29,916	28,831	1,085
Concessions, licenses and trademarks	9,679	8,092	1,587	9,239	7,727	1,512
Development costs	106,704	83,157	23,547	95,323	73,619	21,704
Others	23,602	18,744	4,858	23,714	18,030	5,684
Intangible assets with a finite useful life in progress	5,377	-	5,377	4,918	-	4,918
Total	**175,880**	**139,008**	**36,872**	**163,110**	**128,207**	**34,903**

The following tables show the changes in intangible assets with a finite useful life for the years ended 31 December 2023 and 2022:

(In thousands of Euro)	Value as at 01.01.2023	Translation diff.	Additions	Disposals	Amortization	Reclass.	Impair-ment	Value as at 31.12.2023
Industrial patents and use of intellectual property rights	1,085	(32)	1,100	-	(668)	18	-	1,503
Concessions, licenses and trademarks	1,512	-	440	-	(365)	-	-	1,587
Development costs	21,704	-	11,381	-	(9,308)	-	(230)	23,547
Others	5,684	(36)	275	-	(1,065)	-	-	4,858
Intangible assets with a finite useful life in progress	4,918	-	12,055	(11,596)	-	-	-	5,377
Total	**34,903**	**(68)**	**25,251**	**(11,596)**	**(11,406)**	**18**	**(230)**	**36,872**

(In thousands of Euro)	Value as at 01.01.2022	Translation diff.	Additions	Disposals	Amortization	Value as at 31.12.2022
Industrial patents and use of intellectual property rights	1,023	(5)	826	(47)	(712)	1,085
Concessions, licenses and trademarks	1,658	-	211	-	(357)	1,512
Development costs	21,100	-	10,296	(2)	(9,690)	21,704
Others	6,300	52	607	(10)	(1,265)	5,684
Intangible assets with a finite useful life in progress	3,342	1	11,928	(10,353)	-	4,918
Total	**33,423**	**48**	**23,868**	**(10,412)**	**(12,024)**	**34,903**

In 2023, Intangible assets with a finite useful life, net of the decrease in Intangible assets with a finite useful life in progress, rose mainly due to new investment in software application development costs (recognized under "Development costs") and software license costs (item "Industrial patents and use of intellectual property rights"), net of the amortization for the period.

The item "Development costs" mainly includes the capitalization of software development costs for the development of business software applications (SAP accounting system, ERP, reporting systems, e-commerce platform development costs, "New Pos Solution" project aimed at implementing the new cash and back office system). As at 31 December 2023, the Group reported no intangible assets arising from internal development.

The item "Others" primarily includes the know-how arising from the fair value measurement of the assets acquired and liabilities assumed in the business combination with Arts S.r.l. and Aura 1 S.r.l., which occurred in 2020 (net amount of 3,389 thousand Euro as at 31 December 2023); the item "Others" also includes to the so-called key money, i.e., the sums paid to obtain the use of leased property by taking over existing contracts or by obtaining the withdrawal of the lessees in such a way as to be able to enter into new contracts with the lessors (net amount of 557 thousand Euro as at 31 December 2023).

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources, also as a result of the impairment losses recognized as at 31 December 2020 on Intangible assets with a finite useful life after testing the assets for impairment. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change the use of intellectual property and software, and with reference to key money, they consist of the economic benefit to the Group arising from the geographic area served by the store for which this cost has been incurred.
The 230 thousand Euro decrease refers to the item "Development costs" for expenses capitalized in prior years and that no longer fit the Company's strategies. From the analyses carried out no need emerged to recognize any further impairment or revaluations on these items. For more details, see note 5 "Property, plant and equipment".

10. Other non current assets

The breakdown of the item "Other non current assets" as at 31 December 2023 and 31 December 2022 is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Due from tax authorities	1,773	2,292	(519)
Other non current assets	2,723	3,568	(845)
Total	**4,496**	**5,860**	**(1,364)**

Due from tax authorities mainly refer to the non current portion of the Research and development, design and aesthetic conception, and technological innovation tax credit as well as the Tax credit for donations in support of cultural activities (known as "Art Bonus"), which the Parent company was eligible for.
The item "Other non current assets" mainly includes the long-term portion of the contributions to customers relating to the fit-out of tailored single-brand stores and/or stores-in-stores for 2,075 thousand Euro (2,757 thousand Euro as at 31 December 2022), and the impact relating to the straight-line charging of lease income from operating leases in the USA for 648 thousand Euro (811 thousand Euro as at 31 December 2022), as provided for by the relevant standards.

11. Other non current financial assets

"Other non current financial assets", totaling 13,760 thousand Euro (15,570 thousand Euro as at 31 December 2022), refer to guarantee deposits, mainly for existing leases, and are accounted for at amortized cost.

12. Inventories

Inventories include the following categories:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Gross value of raw materials, accessories and consumables	34,895	25,566	9,329
Provision for obsolete inventory	(6,152)	(2,781)	(3,371)
Raw materials, accessories and consumables	**28,743**	**22,785**	**5,958**
Gross value of finished products and goods for resale	334,877	317,965	16,912
Provision for obsolete inventory	(65,275)	(65,427)	152
Finished products and goods for resale	**269,602**	**252,538**	**17,064**
Total	**298,345**	**275,323**	**23,022**

The change in raw materials compared to 2022 depends on production volumes for the period; the relevant provision reflects the obsolescence of raw materials (mainly leather goods and accessories) which are no longer deemed suitable for the production plans. Inventories of finished products were up 17,064 thousand Euro compared to 31 December 2022 (+6,8%). For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 "Basis of presentation" paragraph "Discretionary valuations and significant accounting estimates".

Net (uses of) and/or allocations to the provision for obsolete inventory were as follows:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Raw materials	3,371	(1,229)	4,600
Finished products	1,389	(7,475)	8,864
Total	**4,760**	**(8,704)**	**13,464**

13. Right of return assets

Concerning the right of return as per "Revenues from contracts with customers", the line item "Right of return assets", amounting to 6,044 thousand Euro (5,703 thousand Euro as at 31 December 2022), includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery.

14. Trade receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Trade receivables	112,099	98,069	14,030
Provision for bad debt	(5,278)	(3,579)	(1,699)
Total	**106,821**	**94,490**	**12,331**

Trade receivables, mainly referring to wholesale sales and, to a lesser extent, to e-commerce or retail sales in stores, are up from 31 December 2022. They are interest-free and generally have a maturity of less than 90 days. The related provision for bad debt is considered adequate to meet any cases of insolvency. In addition, during the year the Group reported 232 thousand Euro in credit losses after writing off non-performing trade receivables.

The changes in the provision for bad debt during 2023 were as follows:

(In thousands of Euro)	Value as at 01.01.2023	Translation difference	Provisions	Uses	Value as at 31.12.2023
Provision for bad debt	3,579	(48)	1,885	(138)	5,278

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks – Credit risk".

15. Tax receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Due from tax authorities (value added tax and other taxes)	24,587	22,289	2,298
Due from tax authorities for direct taxes	9,357	8,292	1,065
Withholding taxes	81	-	81
Total	**34,025**	**30,581**	**3,444**

Tax receivables mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid during the year. They were up 3,444 thousand Euro year-on-year.

16. Other current assets

The breakdown of other current assets is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Other receivables	23,598	25,156	(1,558)
Prepaid expenses	7,301	9,040	(1,739)
Short-term hedging derivatives	6,813	7,251	(438)
Total	**37,712**	**41,447**	**(3,735)**

As at 31 December 2023, "Other receivables" mainly include:

- receivables due from credit card management companies for retail sales amounting to 15,608 thousand Euro (15,576 thousand Euro as at 31 December 2022);
- the amount of 1.4 million Euro (2.3 million Euro as at 31 December 2022) due to Salvatore Ferragamo S.p.A. from the Tuscany Region and the Ministry of Economic Development, relating to the Innovation Agreement (I-SUCCEED project). For details on the project, please refer to the Directors' report on operations, "Significant events occurred during the year" section;
- advances to suppliers amounting to 2,276 thousand Euro (2,315 thousand Euro as at 31 December 2022).

Prepaid expenses mainly include 2,676 thousand Euro in contributions to customers relating to the fit-out of tailored single-brand stores and/or stores-in-stores, 868 thousand Euro in insurance premiums, and 119 thousand Euro in rents outside the scope of the new IFRS 16.

"Short-term hedging derivatives", amounting to 6,813 thousand Euro (7,251 thousand Euro as at 31 December 2022), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

17. Other current financial assets

The breakdown of the item "Other current financial assets" is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Derivatives	1,535	256	1,279
Other current financial assets	35,277	9,999	25,278
Total	**36,812**	**10,255**	**26,557**

The item "Derivatives", amounting to 1,535 thousand Euro as at 31 December 2023 (256 thousand Euro as at 31 December 2022), refers to the fair value measurement of derivatives for the non-hedging component. "Other current financial assets" mainly include 15,444 thousand Euro (9,999 thousand Euro as at 31 December 2022) relating to an insurance investment in a readily adjustable Type I policy, and 19,796 thousand Euro relating to an investment in short-term Italian government bonds (*Buoni Ordinari* del Tesoro), both made by the company Salvatore Ferragamo S.p.A. with a view to moderately diversifying its cash management.

18. Cash and cash equivalents

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Time deposits	129,866	91,042	38,824
Bank and post office sight deposits	137,255	298,571	(161,316)
Cash and values on hand	1,867	1,741	126
Total	**268,988**	**391,354**	**(122,366)**

Time deposits at banks have maturities ranging from one day to three months and, in any case, can be promptly liquidated without penalties. Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments.

Also during 2023, the Group's policy was to use a significant part of its cash surpluses in time-deposit investments, as well as to take out intercompany loans, regulated at current market conditions, so as to contain its bank debt.

As at 31 December 2023, the Group had unused credit lines amounting to 728,540 thousand Euro; as at 31 December 2022, unused credit lines totaled 782,852 thousand Euro. For more details, see note 21 "Interest-bearing loans & borrowings".

For the purposes of the consolidated statement of cash flows, the item "Cash and cash equivalents" as at 31 December 2023 and 2022 was broken down as follows:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Cash and bank sight deposits	139,122	300,312	(161,190)
Time deposits	129,866	91,042	38,824
Bank overdrafts	(1,529)	-	(1,529)
Total	**267,459**	**391,354**	**(123,895)**

Below is the reconciliation of the liabilities from financing activities as reported on the statement of cash flows for the years ended 31 December 2023 and 2022.

		Cash flow					
(In thousands of Euro)	Value as at 01.01.2023	for principal repaid/ received	for interest paid/ received	Translation difference	New leases	Other non-cash changes	Value as at 31.12.2023
Current interest-bearing loans & borrowings (excluding bank overdrafts)	29,264	51,563	(2,024)	(2,227)	-	2,024	78,600
Non current lease liabilities	468,737	-	-	(8,103)	266,679	(130,710)	596,603
Current lease liabilities	106,586	(116,403)	(20,451)	(2,736)	-	147,443	114,439
Total liabilities from financing activities	**604,587**	**(64,840)**	**(22,475)**	**(13,066)**	**266,679**	**18,757**	**789,642**

		Cash flow					
(In thousands of Euro)	Value as at 01.01.2022	for principal repaid/ received	for interest paid/ received	Translation difference	New leases	Other non-cash changes	Value as at 31.12.2022
Non current interest-bearing loans & borrowings	63,516	(62,879)	(664)	(637)	-	664	-
Current interest-bearing loans & borrowings (excluding bank overdrafts)	75,604	(46,386)	(637)	46	-	637	29,264
Non current lease liabilities	487,230	-	-	11,208	101,956	(131,657)	468,737
Current lease liabilities	110,012	(114,610)	(14,632)	1,805	-	124,011	106,586
Total liabilities from financing activities	**736,362**	**(223,875)**	**(15,933)**	**12,422**	**101,956**	**(6,345)**	**604,587**

The column "Other non-cash changes" includes the reclassification of debt into the non current and current portions of Interest-bearing loans & borrowings and Lease liabilities, interest on Interest-bearing loans & borrowings and Lease liabilities accrued during the period, as well as the effect of the early termination of some leases or the negotiation of a reduction in future lease payments on Lease liabilities. As for 2022, the column "Cash flows for principal repaid", with respect to Current lease liabilities, is presented net of the proceeds relating to lease payment reductions obtained from negotiations to revise the terms and conditions of the leases of the Group's distribution network, amounting to 2,890 thousand Euro.

19. Assets held for sale, net

The item "Assets held for sale" of 63 thousand Euro refers to a property in the United States that the Board of Directors, at its meeting held on 3 August 2023, decided to sell as it is no longer used in the Group's operations.

20. Share capital and reserves

The authorized, subscribed, and paid up share capital of the Parent company as at 31 December 2023 totaled 16,879,000 Euro and consisted of 168,790,000 ordinary shares. During 2023, there were no changes in the number of shares issued.

The treasury share reserve, amounting to 56,223 thousand Euro, consisted of 3,261,034 shares in Salvatore Ferragamo S.p.A., at an average unit price of Euro 17.24 Euro; this reserve was formed with the purchases made in 2018, 2019, 2021 and 2022 (no. 14,000, no. 136,000, no. 624,163, and no. 2,601,637, respectively), and the free assignment of 114,766 shares to the Managing Director and General Manager that took place in 2023, under and in pursuance of the provisions of the Restricted Shares Plan for 2022 (for details of which see note 41 "Share-based payments" in the Explanatory Notes to these financial statements).

Share capital contributions, totaling 2,995 thousand Euro and referring entirely to the Parent company, were paid in a lump sum in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.

The legal reserve of 4,188 thousand Euro was set up in previous years and refers entirely to the Parent company.

The extraordinary reserve of 613,476 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the change recorded in the period was due to an increase of 89,239 thousand Euro, relating to Salvatore Ferragamo S.p.A.'s profit for the year 2022. The decrease of 46,348 thousand Euro refers to the distribution of dividends, approved by Salvatore Ferragamo S.p.A. in 2023.

The Cash flow hedge reserve was positive for 4,220 thousand Euro and is the result of the measurement of the financial instruments defined as cash flow hedges as at 31 December 2023, against exchange rate risk hedging transactions, and is shown net of the tax effect.

The translation reserve, positive for 2,038 thousand Euro, reflects value changes in the Group share of shareholders' equity of the consolidated companies, due to changes in the exchange rates of the companies' functional currencies against the presentation currency of the consolidated financial statements.

Retained earnings, amounting to 97,193 thousand Euro, include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. During 2023, this reserve was affected by several factors: it decreased by 19,630 thousand Euro due to the capitalization of the 2022 result, net of the Parent company's result allocated to the extraordinary reserve, by 20,586 thousand Euro due to the purchase of minority interests in distribution companies operating in the strategic market of Greater China, details of which are provided in the Directors' report on operations in the paragraph "Significant events occurred during the year" and in note 4 "Business combinations and purchases of minority interests" to these Consolidated Financial Statements, by 898 thousand Euro due to the recognition of put and call agreements on pre-existing minority interests (see note 42 "Put and call agreements on minority interests" to these Consolidated Financial Statements), and by 80 thousand Euro due to minor effects.

As at 31 December 2023, the items "Other reserves" and "Effect IAS 19 equity" (net total of 10,340 thousand Euro) include the amounts recognized for the valuation differences required by IFRSs compared to the local standards of the Group's companies. The item "Other reserves" mainly includes the Stock Grant reserve of 7,750 thousand Euro for the three top management incentive plans in place as at 31 December 2023, which increased by 5,173 thousand Euro due to the cost of the plans in 2023 and decreased by 2,547 thousand Euro due to the free assignment of shares under and in pursuance of the provisions of the Restricted Shares Plan for 2022 (for details, see note 41 "Share-based payments"). The 114 thousand Euro increase in 2023 refers to the actuarial valuation of outstanding defined benefit plans at some of the Group's companies.

The amounts are net of the tax effects where applicable.

The changes in shareholders' equity items occurred in 2023 and 2022 are shown in the related statements. Here below is a breakdown of reserves and retained earnings:

(In thousands of Euro)	Reserves made up of profits	Translation reserve	Other reserves	Total
31 December 2023				
Treasury share reserve	-	-	(56,223)	(56,223)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	613,476	-	-	613,476
Cash flow hedge reserve	-	-	4,220	4,220
Translation reserve	-	2,038	-	2,038
Retained earnings	97,193	-	-	97,193
Other reserves	-	-	10,340	10,340
Total	**714,857**	**2,038**	**(38,668)**	**678,227**
31 December 2022				
Treasury share reserve	-	-	(58,202)	(58,202)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	570,585	-	-	570,585
Cash flow hedge reserve	-	-	7,216	7,216
Translation reserve	-	(6,865)	-	(6,865)
Retained earnings	138,387	-	-	138,387
Other reserves	-	-	7,018	7,018
Total	**713,160**	**(6,865)**	**(40,973)**	**665,322**

21. Interest-bearing loans & borrowings

A breakdown of current and non current interest-bearing loans & borrowings is given below:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Short-term financial payables to banks	78,600	29,264	49,336
Bank overdrafts	1,529	-	1,529
Total	**80,129**	**29,264**	**50,865**

During 2023, given its strong cash position and the general credit market conditions, the Group did not consider it appropriate to make any significant changes to its financial structure, maintaining its existing committed and uncommitted credit lines with diversified counterparties almost unchanged.

As it has in the past, the Group used a significant part of its cash surplus in order to take out or extend intercompany loans, which are regulated at current market conditions. As a result, as at 31 December 2023, at Group level there were no term loans drawn down, although an amount deemed adequate of credit lines remains available for use if required. The Group's loans and credit lines are at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor/SOFR or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. The margins applied are in line with the best market standards.

The financial instruments used are:

i) uncommitted credit lines made available in the currency and country of residence of the individual company in order to meet short-term financial needs linked to the management of working capital;

ii) short- and medium/long-term committed revolving credit lines, negotiated on a bilateral basis by the Parent company.

As at 31 December 2023, committed credit lines had a maximum residual duration of forty-one months and a weighted average residual duration of twenty-one months. The credit lines and the related financial operations are spread among leading national and international banks. At the end of the reporting period, there were no outstanding drawdowns on committed lines, while drawdowns on uncommitted lines were less than one year.
As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Group and the relevant uses:

	31 December 2023		31 December 2022	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	380,000	-	365,000	-
Revolving credit lines	380,000	-	365,000	-
Term loans	-	-	-	-
Uncommitted credit lines	428,504	79,964	447,058	29,206
Total	**808,504**	**79,964**	**812,058**	**29,206**

The following table provides the breakdown of, and changes in, the net financial position as at 31 December 2023 and 31 December 2022, presented in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006 as supplemented by Consob's Warning no. 5/21.

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
A. Cash	139,122	300,312	(161,190)
B. Cash equivalents	129,866	91,042	38,824
C. Other current financial assets	36,812	10,255	26,557
D. Cash and cash equivalents (A+B+C)	**305,800**	**401,609**	**(95,809)**
E. Current financial payables (including debt instruments)	81,411	30,360	51,051
F. Current portion of non current financial payables*	114,439	106,586	7,853
G. Current financial debt (E+F)	**195,850**	**136,946**	**58,904**
H. Current financial debt, net (G-D)	**(109,950)**	**(264,663)**	**154,713**
I. Non current financial payables (excluding debt instruments)*	596,603	468,737	127,866
J. Debt instruments	-	-	-
K. Trade and other current payables	-	-	-
L. Non current financial debt (I+J+K)	**596,603**	**468,737**	**127,866**
M. Net financial debt (H+L)	**486,653**	**204,074**	**282,579**

* As at 31 December 2023, the "Current portion of non current financial payables" included 9,358 thousand Euro in Current lease liabilities to related parties (14,931 thousand Euro as at 31 December 2022). As at 31 December 2023, "Non current financial payables" included 92,410 thousand Euro in Non current lease liabilities to related parties (85,042 thousand Euro as at 31 December 2022). For more details, please refer to note 44 "Transactions with related parties".

Limitations on the use of financial resources

The Group's committed credit lines that are currently outstanding do not require compliance with financial covenants.

Financial covenants are included in some local loan agreements entered into by Asian companies, even though these are uncommitted credit lines.

As at 31 December 2023, the financial and non-financial covenants were complied with by all the companies involved.

22. Provisions for risks and charges

The breakdown of, and changes in, the item are provided in the following table:

(In thousands of Euro)	Value as at 01.01.2023	Translation difference	Additions	Uses	Value as at 31.12.2023
Legal disputes	4,557	(85)	6,153	(2,105)	8,520
Provision for other risks	16,694	(1,133)	1,820	(1,973)	15,408
Total	**21,251**	**(1,218)**	**7,973**	**(4,078)**	**23,928**

Legal disputes refer to allocations against likely future liabilities relating to legal proceedings against the Parent company and some proceedings regarding subsidiaries, as well as labor disputes with reference to both litigation and estimated amounts that Group companies expect to have to disburse for out-of-court settlements. The use of the provision for legal disputes mainly refers to the settlement during the period of a number of legal and labor proceedings and/or disputes related to the Parent company and some subsidiaries. The amounts set aside are primarily associated with tax, labor and legal disputes that arose during 2023; for more details on tax disputes, reference should be made to the Directors' Report on Operations, section "Significant events occurred during the year – Tax and customs disputes and audits".

The provision for other risks mainly includes allocations against likely future liabilities; the main allocation concerns expenses for the restoration of premises leased from third parties recognized pursuant to the contractual obligations under the relevant leases (15,333 thousand Euro as at 31 December 2023 and 16,619 thousand Euro as at 31 December 2022). The provision for the period included 1,820 thousand Euro referring to costs for the restoration of premises.

As regards contingent liabilities at Group level, for which no provisions have been made, reference should be made to the Directors' Report on Operations, section "Significant events occurred during the year – Tax and customs disputes and audits".

23. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 31 December 2023 and 31 December 2022:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Employee defined benefit liabilities	6,754	7,513	(759)
Other employee benefit liabilities	200	68	132
Total	**6,954**	**7,581**	**(627)**

The item "Employee defined benefit liabilities" includes employee severance indemnities of Salvatore Ferragamo S.p.A. and other employee defined benefit liabilities of some of the Group's foreign companies.

The following table shows the changes in employee defined benefit liabilities in 2023 and 2022:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities
Value as at 01.01	**13,632**	**(6,119)**	**7,513**	**15,220**	**(6,374)**	**8,846**
Current service cost	374	-	**374**	426	-	**426**
Financial charges/(income)	442	(146)	**296**	183	(89)	**94**
Changes included in net profit/(loss) for the period	***816***	***(146)***	***670***	***609***	***(89)***	***520***
Returns on plan assets	-	(183)	**(183)**	-	517	**517**
Actuarial loss/(gain) arising from:						
- financial assumptions	159	-	**159**	(1,835)	-	**(1,835)**
- demographic assumptions	6	-	**6**	17	-	**17**
- experience-based adjustments	(77)	-	**(77)**	5	-	**5**
Translation differences	(284)	228	**(56)**	180	(33)	**147**
Changes included in other comprehensive income	***(196)***	***45***	***(151)***	***(1,633)***	***484***	***(1,149)***
Contributions paid by the employer	(400)	397	**(3)**	(91)	89	**(2)**
Benefits paid	(898)	(377)	**(1,275)**	(473)	(229)	**(702)**
Other changes	***(1,298)***	***20***	***(1,278)***	***(564)***	***(140)***	***(704)***
Value as at the end of the period	**12,954**	**(6,200)**	**6,754**	**13,632**	**(6,119)**	**7,513**

Employee defined benefit liabilities of Salvatore Ferragamo S.p.A. amounted to 4,882 thousand Euro, down by 428 thousand Euro compared to 31 December 2022.

Here below are the main financial assumptions used in determining the present value of employee severance indemnities:

	31 December 2023	31 December 2022
Annual rate of salary increase	2.84%	2.88%
Annual discount rate	2.56%	3.18%
Inflation rate	2.10%	2.00%

As regards the demographic assumptions used in determining defined benefit liabilities of Salvatore Ferragamo S.p.A., the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender; meanwhile, the staff turnover rate has been estimated at 5.42% per year.

Employee defined benefit liabilities of the Group's non-Italian companies refer to Ferragamo Japan KK, Ferragamo Retail Taiwan Limited, Ferragamo France S.A.S., Ferragamo Monte-Carlo SAM, Ferragamo Belgique SA, Ferragamo Mexico S.de R.L. de C.V., Ferragamo USA Inc., Ferragamo (Thailand) Limited and Ferragamo (Suisse) SA.

They amounted to 1,872 thousand Euro, down by 331 thousand Euro compared to 31 December 2022. The value is net of the fair value of plan assets, mainly consisting of insurance policies.

Here below are the main financial assumptions used in determining the present value of employee benefit liabilities:

	31 December 2023	31 December 2022
Annual rate of salary increase	1.86% - 5.50%	1.86% - 6.02%
Annual discount rate	0.99% - 9.42%	0.95% - 9.00%

As for the demographic assumptions used in measuring the defined benefit liabilities of the Group's non-Italian companies, the figure used as a benchmark for the mortality rate is the standard one for each local population, broken down by age and gender, while for the staff turnover rate annual frequencies have been calculated based on the individual companies' data.

Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2023 and 31 December 2022 concerning the employee benefit obligation of Salvatore Ferragamo S.p.A., which has the highest impact on total employee defined benefit obligations:

		2023		2022	
(In thousands of Euro)	Change %	Additions	Disposals	Additions	Disposals
Annual discount rate	+/- 0.5%	(179)	190	(192)	203
Mortality rate	+/- 0.025%	-	-	-	-
Staff turnover rate	+/- 0.5%	-	-	7	(8)

The above sensitivity analyses are based on reasonable changes in the key assumptions at the end of the two reporting periods being compared.

The average number of employees (in terms of full-time equivalents) by category is shown in the following table:

(Full time equivalent)	2023	2022
Top managers, middle managers and store managers	710	719
White collars	2,575	2,603
Blue collars	299	286
Temporary agency staff	87	92
Total	**3,671**	**3,700**

Average staff was essentially unchanged from 2022.

24. Other non current liabilities

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Payables for deferred liabilities	14,556	15,298	(742)
Other payables	1,667	1,830	(163)
Total	**16,223**	**17,128**	**(905)**

"Payables for deferred liabilities" (amounting to 14,556 thousand Euro as at 31 December 2023) largely refer to the straight-lining of the amounts received from lessors for the costs incurred to fit out the stores.

As at 31 December 2023, the item "Other payables" refers: for 351 thousand Euro (1,462 thousand Euro as at 31 December 2022) to the recognition of the payable to the Managing Director and General Manager for the medium/long-term incentive plan with share-based payments, called "Special Award 2022-2026", for the part that provides for cash settlement (for more details, see note 41 "Share-based payments"); to payables to the Group's employees for long-term variable bonuses; and for 236 thousand Euro to security deposits received for lease contracts (254 thousand Euro as at 31 December 2022).

25. Lease liabilities

Below are the changes in lease liabilities occurred in 2023 and 2022, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value as at 01.01.2023	468,737	106,586	**575,323**
Translation difference	(8,103)	(2,736)	**(10,839)**
Additions	266,679	-	**266,679**
Disposals	(4,578)	-	**(4,578)**
Repayment of lease liabilities	-	(116,403)	**(116,403)**
Interest expense on lease liabilities paid	-	(20,451)	**(20,451)**
Other changes	(126,132)	147,443	**21,311**
Value as at the end of the period	**596,603**	**114,439**	**711,042**

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value as at 01.01.2022	487,230	110,012	**597,242**
Translation difference	11,208	1,805	**13,013**
Additions	101,956	-	**101,956**
Disposals	(19,558)	-	**(19,558)**
Repayment of lease liabilities	-	(114,610)	**(114,610)**
Interest expense on lease liabilities paid	-	(14,632)	**(14,632)**
Other changes	(112,099)	124,011	**11,912**
Value as at the end of the period	**468,737**	**106,586**	**575,323**

The average weighted IBR applicable to leases outstanding as at 31 December 2023 was 3.32% (2.79% in 2022). As for the other cash outflows related to leases, see note 35 "Breakdown by nature of income statement cost items".

26. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Trade payables	172,000	172,592	(592)
Advances from customers	1,323	1,424	(101)
Total	**173,323**	**174,016**	**(693)**

Trade payables do not bear interest and usually become due after 60/90 days.

This item consists of payables relating to the normal commercial activity carried out by Group companies, in particular costs for the purchase of raw materials, parts and costs relating to manufacturing.

27. Refund liabilities

Concerning the right of return as per "Revenues from contracts with customers", the line item "Refund liabilities" totaled 9,563 thousand Euro as at 31 December 2023 (10,100 thousand Euro as at 31 December 2022) and refers to the liability to customers for the amount of the products expected to be returned.

28. Tax payables

Tax payables, amounting to 12,687 thousand Euro as at 31 December 2023 (25,216 thousand Euro as at 31 December 2022) concern debts for income taxes due for the period, value added tax, and other taxes due by Group companies. The amount is lower by 12,529 thousand Euro compared to 31 December 2022.

29. Other current liabilities

The breakdown of the item "Other current liabilities" is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Other payables	39,877	62,674	(22,797)
Payables to social security institutions	5,252	5,406	(154)
Accrued expenses	906	987	(81)
Deferred income	2,213	2,582	(369)
Hedging derivatives	558	6,186	(5,628)
Total	**48,806**	**77,835**	**(29,029)**

"Other payables" mainly include the Group's payables to employees for amounts accrued but not yet paid at the reporting date (27,344 thousand Euro, down from 33,649 thousand Euro as at 31 December 2022). The item includes the corporate income tax (IRES) payable to the holding company Ferragamo Finanziaria S.p.A., in the amount of 4,942 thousand Euro (19,106 thousand Euro as at 31 December 2022), attributable to Salvatore Ferragamo S.p.A., accrued as part of the Italian tax consolidation regime.

"Payables to social security institutions" refers to payables to social security institutions, paid in the month after the end of the reporting period, relating to amounts due to employees.

"Hedging derivatives" shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Parent company to manage exchange rate risk. For further details, please refer to note 31 "Financial instruments and fair value measurement".

30. Other current financial liabilities

The breakdown of the item "Other current financial liabilities" is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Short-term derivatives	384	1,096	(712)
Other current financial payables	898	-	898
Total	**1,282**	**1,096**	**186**

The item "Short-term derivatives" mainly refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details, please refer to note 31 "Financial instruments and fair value measurement".

The item "Other current financial payables" refers to the value of the put option granted to the minority shareholders of Ferragamo Japan K.K. to sell to Salvatore Ferragamo S.p.A. their equity investment in the Japanese company, which is measured according to the terms of the agreement between the parties. This put option was recognized under Group shareholders' equity. For more details, reference should be made to note 42 "Put and call agreements on minority interests".

31. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 involves various line items. The following table sets out the book value of outstanding financial instruments, broken down by category, compared to the corresponding fair values, as at 31 December 2023 and 31 December 2022.

Classification of financial instruments and presentation of their fair value

FINANCIAL ASSETS

	31 December 2023			31 December 2022		
	Book value			Book value		
(In thousands of Euro)	Current portion	Non current portion	Fair Value	Current portion	Non current portion	Fair Value
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	1,535	-	1,535	256	-	256
Securities held for speculative purposes	37	-	37	-		-
Assets measured at amortized cost						
Receivables due from credit cards	15,608	-	15,608	15,576	-	15,576
Trade receivables	106,821	-	106,821	94,490	-	94,490
Guarantee deposits	-	13,760	13,760	-	15,570	15,570
Other current financial assets	35,240	-	35,240	9,999	-	9,999
Cash and cash equivalents	268,988	-	268,988	391,354	-	391,354
Financial assets at fair value through other comprehensive income						
Derivatives – hedging component	6,813	-	6,813	7,251	-	7,251
Total	**435,042**	**13,760**	**448,802**	**518,926**	**15,570**	**534,496**

FINANCIAL LIABILITIES

(In thousands of Euro)	31 December 2023			31 December 2022		
	Book value			Book value		
	Current portion	Non current portion	Fair Value	Current portion	Non current portion	Fair Value
Liabilities measured at amortized cost						
Trade payables and payments on account	173,323	-	173,323	174,016	-	174,016
Payables to banks	80,129	-	80,129	29,264	-	29,264
Other financial payables	898	-	898	-	-	-
Payables due to shareholders for dividends	-		-	2	-	2
Guarantee deposits	347	236	583	171	254	425
Lease liabilities	114,439	596,603	n/a*	106,586	468,737	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	384	-	384	1,096	-	1,096
Financial liabilities at fair value through other comprehensive income						
Derivatives – hedging component	558	-	558	6,186	-	6,186
Total	**370,078**	**596,839**	**255,875**	**317,321**	**468,991**	**210,989**

* Pursuant to IFRS 16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.

In all other cases, fair value is measured according to methods which can be classified in Level 2 of the hierarchy of significance of data used in determining fair value as defined by IFRS 13.

The Group uses internal valuation models, which are generally used in finance, on the basis of prices provided by market participants or prices collected on active markets through leading info-providers.
To determine the fair value of derivatives, the Company uses a pricing model based on market values of interest rates and exchange rates at the measurement date.

As for "Guarantee deposits", the book value is a reasonable approximation of the fair value. There have been no changes in the measurement methods used compared to previous years or transfers from one level to another in the hierarchy of assets or liabilities measured at fair value.

The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a potential default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely sales and purchases through currency forward contracts), the relevant maturity (not over twelve months), and the Group's and counterparties' ratings, these adjustments are immaterial.

In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

The table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Group in the years 2023 and 2022.

(In thousands of Euro)	2023	2022
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	1,367	(17,926)
Derivatives – hedging component	16,845	(25,664)
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives – hedging component	(3,943)	17,921
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL:		
Interest income	8,982	3,608
Interest expense	2,468	2,683
Interest expense on lease liabilities	21,308	14,798
Expenses and fees not included in the effective interest rate:		
regarding financial liabilities	951	1,033
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets:		
Receivables/loans	1,885	1,265

Comments on the main income statement items

For a better understanding of the development in income statement items, reference should also be made to the comments in the Directors' report on operations relating to the comparison between the data for 2023 and 2022.

32. Revenues from contracts with customers

In the years ended 31 December 2023 and 31 December 2022, revenues from contracts with customers totaled 1,153,557 thousand Euro and 1,248,907 thousand Euro, respectively. The tables below provide the breakdown by channel and geographic area of the main categories of revenues from contracts with customers for the years 2023 and 2022.

2023

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	142,576	127,939	16,220	286,735
North America	250,879	72,240	304	323,423
Japan	88,758	581	-	89,339
Asia Pacific	289,903	80,934	513	371,350
Central and South America	65,567	16,962	181	82,710
Total	**837,683**	**298,656**	**17,218**	**1,153,557**

2022

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	145,889	115,944	14,012	275,845
North America	282,078	94,721	327	377,126
Japan	101,215	94	-	101,309
Asia Pacific	308,941	97,719	369	407,029
Central and South America	68,657	18,759	182	87,598
Total	**906,780**	**327,237**	**14,890**	**1,248,907**

The Group discloses the disaggregation of revenue using a quali-quantitative approach.

The Group recognizes revenues from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of licenses and services, revenues are recognized when the service is rendered to customers.

The item "Licenses and services" includes royalties deriving from the license agreements with the Marchon, Timex e

Inter Parfums Inc groups for the production and distribution of Salvatore Ferragamo-branded glasses, watches and fragrances, respectively. Revenues from royalties are accounted for based on the stage of completion of the licensee's sales.

33. Rental income investment properties

Rental income investment properties were wholly due to the Ferragamo USA Group for the lease of space in owned or leased and sub-leased properties. In 2023, they amounted to 2,714 thousand Euro, down 6.4% from 2022, when they totaled 2,901 thousand Euro.

34. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the years ended 31 December 2023 and 31 December 2022 totaled 1,105,132 thousand Euro and 1,143,030 thousand Euro, respectively, and were classified by function as follows:

(In thousands of Euro)	2023	2022	Change 2023 vs. 2022
Cost of goods sold	316,839	350,693	(33,854)
Style, product development and logistics costs	53,086	49,263	3,823
Sales & distribution costs	454,649	453,167	1,482
Marketing & communication costs	113,695	92,064	21,631
General and administrative costs	137,142	168,819	(31,677)
Other operating costs	29,721	29,024	697
Total	**1,105,132**	**1,143,030**	**(37,898)**

The 3.3% decrease in costs compared to 2022 is mainly due to the decrease in "Cost of goods sold", as a result of the decline in Revenues, and in "General and administrative costs", down by 18.8% compared to the previous year, when they included some costs incurred to strengthen the new organizational structure; it is worth noting the strengthening of communication and marketing activities (+23.5%), which increases as a percentage of revenues from 7.4% to 9.8% in 2023. "Sales & distribution costs", substantially in line with 2022, include 6,439 thousand Euro for the impairment loss on Property, plant and equipment, as a result of the impairment tests carried out to measure the recoverable amount of these assets on the CGUs of Ferragamo (Singapore) Pte Ltd, Ferragamo (Thailand) Limited, Ferragamo Australia Pty Ltd. and Ferragamo Retail Macau Limited.

35. Breakdown by nature of income statement cost items

The breakdown by nature of the cost of goods sold and operating costs is set out in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs. 2022
Raw materials, finished products and consumables used	198,835	202,758	(3,923)
Costs for services	459,182	480,993	(21,811)
Personnel costs	237,605	259,293	(21,688)
Amortization and depreciation of tangible and intangible assets	50,146	50,266	(120)
Depreciation of right-of-use assets	122,768	120,310	2,458
Write-downs of tangible/intangible assets	6,875	386	6,489
Other charges	29,721	29,024	697
Total	**1,105,132**	**1,143,030**	**(37,898)**

Compared with 31 December 2022, there was a decrease in "Costs for services," mainly due to a reduction in variable costs associated with the decrease in sales and costs incurred in 2022 for consulting services. "Personnel costs" include the remuneration related to the employment relationship of the Managing Director and General Manager, in addition to the estimate of the variable bonus and remuneration for the period of the share-based payment plans (for details, please refer to note 41 "Share-based payments" in the explanatory notes to these consolidated financial statements) for a total of 8,083 thousand Euro (20,669 thousand Euro in 2022, including the flat-rate entry fee). "Write-downs of tangible/intangible assets" include impairment losses on Property, plant and equipment in the amount of 6,645 thousand Euro, as a result of the impairment tests carried out on the CGUs (Cash Generating Units) of Ferragamo (Singapore) Pte Ltd, Ferragamo (Thailand) Limited, Ferragamo Australia Pty Ltd. and Ferragamo Retail Macau Limited to measure the recoverable amount of these assets; for further details, see note 5 "Property, plant and equipment".

The following table shows the impacts of leases on profit or loss, broken down by nature, in the years 2023 and 2022:

(In thousands of Euro)	2023	% of Total	2022	% of Total	Change 2023 vs. 2022
Depreciation of right-of-use assets	122,768	59.6%	120,310	60.2%	2,458
Interest and expenses on lease liabilities	21,329	10.4%	14,803	7.4%	6,526
Income from lease liabilities	(319)	(0.1%)	(3,888)	(2.0%)	3,569
Costs relating to short-term leases	4,598	2.2%	5,824	2.9%	(1,226)
Costs relating to low-value leases	693	0.3%	739	0.4%	(46)
Costs relating to leases with variable payments not included in the measurement of lease liabilities	56,755	27.6%	64,845	32.5%	(8,090)
Lease payment reductions	-	-	(2,890)	(1.4%)	2,890
Total	**205,824**	**100.0%**	**199,743**	**100.0%**	**6,081**

Some of the Group's leases provide for variable lease payments linked to the revenues generated by stores (DOS), in leased premises that are not included in the measurement of lease liabilities, and are recognized on an accrual basis. As at 31 December 2023, overall variable lease payments accounted for 27.6% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore on economic performance in subsequent years. The Group estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods. In general, the Group's leases include clauses that prohibit subleasing the leased asset, but do not require the Group to comply with financial covenants.

The Group does not have any early termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Group considered the renewal options it intends to exercise.

The Group reports commitments for short-term leases expected for 2024 in line with those reported in the 2023 income statement.
Below is the breakdown of "Other operating costs":

(In thousands of Euro)	2023	2022	Change 2023 vs. 2022
Losses on disposal of tangible and intangible assets	514	1,343	(829)
Windfall losses	1,585	3,015	(1,430)
Provisions for risks and charges	6,317	3,118	3,199
Write-down of current assets	2,117	1,649	468
Other operating costs	19,188	19,899	(711)
Total	**29,721**	**29,024**	**697**

Other operating costs increased by 2.4% compared to the prior year. "Other operating costs" included 15,903 thousand Euro in Other non-income taxes (16,816 thousand Euro in 2022), largely related to the real estate tax on the Ferragamo USA Group's properties.
The write-down of current assets increased by 468 thousand Euro compared to 2022, and refers to both the provision for bad debt and credit losses after writing off.

Provisions for risks and charges increased year-on-year. They mainly refer to labor, legal and tax disputes related to ongoing legal proceedings as well as the estimated potential outflows from the Group companies required to reach a pre-litigation settlement.

36. Other income

Other income is broken down as follows:

(In thousands of Euro)	2023	2022	Change 2023 vs. 2022
Expense recovery	1,945	2,158	(213)
Advertising contributions	403	138	265
Other income and revenues	16,473	14,420	2,053
Gains on disposal of tangible/intangible assets	39	9	30
Windfall profit	2,023	2,435	(412)
Total	**20,883**	**19,160**	**1,723**

Other income, totaling 20,883 thousand Euro, was up 1,723 thousand Euro from 31 December 2022. The item includes the non-repayable contribution of 1,188 thousand Euro accrued in 2023 (2,313 thousand Euro in 2022) relating to the Innovation Agreement (I-SUCCEED project, for more details see the section "Sustainable Growth Fund Incentives – Innovation Agreement" under "Significant events occurred during the year" in the Directors' report on operations), as well as Research and development, design and aesthetic conception, and technological innovation tax credits and the tax credit for donations, from which the Parent company benefits, as well as other benefits to support businesses and the economy, granted by the various governments of the countries in which the Group operates, which in total decreased by 0.7 million Euro compared to 2022.

37. Financial operations

Financial operations are broken down as follows:

Financial charges

(In thousands of Euro)	2023	2022	Change 2023 vs. 2022
Interest expense	2,024	1,301	723
Discount charges and other financial charges	2,530	3,266	(736)
Interest expense on lease liabilities	21,308	14,798	6,510
Expenses on lease liabilities	21	5	16
Losses on exchange rate differences	28,792	30,739	(1,947)
Financial charges for fair value adjustment of derivatives	14,712	28,594	(13,882)
Total	**69,387**	**78,703**	**(9,316)**

Financial income

(In thousands of Euro)	2023	2022	Change 2023 vs. 2022
Interest income	8,230	2,008	6,222
Other financial income	752	1,600	(848)
Income from lease liabilities	319	3,888	(3,569)
Gains on exchange rate differences	17,569	33,763	(16,194)
Financial income for fair value adjustment of derivatives	16,079	10,668	5,411
Total	**42,949**	**51,927**	**(8,978)**

The item "Interest expense" includes mainly interest on short-term bank loans.
The item "Discount charges and other financial charges" refers mainly to bank charges and, to a lesser extent, to financial charges on employee benefits, in relation to the valuation of defined-benefit plans pursuant to IAS 19, and discount charges.

Interest expense on lease liabilities was recognized following the introduction of the IFRS 16 accounting standard and amounted to 21,308 thousand Euro.
Interest income of 8,230 thousand Euro increased by 6,222 thousand Euro compared to 2022, due to higher yields obtained on invested cash, as a result of the general increase in interest rates.

Gains and losses on exchange rate differences were recorded mainly by the Parent company Salvatore Ferragamo S.p.A., and derive from sales in currencies other than the Euro to both Group companies (intercompany level) and to third parties. During 2023, net exchange rate losses amounted to 11,223 thousand Euro, compared to 3,024 thousand Euro in net exchange rate gains in 2022.

Financial income/(charges) for fair value adjustment of derivatives refer to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives and are closely related to net gains and losses on exchange rate differences. During 2023, net income for fair value adjustment of derivatives amounted to 1,367 thousand Euro, compared to 17,926 thousand Euro in net financial charges in 2022.

38. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	2023	2022	Change 2023 vs. 2022
Current taxes	(33,869)	(37,080)	3,211
Deferred taxes	12,602	3,205	9,397
Use/(Provision) for taxes from previous years	1,918	(1,935)	3,853
Total	**(19,349)**	**(35,810)**	**16,461**
Tax rate	**42.4%**	**35.4%**	

The effective tax rate for 2023 was 42.4%. The item "Use/(Provision) for taxes from previous years" mainly refers to the tax audit of Ferragamo Deutschland GmbH, relating to the 2011-2021 tax periods, the cost of which was accrued in 2022 and released in 2023 against the payment of taxes due; for details, please refer to the Directors' report on operations in the section "Significant events occurred during the year – Tax and customs disputes and audits". The increase in the effective tax rate in 2023 is attributable to certain Group companies with negative results, for which it was decided not to recognize deferred tax assets on losses.

Deferred taxes include the net increase of deferred tax assets on tax losses during the year of 4,505 thousand Euro, mainly related to Ferragamo USA Inc. and, to a lesser extent, to some subsidiaries in Europe.

Deferred tax assets and liabilities

The following table provides a breakdown by nature of deferred tax assets and liabilities as at 31 December 2023 and 31 December 2022.

	Statement of financial position		Other Comprehensive Income		Income statement	
(In thousands of Euro)	31 December 2023	31 December 2022*	31 December 2023	31 December 2022	2023	2022
Deferred tax assets						
- on employee benefits	1,006	1,014	509	489	(7)	(42)
- on tangible assets	9,667	9,621	-	-	(87)	(2,683)
- on intangible assets	1,281	1,706	-	-	(424)	(352)
- on lease liabilities	137,096	108,506	-	-	186	(749)
- on the valuation of inventories	15,633	15,181	-	-	722	(541)
- on the elimination of the profit unrealized in inventories	56,546	49,566	-	-	6,980	11,817
- on tax losses	6,378	2,035	-	-	4,505	(7,989)
- on taxed provisions	5,557	3,601	-	-	2,066	980
- for other temporary differences	10,566	10,332	-	-	405	3,202
Deferred tax assets	**243,730**	**201,562**	**509**	**489**	**14,346**	**3,643**
Deferred tax liabilities						
- on employee benefits	(138)	(133)	-	-	(19)	(38)
- on tangible assets	(1,557)	(438)	-	-	(1,139)	(110)
- on right-of-use assets	(121,462)	(92,472)	-	-	(81)	133
- on the cash flow hedge reserve	(1,331)	(2,277)	(1,331)	(2,279)	(2)	2
- on the valuation of inventories	(2,720)	(2,283)	-	-	(437)	(477)
- for other temporary differences	(1,005)	(940)	-	-	(66)	52
Deferred tax liabilities	**(128,213)**	**(98,543)**	**(1,331)**	**(2,279)**	**(1,744)**	**(438)**
Net effect	**115,517**	**103,019**	**(822)**	**(1,790)**	**12,602**	**3,205**

* Amounts as at 31 December 2022 for Deferred tax assets on lease liabilities, Deferred tax liabilities on right-of-use assets and Deferred tax assets for other temporary differences have been restated due to the adoption of Amendments to IAS 12, which became effective on 1 January 2023.

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.

The recognition of deferred tax assets was duly adjusted to take account of the effective possibility of realization.

Deferred tax assets on previous tax losses, recognized after assessing the actual probability that future taxable profit will be available against which they can be utilized, as at 31 December 2023 and 31 December 2022 were as follows:

31 December 2023

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	22,302	27.30%	6,088
Within 1 year	624	21.00%	131
1 to 3 years	521	30.62%	159
Total	**23,447**	**27.20%**	**6,378**

31 December 2022

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	6,681	23.96%	1,601
3 to 5 years	355	19.00%	68
Over 5 years	1,195	30.62%	366
Total	**8,231**	**24.72%**	**2,035**

The following table shows the tax losses of Group companies as at 31 December 2023 and 31 December 2022 on which deferred tax assets have not been calculated, as it is not probable that future taxable profit will be available against which the Group can utilize the relevant benefits, along with the relevant expiry dates:

31 December 2023

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
187,121	127,888	5,017	19,049	22,496	12,671

31 December 2022

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
172,681	121,603	3,716	12,396	10,462	24,504

The reconciliation between the theoretical tax charge and the effective tax charge is as follows:

(In thousands of Euro)	2023	2022
Profit/(loss) before taxes	**45,584**	**101,162**
IRES rate in force for the year	*(24.0%)*	*(24.0%)*
Theoretical tax charge	**(10,940)**	**(24,279)**
IRAP effect	(4,921)	(6,776)
(Non-deductible costs) net of non-taxable income	104	2,172
Differences arising from different rates – foreign countries	(1,449)	(1,011)
Other effects	(1,695)	588
Effects from non-registration of deferred taxes	(4,125)	(4,569)
Patent Box impact (IRES and IRAP)	3,577	-
Effect of (allocation to)/use of the provision for risks and charges for taxes from previous years	2,018	(1,935)
Effect of taxes from previous years	(1,918)	-
Total differences	**(8,409)**	**(11,531)**
Total taxes	**(19,349)**	**(35,810)**
Effective tax rate	**(42.4%)**	**(35.4%)**

39. Earnings per share

As required by IAS 33, information is provided on the data used to calculate the earnings per share and the diluted earnings per share. The basic earnings per share is calculated by dividing the profit or loss for the period attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the reporting period, considering also the weighted average impact of treasury shares during the reporting period. Below are the amounts used to calculate basic and diluted earnings per share.

	2023	2022
Net profit/(loss) – shareholders of the Parent company (Euro)	26,059,789	69,609,069
Average number of ordinary shares	165,516,389	166,208,310
Basic earnings per share – ordinary shares (Euro)	**0.157**	**0.419**
Average number of ordinary shares	165,516,389	166,208,310
Dilutive effect of stock grant plans	147,732	114,345
Diluted average number of ordinary shares	165,664,121	166,322,655
Diluted earnings per share – ordinary shares (Euro)	**0.157**	**0.419**

Other information

40. Dividends

The Parent company Salvatore Ferragamo S.p.A., in execution of the resolution of the Shareholders' Meeting of 26 April 2023, proceeded to distribute to Shareholders a part of the profits allocated to the Extraordinary Reserve, equal to a dividend of 0.28 Euro per share, for each of the 165,528,966 ordinary shares outstanding (net of 3,261,034 treasury shares) at the ex-coupon date, for a total of 46,348,110.48 Euro.

Other Group companies with third-party minority shareholders did not approve and/or pay any dividends during 2023.

41. Share-based payments

The Ordinary Shareholders' Meeting of 14 December 2021 approved two incentive plans for the Managing Director and General Manager, Marco Gobbetti: the "Special Award 2022-2026" plan and the "Restricted Shares Plan". These plans became effective on 1 January 2022 for the Managing Director and General Manager. For more information on the "Special Award 2022-2026" Plan, see the documents available on the Company's website *https://group.ferragamo.com/en, in the section governance/corporate-governance/remuneration/stock-incentive-plans*. With regard to the "Restricted Shares" Plan and the related amendments approved by the 2023 Ordinary Shareholders' Meeting, please refer to the paragraph "Significant events occurred during the year" in the Directors' report on operations and to the documents relating to the Shareholders' Meeting of 26 April 2023, available on the Company's website *https://group.ferragamo.com/en, in the section governance/shareholders-meetings/2023* as well as in the section *governance/corporate-governance/remuneration/stock-incentive-plans*.

The Ordinary Shareholders' Meeting of 26 April 2023 approved a new incentive plan for the top management of the Ferragamo Group called "Performance and Restricted Shares Plan 2023-2025", which started in October 2023, after the completion of the verifications in preparation for the communication of the plan to the recipients identified to date by the Board of Directors. For more information on the Performance and Restricted Shares 2023-2025 Plan, please refer to the paragraph "Significant events occurred during the year" in the Directors' report on operations and to the appropriate documents relating to the Shareholders' meeting, available on the Company's website *https://group.ferragamo.com/en, in the section governance/shareholders-meetings/2023* as well as in the section *governance/corporate-governance/remuneration/stock-incentive-plans*.

Restricted Shares Plan

a) Plan description

The Restricted Shares Plan, as amended by the Shareholders' Meeting of 26 April 2023, provides for the assignment of shares in the Company to the Managing Director and General Manager Marco Gobbetti (the "Recipient"), insofar as it pertains to the relevant employment relationship.

The plan is aimed at strengthening the alignment of interests between the Recipient and all the Group's stakeholders, particularly fostering his motivation and loyalty to the Company and the Group, which are key to the implementation of the major change in the Group's business and strategic plan.

Object of the Plan

At the beginning of each year, the Recipient shall be awarded the right to accrue, free of charge, a number of Restricted Shares worth 2,500,000 Euro on an annual basis, determined by dividing said monetary amount by the average value of the shares (i.e., the average of the stock's closing prices) in the 30 days prior to the 1st of January of each year. Each cycle of the Plan lasts for one year, starting on 1 January of each year (for 2023, from 1 January 2023). Shares under the Restricted Shares Plan will then be assigned at the end of the 12-month vesting period, provided that, in line with the amendments approved by the Shareholders' Meeting on 26 April 2023 in ordinary session:

(1) the Company has met the following minimum targets (so-called underpins) in the reporting period:

a) a total revenues level at CER (current exchange rates) for the reporting year equivalent to a minimum of 70% of that of the previous year; and

b) Group ROIC at positive RER (reported exchange rates) for the reporting year, where ROIC is defined as net income for the period (as reported in the Group's annual consolidated financial statements for the reporting year) divided by average adjusted net invested capital (adjusted net capital represented by net invested capital excluding right-of-use assets and those classified as investment properties);

(2) the relationship between the Recipient and the Company is still in place at the end of the vesting period of each cycle.

Once assigned, the Restricted Shares will still be locked up for 12 months starting on 1 January of each subsequent year (without prejudice to the sell-to-cover mechanism). The lock-up period will continue even if the relationship is terminated for any reason except for death or total and permanent disability resulting in the termination of the relationship.

Shares in the Company are to be awarded free of charge under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code.

The Restricted Shares Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back and malus clauses).

Changes in the period in the number of rights assigned to receive shares*

		31 December 2023	31 December 2022
(i)	Outstanding at the start of the year	114,766	-
(ii)	Assigned in the period	147,732	114,766
(iii)	Canceled in the period	-	-
(iv)	Exercised in the period	(114,766)	-
(v)	Expired in the period	-	-
(vi)	Outstanding at the end of the period	147,732	114,766
(vii)	Exercisable at the end of the period	147,732	114,766

* The average price for the period has not been indicated since it is a plan with free assignment of shares

b) Changes to the Stock Grant Reserve

	31 December 2023		31 December 2022	
(Fair Value In thousands of Euro)	Number	Fair value	Number	Fair value
Rights to receive shares assigned to the Managing Director and General Manager				
- at the start of the year	114,766	2,547	-	-
- assigned in the year	147,732	2,398	114,766	2,547
- exercised in the year	(114,766)	(2,547)	-	-
- at the end of the period	147,732	2,398	114,766	2,547

On 1 January 2023, the Managing Director and General Manager Marco Gobbetti accrued the right to receive, free of charge, 114,766 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2022") awarded to him on 1 January 2022 under and in pursuance of the provisions of the Restricted Shares Plan. The Restricted Shares 2022, which are entirely made up of treasury shares purchased by Salvatore Ferragamo S.p.A., were transferred to the securities account in the name of the Managing Director and General Manager in February 2023 and, on the understanding that they were subject to a twelve month lock-up period, it should be noted that as at the date of this report, this restriction has expired.

The Board of Directors, at its meeting of 26 April 2023, held after the Shareholders' Meeting that approved the amendments to the Restricted Shares Plan, resolved, subject to the favorable opinion of the Nomination and Remuneration Committee, to grant Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 147,732 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2023"), effective 1 January 2023. On 6 March 2024, the Board of Directors, with the favorable opinion of the Nomination and Remuneration Committee, determined that the minimum targets (so-called underpins) had been achieved, and the Restricted Shares 2023 were therefore transferred, free of charge, to a securities account in the name of Marco Gobbetti, Managing Director and General Manager. These shares are subject to a 12-month lock-up.

Finally, it should be noted that, again in implementation of the Restricted Shares Plan, the Board of Directors, at its meeting held on 25 January 2024, granted Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 205,255 shares of Salvatore Ferragamo S.p.A., effective 1 January 2024.

c) Fair value measurement

The fair value of the Restricted Shares Plan was determined as the fair value of the shares at the time of assignment, discounted by the expected dividends.

The assumptions for the valuation of the Restricted Shares Plan for the Managing Director and General Manager are as follows:

Date of assignment	1 January 2023	1 January 2022
Share price at the assignment date (Euro)	16.49	22.53
Expected dividends	1.55%	1.51%
Fair value per share at the assignment date (Euro)	16.23	22.19

Special Award 2022-2026 Plan

a) Plan description

The Special Award Plan is intended to strengthen the alignment of interests between top management and all the Ferragamo Group's stakeholders in order to create value, providing recipients with an incentive to meet the Company's medium/long-term targets – also reflected in the strategic plan – and boosting retention.

In consideration and for the purpose of pursuing these objectives, the Special Award Plan provides for a single cycle subject to a five-year performance period. This timeframe is considered to be appropriate for the achievement of the aforementioned long-term objectives pursued with the Special Award Plan.

As at 31 December 2023 and as at the date of this Report, the recipient of the Special Award Plan is the Managing Director and General Manager of the Company. The Board of Directors, at its sole discretion, may identify additional recipients (at the beginning of the Plan or during the Vesting Period, with the application, in this case, of a *pro-rata temporis* parameter that re-proportions the Special Award Bonus taking into account the actual period of service during the Vesting Period) among the top managers who hold and will hold the role of directors, employees and/or collaborators of the Company and of subsidiaries.

Object of the Plan

The Special Award Plan provides for the disbursement of a "Special Award Bonus" in two installments, respectively: (a) at the end of the first three-year period from 1 January 2022 (i.e. 31 December 2024), once the first objective has been reached; and (b) at the end of the following two-year period (i.e. 31 December 2026), once the second objective has been reached, subject to the existence at such dates of a management and/or employment relationship between each Recipient and the Company or Subsidiary, on a case by case basis. The disbursement of the "Special Award Bonus", for both installments, will be paid 50% in cash and the remaining 50% in Company shares.

Each installment shall be equal to a percentage (determined by the Company's competent bodies and equal to 0.50% for the Managing Director and General Manager) of the Company's average capitalization in a period between the three months before and after the end of the first three-year period and the subsequent two-year period from the start of the relationship (the "Average Value").

For the portion of the Special Award Bonus that will be paid through the free allocation of Company shares, this shall take place using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code.

The shares awarded to recipients will be locked up for 3 months.

The Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

b) Changes to the Stock Grant Reserve and Plan Cost

(Fair Value in thousands of Euro)	31 December 2023 Fair Value	31 December 2022 Fair Value
Rights to receive shares assigned to the Managing Director and General Manager		
- at the start of the year	2,576	-
- assigned in the year	-	2,576
- at the end of the period	5,153	2,576

(In thousands of Euro)	2023	2022
Cost of share-based payment transactions (payment in shares)	2,577	2,576
(Cost adjustment)/Cost of share-based payment transactions (payment in cash)	(1,112)	1,462

c) Fair value measurement

Considering the allocation mechanism set out above, the measurement concerns the total fair value of the plan, influenced by the degree to which performance targets related to the Company's share price have been achieved. Therefore, with respect to the accounting standard these are so-called "market-based" targets. Fair value was estimated using stochastic simulation with the Monte Carlo Method that, based on the appropriate assumptions, allowed to define a substantial number of alternative scenarios in the timeframe considered. In particular, in each scenario, the projection of the share price was carried out starting from the initial value, according to a Brownian geometric movement.

Below are the main assumptions for the evaluation of the Special Award Plan for the Managing Director and General Manager as at the date of assignment, for the valuation of the installment involving share-based payment and, as at the reporting dates (31 December 2023 and 31 December 2022), for the valuation of the installment involving payment in cash. The fair value of the installment involving payment in cash must be measured at each reporting date.

Measurement at assignment	1 January 2022
Date of assignment	1 January 2022
Share price at the assignment date (Euro)	22.53
Expected dividends	1.51%
Expected volatility*	34.00%
Outflow rate	0%
Rate of Return on Salvatore Ferragamo S.p.A. Shares**	(0.07%)

Measurement at the reporting date	31 December 2023	31 December 2022
Date of assignment	1 January 2022	1 January 2022
Share price at the reporting date (Euro)	12.21	16.49
Expected dividends	1.55%	1.51%
Expected volatility*	31.60%	39.00%
Outflow rate	0%	0%
Rate of Return on Salvatore Ferragamo S.p.A. Shares**	3.00%	3.27%

* Reasonable estimate based on historical volatility calculated with reference to the measurement date.
** Average interest rate swap rates at the measurement date, respectively at the three-year and five-year maturities.

Performance and Restricted Shares 2023-2025 Plan

a) Plan description

The Performance and Restricted Shares Plan 2023-2025, approved by the Shareholders' Meeting of 26 April 2023, is intended to strengthen, as part of the recipients' overall remuneration package, the alignment of management interests with all the Group's stakeholders, boosting specifically their motivation and loyalty (with a view to retention) to Salvatore Ferragamo S.p.A. and the Group, in a logic of sustainability and value creation in the medium and long term. For these reasons, the Plan is divided into three cycles, each with a three-year vesting period. This timeframe seems appropriate to achieve the above objectives.

The Performance and Restricted Shares Plan 2023-2025 is reserved for selected employees and/or directors and/or collaborators of Salvatore Ferragamo S.p.A. and/or other companies belonging to the Ferragamo Group who are considered key to the pursuit of sustainable success in the medium to long term and who have been identified by the Board of Directors of Salvatore Ferragamo S.p.A., after consulting with the Nomination and Remuneration Committee (for each of the Plan cycles) at its sole discretion ("Recipients").

As at 31 December 2023, the recipients of the Plan were 45 (160,149 rights granted) and they have been identified among the employees of Salvatore Ferragamo S.p.A. and the following subsidiaries: Ferragamo USA Inc., Ferragamo Mexico S. de R.L. de C.V., Ferragamo Brasil Roupas e Acessorios Ltda., Ferragamo Japan K.K., Ferragamo Korea Ltd., Ferragamo Hong Kong Ltd., Ferragamo Fashion Trading (Shanghai) Co. Ltd., Ferragamo Retail Taiwan Limited.
A member of the Board of Directors is among the recipients of the plan.

The Board of Directors, at its sole discretion, may identify additional recipients (during the first vesting year of each cycle, with the application, in this case, of a *pro-rata temporis* parameter that re-proportions rights taking into account the actual period of service during the Vesting Period) among the top managers who hold and will hold the role of directors, employees and/or collaborators of the Company and of subsidiaries.

Object of the Plan

The Plan is divided into three Cycles. The first covers the 2023-2025 vesting period, the second covers the 2024-2026 vesting period, and the third covers the 2025-2027 vesting period.
Each individual cycle of the Performance and Restricted Shares Plan 2023-2025 includes:

a) the free allocation to the recipients of a certain number of initial rights (the "Initial Rights") to acquire (each) ownership of 1 share of Salvatore Ferragamo S.p.A., subject to the achievement of retention and performance targets, and, in the aggregate, any number of additional rights at the end of each vesting period;

b) the definition of performance indicators for each cycle during the allocation of Initial Rights;

c) the allocation of shares to the recipients, depending on the level of the performance indicators achieved and in relation to the achievement of the retention targets, at the end of each vesting period and subject to the verification of the fulfillment of the conditions set out in the Performance and Restricted Shares Plan 2023-2025.

The vesting of the Initial Rights – divided into an amount equal to 75% of the same, linked to the achievement of retention and performance targets (the "Performance Rights"), and the remaining amount equal to 25% linked to the achievement of retention-only targets (the "Retention Rights") – and the corresponding allocation of the shares will be subject to verification by the Board of Directors:

a) for Performance Rights, of the achievement of the condition of continued employment and/or collaboration and/or management relationship between the recipient and Salvatore Ferragamo S.p.A. and/or any other company of the Ferragamo Group (the "Relationship") at the end of the vesting period of each cycle of the Plan and the achievement of one or more performance indicators at the end of the vesting period of each cycle of the Plan; and

b) for Retention Rights, of the achievement of the sole condition of continued Relationship at the end of the vesting period of each cycle of the Plan.

The relevant indicators for the vesting of Performance Rights for the first Plan Cycle (2023-2025) are divided between

economic and financial performance indicators (in line with the Strategic Plan) and ESG indicators (in accordance with the recommendations of the Corporate Governance Code and market best practices) and are as follows:

a) average % growth in product net sales, which is defined as the sum of retail and wholesale channel sales (as shown in the financial statements) net of allocations and returns (i.e. excluding other revenue components such as royalties, Cash flow hedging effect on revenues, real estate leases, etc.);

b) cumulative EBITDA over the 2023-2025 three-year period, which is defined as operating profit (as shown in the financial statements) before amortization, depreciation and write-downs of tangible/intangible assets and right-of-use assets;

c) average ROIC over the 2023-2025 three-year period, which is defined as net income for the period (as reported in the Salvatore Ferragamo Group's annual consolidated financial statements for the reporting year) divided by average adjusted net invested capital (the latter represented by net invested capital excluding right-of-use assets and assets classified as investment properties);

d) ESG, which represents the level of achievement of targets related to the environmental and social sustainability of the Group's operations. These targets are:

   i. climate metrics: 100% renewable energy in all company locations worldwide by 2029;

   ii. Gender pay gap measurement for employees of Salvatore Ferragamo S.p.A. and subsidiaries in North America, Korea and China;

   iii. Uni PdR 125/22 certification (i.e. certification on the effective adoption of the gender equality management system in 6 main areas: Culture and strategy, Governance, HR processes, Opportunities for growth and inclusion of women in business, Gender pay equity, Parental protection and work-life balance).

The number of Initial Rights is determined by the Board of Directors, subject to the favorable opinion of the Nomination and Remuneration Committee, on the basis of an indicator equal to a multiple/percentage of the fixed remuneration of each recipient and dividing this monetary amount by the average of the official price of the Shares during the 30 days preceding the 1st of January of the year in which each cycle of the Plan begins.

Moreover, at the end of the vesting period of each cycle of the Plan, each recipient will be granted, free of charge, an additional number of rights calculated on the basis of the Initial Rights accrued and the cumulative amount of dividends per Share distributed to the shareholders of Salvatore Ferragamo S.p.A. during the period between the first day of the vesting period and the day preceding the date of grant of the Shares, both inclusive.

The allocation of Shares is further dependent on:

a) continued Relationship (not in notice period); and

b) the absence of particularly serious violations of the Group's Code of Ethics leading to termination of employment.

The shares, in the number corresponding to the total number of rights, will be allocated to the recipients by means of a communication from Salvatore Ferragamo S.p.A. no later than the thirtieth calendar day following the date of approval of the consolidated financial statements for the last year of each cycle.

Shares are to be awarded free of charge under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code.

Changes in the period in the number of rights to receive shares assigned*

	31 December 2023
(i) Outstanding at the start of the year	-
(ii) Assigned in the period	164,475
(iii) Canceled in the period	4,326
(iv) Exercised in the period	-
(v) Expired in the period	-
(vi) Outstanding at the end of the period	160,149
(vii) Exercisable at the end of the period	-

* The average price for the period has not been indicated since it is a plan with free assignment of shares

b) Changes to the Stock Grant Reserve

	2023	
(Fair Value in thousands of Euro)	**Number**	**Fair Value**
Rights to receive shares assigned to employees of Salvatore Ferragamo S.p.A.		
- at the start of the year	-	-
- assigned in the year	80,247	100
- at the end of the period	80,247	100
Rights to receive shares assigned to employees of subsidiaries		
- at the start of the year	-	-
- assigned in the year	84,228	107
- canceled in the year	4,326	8
- at the end of the period	79,902	99
Total rights to receive shares assigned		
- at the start of the year	-	-
- assigned in the year	164,475	207
- canceled in the year	4,326	8
- at the end of the period	160,149	199

At the starting date of the Plan (which took place in October 2023, following the completion of the verifications in preparation for the communication of the plan to the recipients identified by the Board of Directors, and their formal acceptance), the recipients of the Plan were 47 and 164,475 rights had been allocated. As at 31 December 2023, the recipients of the Plan were 45 (160,149 rights granted), owing to the departure of two employees of subsidiary companies.

c) Fair value measurement

The fair value measurement of the rights assigned was based on the financial market conditions valid at the measurement date, using a methodology consistent with the risk neutral approach typical for these plans. In order to quantify the Additional Rights for the purpose of estimating the average stock value as at December 2025, the stochastic

simulation with the Monte Carlo Method was used which, based on the appropriate assumptions, allowed to define a substantial number of alternative scenarios in the timeframe considered. In particular, in each scenario, the projection of the share price was carried out starting from the initial value, according to a Brownian geometric movement.
The main assumptions for the evaluation of the Performance and Restricted Shares Plan 2023-2025 at the assignment date are as follows

Measurement at assignment	
Date of assignment	11 October 2023
Share price at the assignment date (Euro)	12.03
Expected dividends	1.55%
Expected volatility*	32.43%
Outflow rate	0%
Rate of Return on Salvatore Ferragamo S.p.A. Shares**	3.58%

* Reasonable estimate based on historical volatility calculated with reference to the measurement date.
** Derived from the interest rate swap curve at the measurement date with reference to the maturity of the plan

42. Put and call agreements on minority interests

In recent years the Salvatore Ferragamo Group has expanded largely through internal growth. In some areas, mainly in Asia, it has also grown through partnerships with local distributors. In relation to these partnerships, the Shareholders' Agreements regulate dealings between the partners, define the governance rules and contain some provisions on put and call options which shareholders can exercise under certain conditions.

As at 31 December 2023, the only remaining agreement on minority interests relates to Ferragamo Japan K.K. and allows minority shareholders, collectively holding, since July 2022, a 10.87% (previously 29%) stake, to sell their shares to Salvatore Ferragamo S.p.A. at a contractually set price in the case of proven financial need or in the case of a change in their investment strategies in the luxury sector. Consequently, since the financial statements as at 31 December 2010, the Group has been recognizing a financial liability to take into account the possibility of minority shareholders exercising the put option on their stake; as at 31 December 2023, the liability amounted to 898 thousand Euro, while as at 31 December 2022, 2021 and 2020 it was nil. Since the Salvatore Ferragamo Group believes it does not have access to the economic benefits associated with this interest, at each measurement date, any changes in the value of the put are recognized directly in equity.

43. Segment reporting

Accounting Standard IFRS 8 – Operating segments requires that detailed information is provided for each operating segment, understood as a component of an entity whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segment and assess its performance.
At management level, the organization of the Salvatore Ferragamo Group is based on a matrix structure, divided by distribution channel, geographic area, and product category. Operating segments cannot therefore be identified, and top management reviews financial performance across the Group as a whole. Therefore, the Group's activity has been represented as a single reportable segment pursuant to IFRS 8.

(In thousands of Euro)	**2023**	**2022**
Retail revenues	824,204	923,507
Wholesale revenues	295,290	336,174
Net sales	*1,119,494*	*1,259,681*
Cash Flow Hedging Effect on Revenues	16,845	(25,664)
Licenses and services	17,218	14,890
Rental income investment properties	2,714	2,901
Revenues	**1,156,271**	**1,251,808**
of which in Italy	*128,534*	*124,298*
Gross profit	**839,432**	**901,115**
Gross Profit %	**72.6%**	**72.0%**
Personnel costs	(223,102)	(244,627)
Rental costs	(81,203)	(87,468)
Amortization, depreciation and write-downs of non current assets	(179,623)	(170,785)
Communication costs	(105,436)	(84,684)
Other costs (net of other income)	(178,046)	(185,613)
Operating profit/(loss)	**72,022**	**127,938**
Net financial (charges)/income	(26,438)	(26,776)
Profit/(loss) before taxes	**45,584**	**101,162**
Income taxes	(19,349)	(35,810)
Net profit/(loss)	**26,235**	**65,352**
EBITDA*	**251,811**	**298,900**

* As regards the definition of EBITDA, reference should be made to the specific paragraph in the Directors' report on operations on alternative performance measures.

(In thousands of Euro)	31 December 2023	31 December 2022
Inventories and Right of return assets	304,389	281,026
Trade receivables	106,821	94,490
Tangible assets and Investment property	223,354	219,311
Right-of-use assets	616,612	479,724
Intangible assets with a finite useful life and Goodwill	43,551	41,582
Other assets	212,342	202,548
Assets held for sale, net	63	-
Total assets gross of cash and cash equivalents and current financial receivables	**1,507,132**	**1,318,681**
Net financial debt	486,653	204,074
Trade payables and Refund liabilities	182,886	184,116
Other liabilities	115,430	155,082
Shareholders' equity	722,163	775,409
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	**1,507,132**	**1,318,681**

As regards the information required by IFRS 8, reference should be made to the Directors' report on operations for details and the relevant comments on revenues, broken down by geographic area, distribution channel and product category. Below is the information relating to non current assets (excluding financial instruments and deferred tax assets) broken down by geographical area.

(In thousands of Euro)	Italy	Europe (excluding Italy)	North America	Japan	Asia Pacific	Central and South America	Consolidated
31 December 2023	290,709	190,832	245,429	31,892	123,711	19,200	901,773
31 December 2022	254,117	143,133	182,183	6,871	159,386	16,357	762,047

44. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2023 and 2022.

31 December 2023

(In thousands of Euro)	Revenues	Cost of goods sold and Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other current assets and other non current financial assets	Trade payables	Other current and non current liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A.	57	(85)	(19)	500	-	14	-	(4.942)	(538)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)									
Related companies									
Palazzo Feroni Finanziaria S.p.A.	26	(9,228)	(3,387)	76,524	1,001	6	(212)	-	(83,519)
Lungarno Alberghi S.r.l.	19	(2,797)	(644)	15,564	8	-	(24)	-	(17,654)
Ferragamo Foundation	2	(189)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	42	(42)	-	-	-	-	(5)	-	-
Club Swan Racing S.r.l.	22	(26)	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	-	16	-	-	19	-	-	-	-
Il Borro Tuscan Bistro S.r.l.	-	(1)	-	-	-	-	-	-	-
Rubino S.r.l.	-	(55)	(1)	57	-	5	(2)	-	(57)
Windows on Italy S.r.l.	-	-	-	-	1	-	-	-	-
Sole Studio S.r.l.	1	-	-	-	-	-	-	-	-
Halldis Italia S.r.l.	-	(9)	-	-	-	-	1	-	-
Harbour City Estates Limited	-	(4,553)	(115)	-	-	-	-	-	-
Times Square Ltd.	-	(695)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	(2)	-	-	-	-	-	-	-
Lane Crawford (Hong Kong) Limited	8	-	-	-	-	-	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(1,965)	(267)	-	-	-	-	-	-
Dalian Times Square Commercial Co. Ltd.	-	(550)	(17)	-	-	-	-	-	-
Pedder Group Limited	(1)	-	-	-	-	-	-	-	-
Pedder Vision Limited	19	-	-	-	-	-	-	-	-
OIS Realty Limited	-	(478)	(10)	-	-	-	-	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(834)	(22)	-	-	-	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(103)	-	-	-	-	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(133)	-	-	-	-	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(299)	(30)	-	-	-	-	-	-
Chengdu Times Outlets Commerce Co., Ltd	-	(222)	-	-	-	-	-	-	-
Other related parties									
Massimo Ferragamo	-	(104)	-	-	-	-	-	-	-
Riccardo Ferragamo	-	(50)	-	-	-	-	-	(3)	-
Giovanna Ferragamo	-	(90)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	8	(10,339)	-	-	-	-	-	(5,063)	-
Total	**203**	**(32,833)**	**(4,512)**	**92,645**	**1,029**	**25**	**(292)**	**(10,008)**	**(101,768)**
Group total	**1,156,271**	**(1,084,249)**	**(69,387)**	**616,612**	**106,821**	**51,472**	**(173,323)**	**(65,029)**	**(711,042)**
% ratio	**0.0%**	**3.0%**	**6.5%**	**15.0%**	**1.0%**	**0.0%**	**0.2%**	**15.4%**	**14.3%**

31 December 2022

(In thousands of Euro)	Revenues	Cost of goods sold and Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A.	57	(79)	(21)	564	14	-	-	(19.106)	(598)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)									
Related companies									
Palazzo Feroni Finanziaria S.p.A.	32	(7,037)	(1,506)	50,041	2	-	(46)	-	(53,957)
Lungarno Alberghi S.r.l.	15	(2,186)	(647)	15,913	4	-	(43)	-	(17,832)
Ferragamo Foundation	2	(191)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	24	(52)	-	-	20	-	(33)	-	-
Bacco S.r.l.	-	(2)	-	-	-	-	-	-	-
Caretti & Associati S.r.l.	-	-	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	26	(3)	-	-	-	-	(1)	-	-
Club Swan Racing S.r.l.	14	(34)	-	-	-	-	-	-	-
Club Swan Yachts S.r.l.	4	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	1	5	-	-	6	-	-	-	-
Il Borro Tuscan Bistro S.r.l.	-	(7)	-	-	-	-	(3)	-	-
Rubino S.r.l.	-	(39)	-	51	-	5	(1)	-	(51)
Windows on Italy S.r.l.	-	(1)	-	-	1	-	-	-	-
Sole Studio S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(97)	-	-	-	-	-	-	-
Halldis Italia S.r.l.	-	(12)	-	-	-	-	(3)	-	-
Harbour City Estates Limited	-	(4,701)	(172)	12,759	-	740	-	-	(13,916)
Times Square Ltd.	-	(458)	-	-	-	-	(68)	-	-
Harriman Leasing Limited	-	(3)	-	-	-	798	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(2,265)	(458)	10,392	-	744	-	-	(11,201)
Dalian Times Square Commercial Co.ltd	-	(655)	(50)	862	-	189	(39)	-	(979)
Pedder Group Limited	-	-	-	-	3	-	-	-	-
Pedder Vision Limited	13	-	-	-	-	-	-	-	-
OIS Realty Limited	-	(538)	(8)	120	-	136	-	-	(117)
Shanghai Wheelock square Development Co. Ltd.	-	(772)	(16)	124	-	234	-	-	(91)
Wharf IFS (Chengdu) Property Management Limited Company	-	(155)	-	-	-	-	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(118)	-	-	-	29	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(445)	(23)	1,214	-	214	(1)	-	(1,231)
Chengdu Times Outlets Commerce Co., Ltd.	-	(209)	-	-	-	4	(4)	-	-
Other related parties									
Massimo Ferragamo	-	(142)	-	-	-	-	(25)	-	-
Riccardo Ferragamo	-	(44)	-	-	-	-	-	(5)	-
Giovanna Ferragamo	-	(90)	-	-	-	-	-	-	-
Angiolo Anichini	-	(225)	-	-	-	-	-	(75)	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(23,606)	-	-	-	-	-	(9,694)	-
Total	**189**	**(44,161)**	**(2,901)**	**92,040**	**50**	**3,093**	**(317)**	**(28,880)**	**(99,973)**
Group total	**1,251,808**	**(1,123,870)**	**(78,703)**	**479,724**	**94,490**	**57,017**	**(174,016)**	**(94,963)**	**(575,323)**
% ratio	**0.0%**	**3.9%**	**3.7%**	**19.2%**	**0.1%**	**5.4%**	**0.2%**	**30.4%**	**17.4%**

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (2,158 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro), and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Group has not set aside any provision for bad debt in relation to amounts due from related parties.

With reference to cash flows, it should be noted that on 3 November 2023, an agreement was finalized between the Ferragamo Group and Imaginex Holdings Limited and Imaginex Overseas Limited, controlled by Peter K. C. Woo (a director of the Company who resigned on 13 November 2023), for the purchase of minority interests in the distribution companies operating in the strategic market of Greater China. Therefore, as this was a related party transaction of major significance, it was examined by the Control and Risks Committee, which is also responsible for Transactions with Related Parties, which expressed its binding favorable opinion. The agreed and duly paid consideration was 42 million USD (or 39 million Euro). For more details, reference should be made to note 4 "Business combinations and purchases of minority interests".

Below are the comments to the above tables:

Holding company

Ferragamo Finanziaria S.p.A.

Under the Italian tax consolidation regime, in which the Parent company Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity), Other current liabilities included 4,942 thousand Euro in corporate income tax (IRES) payables of Salvatore Ferragamo S.p.A..

Salvatore Ferragamo S.p.A. has one outstanding lease contract with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods. Since it falls within the scope of IFRS 16, the lease was accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

Related companies

These transactions mainly refer to trade transactions that affected revenues, operating costs, trade receivables and payables, right-of-use assets, lease liabilities, and other assets and liabilities. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.
Right-of-use assets and lease liabilities, operating costs, and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16.

Lungarno Alberghi S.r.l.
Revenues (and the related accounts receivable) refer to product sales; right-of-use assets, lease liabilities, operating costs, and interest expense largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Ferragamo Foundation
The costs (and the related accounts payable) incurred refer for 99 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (101 thousand Euro in 2022) and for 90 thousand Euro to donations to support the institutional activities of the Foundation (90 thousand Euro in 2022).

Companies connected to members of the Board of Directors
These transactions mainly refer to trade transactions that affected revenues, operating costs, trade receivables and payables, right-of-use assets, lease liabilities, and other assets and liabilities. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Harbour City Estates Limited
Operating costs and financial charges accruing until November 2023, when the company ceased to be identified as a related party, largely refer to the lease of premises in Hong Kong, including the Canton Road flagship store, most of which fall within the scope of IFRS16.

Times Square Ltd.
Operating costs accruing until November 2023, when the company ceased to be identified as a related party, largely refer to the lease of premises for a store in Hong Kong.

Long Jin Complex Development (Chengdu) Co. Ltd
Operating costs and financial charges accruing until November 2023, when the company ceased to be identified as a related party, refer to the lease of premises for a Ferragamo Moda (Shanghai) Limited store, most of which fall within the scope of IFRS16.

Dalian Times Square Commercial Co. Ltd.
Operating costs and financial charges accruing until November 2023, when the company ceased to be identified as a related party, refer to the lease of premises for a Ferragamo Moda (Shanghai) Limited store, which fall within the scope of IFRS16.

OIS Realty Limited
Operating costs and financial charges accruing until November 2023, when the company ceased to be identified as a related party, refer to the lease of the offices of Ferragamo Hong Kong Limited and Ferragamo Retail Hong Kong Ltd., which fall within the scope of IFRS16.

Shanghai Wheelock square Development Co. Ltd.

Operating costs and financial charges accruing until November 2023, when the company ceased to be identified as a related party, refer to the lease of the offices of Ferragamo Fashion Trading (Shanghai) Co. Limited and Ferragamo Moda (Shanghai) Limited, which fall within the scope of IFRS16.

Other related parties

With respect to the other related parties, costs, and the relevant payables, refer to the cost incurred primarily by Salvatore Ferragamo S.p.A. and Ferragamo USA Inc. under the cooperative relationship in place during the year.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 45 "Fees paid to Directors and Statutory Auditors".

The Managers with strategic responsibilities during 2023 are listed in the following table:

Full name	Role
Giacomo Ferragamo	Chief Transformation & Sustainability Officer
Alessandro Corsi*	Chief Financial Officer and Manager charged with preparing Company's Financial Reports

*His employment and related duties ended on 30 September 2023, following his resignation effective 1 October 2023.

The costs associated with the managers with strategic responsibilities refer to the cost incurred by the Group as part of the employment relationship, including the variable bonus and the imputed cost of the Performance and Restricted Shares 2023-2025 Plan. In 2023, they amounted to 872 thousand Euro (compared to 1,257 thousand Euro in 2022). Typically, managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

45. Fees paid to Directors and Statutory Auditors

Directors

(In thousands of Euro)				2023					
				Fees					
Full name	Position held	Term of office	End of term of office	for the position held	as committee member	Non-monetary benefits	Salaries, bonuses and other incentives	Stock Grant	Total
Leonardo Ferragamo	Chair	1.01-31.12	a)	400	-	b)	-	-	400
Angelica Visconti	Deputy Chair	1.01-31.12	a)	200	-		-	-	200
Marco Gobbetti	Managing Director and General Manager	1.01-31.12	a)	120	-	b) c) d) e)	4,220	3,863	8,203
Giacomo Ferragamo	Director	1.01-31.12	a)	50	-	b) c) d)	600	9	659
Frédéric Biousse	Director	1.01-31.12	a)	50	14		-	-	64
Patrizia Michela Giangualano	Director	1.01-31.12	a)	50	30		-	-	80
Annalisa Loustau Elia	Director	1.01-31.12	a)	50	20		-	-	70
Umberto Tombari	Director	1.01-31.12	a)	50	45		-	-	95
Laura Donnini	Director	26.04-31.12	a)	34	15		-	-	49
Peter Woo Kwong Ching	Director	1.01-13.11		-	-		-	-	-
Anna Zanardi Cappon	Director	1.01-26.04		16	15		-	-	31
Total				**1,020**	**139**		**4,820**	**3,872**	**9,851**

a) upon approval of the 2023 financial statements.
b) car; c) mobile phone; d) insurance policies; e) accommodation.

Statutory Auditors

(In thousands of Euro)			2023				
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Other fees received from subsidiaries	Grand total
Andrea Balelli	Chair	01.01-31.12	a)	64	15	-	79
Paola Caramella	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Total				**160**	**39**	**-**	**199**

a) upon approval of the 2025 financial statements
* Other fees refer to amounts due for the position as Chair or member of the Supervisory Body pursuant to Italian Leg. Decree 231/2001
Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

46. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2023	31 December 2022
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	26,730	28,517
Guarantees provided by Group companies to third parties in the interests of Group companies	85,087	138,158
Total	**111,817**	**166,675**

The sureties and guarantees provided by third parties in the interests of Group companies largely refer to sureties and guarantees on leases entered into by Group companies, including a guarantee for 6 million US Dollars (equal to 5,430 thousand Euro) relating to a lease of the Ferragamo USA Group. The guarantees provided by Group companies are mainly in favor of banks to guarantee credit lines which may be used locally.

47. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the explanatory notes any funds received during the year in the form of subventions, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, it should be noted that in 2023 Salvatore Ferragamo S.p.A. received:

- 2.1 million Euro as an advance payment in relation to the Innovation Agreement signed by Salvatore Ferragamo S.p.A. with the Ministry of Economic Development and the Region of Tuscany on 12 January 2021; for further details, reference should be made to the Directors' report on operations – Significant events occurred during the year.

In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 of 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

48. Significant non-recurring events and transactions

During 2023, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

49. Transactions arising from atypical and/or unusual transactions

The Group did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance/size, the counterparties involved, the subject of the transaction, the means of determining the transfer price, and the timing of the event, may give rise to doubts about the fairness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity, and the protection of minority interests.

50. Subsidiaries highlights

Subsidiaries highlights are shown in the table below.

(In thousands)		2023		2022	
Company	Currency	Revenues	Shareholders' equity	Revenues	Shareholders' equity
Ferragamo Australia Pty Ltd.	AUD	22,757	23,076	26,810	22,665
Ferragamo Japan K.K.	JPY	13,139,599	1,430,279	13,705,863	1,177,142
Ferragamo Korea Ltd.	KRW	98,392,189	81,574,307	140,377,040	80,285,051
Ferragamo Espana S.L.	EURO	15,768	4,247	14,963	4,441
Ferrimag Limited	HKD	-	130,253	-	127,507
Ferragamo Retail HK Limited	HKD	220,174	(397,162)	127,242	(309,254)
Ferragamo Retail Taiwan Limited	TWD	628,732	429,300	740,028	435,405
Ferragamo Mexico S. de R.L. de C.V.	MXN	1,145,802	856,699	1,365,210	816,688
Ferragamo Retail Nederland B.V.	EURO	4,287	1,613	4,836	1,401
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,067,029	783,214	1,090,683	801,592
Ferragamo (Singapore) Pte. Ltd.	SGD	17,352	(8,861)	24,900	(40,079)
Ferragamo (Thailand) Limited	THB	234,984	(222,472)	279,863	(127,460)
Ferragamo (Malaysia) Sdn Bhd	MYR	42,586	16,786	54,214	17,906
Ferragamo Hong Kong Ltd.	USD	181,927	93,593	177,660	119,202
Ferragamo USA Group	USD	344,737	91,352	415,461	100,300
Ferragamo Deutschland GmbH	EURO	8,123	2,881	9,194	2,594
Ferragamo Belgique SA	EURO	1,090	685	1,591	714
Ferragamo Monte-Carlo S.A.M.	EURO	732	(1,358)	830	(828)
Ferragamo (Suisse) SA	CHF	7,383	1,866	8,553	1,653
Ferragamo U.K. Limited	GBP	16,648	6,187	17,643	5,939
Ferragamo France S.A.S.	EURO	18,739	10,950	20,238	10,787
Ferragamo Chile S.A.	CLP	1,574,334	681,769	1,193,648	790,193
Ferragamo Austria GmbH	EURO	2,920	4,242	4,215	4,187
Ferragamo Retail India Private Limited	INR	-	(467,175)	-	(468,541)
Ferragamo Retail Macau Limited	MOP	78,586	235	43,611	25,555
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	198,562	(105,957)	207,974	(44,921)
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	63,848	21,888	59,455	22,538
Ferragamo Argentina S.A.	ARS	1,371,660	(1,205,826)	418,529	48,413

51. Significant events occurred after 31 December 2023

On 22 January 2024, the Company informed the market of the appointment of Pierre La Tour as Group CFO effective 18 March 2024. At the same meeting, it also specified that La Tour was also appointed by the Company's Board of Directors as a Manager with strategic responsibilities, due to the privileges and duties assigned to him in the Administration, Finance, Control and Investor Relations areas.

On 25 January 2024, in implementation of the Restricted Shares Plan, the Board of Directors, with the favorable opinion of the Nomination and Remuneration Committee, decided to grant Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 205,255 shares of Salvatore Ferragamo S.p.A. effective 1 January 2024.

At the meeting held on 6 March 2024, the Board of Directors, *inter alia*: (i) approved the draft Separate Financial Statements as at 31 December 2023, the Consolidated Financial Statements as at 31 December 2023, and the Board of Directors' report on operations for 2023, containing the consolidated Non-Financial Statement for 2023 that includes non-financial information pursuant to Italian Legislative Decree no. 254 of 30 December 2016; (ii) approved the Corporate Governance Report for 2023, prepared by the Company pursuant to art. 123-bis of the Consolidated Law on Finance; (iii) approved, with the favorable opinion of the Nomination and Remuneration Committee, the Report on the remuneration policy for 2024 and fees paid in 2023, prepared pursuant to art. 123-ter of the Consolidated Law on Finance, art. 84-quater and Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as amended, and art. 5 of the Corporate Governance Code for listed companies; for approval by the next Shareholders' Meeting. For further details, please refer to the documentation made available on the Company's website *https://group.ferragamo.com/en, section governance/shareholders-meetings/2024*.

At the same meeting, the Board of Directors also:

- resolved to call the Ordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. for 23 April 2024;
- checked, in implementation of the Restricted Shares Plan and with the favorable opinion of the Nomination and Remuneration Committee, the right of Marco Gobbetti, Managing Director and General Manager, to receive, free of charge, 147,732 shares of Salvatore Ferragamo S.p.A. assigned to him effective 1 January 2023.

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro)

Type of services	Subject which supplied the service	Recipient	Notes	Total fees for 2023
Audit	Independent Auditors of the Parent company	Parent company		322
Other Services	i) Independent Auditors of the Parent company	Parent company	1	112
	ii) Independent Auditors' network of the Parent company	Parent company	2	46
Subtotal				**480**
Audit	i) Independent Auditors of the Parent company	Subsidiaries		104
	ii) Independent Auditors' network of the Parent company	Subsidiaries		603
Other Services	Indipendent Auditors' network of the Parent company	Subsidiaries		45
Subtotal				**752**
Total				**1,232**

1) The item refers to the certification of the Consolidated Non-Financial Statement and to the certification of the Research and Development credit
2) This item mainly refers to consulting services to support the efficiency of closing activities

Florence, 6 March 2024

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

Statement pursuant to art. 154-bis of Leg. Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Marco Gobbetti in his capacity as "Managing Director" and Erika Peruzzi in her capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the company's structure and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period 1 January-31 December 2023.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2023 consolidated financial statements has been assessed on the basis of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which is the generally accepted model internationally.

3. It is also certified that

3.1 the consolidated financial statements for the year ended 31 December 2023:

a. have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;

b. correspond with accounting books and records;

c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company and of the group of companies included in the consolidation area.

3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company and of the group of companies included in the consolidation area, as well as a description of the main risks and uncertainties to which they are exposed.

Florence, 6 March 2024

Managing Director
Marco Gobbetti

Manager charged with preparing Company's Financial Reports
Erika Peruzzi



Francesco Granacci, 1515 - SU CONCESSIONE DEL MINISTERO DELLA CULTURA - Le Gallerie degli Uffizi.



INDEPENDENT AUDITOR'S REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salvatore Ferragamo S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Salvatore Ferragamo Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include the material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Salvatore Ferragamo Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Salvatore Ferragamo S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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Measurement of inventories of finished products

Notes to the consolidated financial statements: note 2 "Basis of preparation" and note 12 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2023 include inventories of finished products of €270 million, net of the allowance for inventory write-down of €65 million. Determining the allowance for inventory of finished products write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: • the characteristics of the group's business sector and different geographic areas; • the market performance and fashion trends; • the age of the collection in stock; • pricing policies and sales ability through the different distribution channels. For the above reason, we believe that the measurement of inventories of finished products is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of inventories of finished products and assessing the design and implementation of material controls; • analysing changes in inventories of finished products during the year, considering their expected life cycle based on their age; • analysing documents and discussing the assumptions adopted to calculate the allowance for inventory of finished products write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how finished products will be sold and comparing those assumptions with historical figures and the environment in which the group operates; • assessing the appropriateness of the disclosures provided in the notes about inventories of finished products.

Other matters - Management and coordination

As required by the law, the parent disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the Salvatore Ferragamo Group does not extend to such data.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The parent's directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Florence, 28 March 2024

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit



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Financial Statements

Statement of financial position – assets

(In Euro)	Notes	31 December 2023	of which with related parties	31 December 2022	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	5	102,920,811		94,978,017	
Right-of-use assets	6	144,677,426	92,644,628	117,210,060	66,569,022
Goodwill	7	6,679,274		6,679,274	
Intangible assets with a finite useful life	8	34,501,994		32,815,349	
Investments in subsidiaries	9	150,248,691		151,426,655	
Other non current assets	10	1,758,243		2,277,571	
Other non current financial assets	11	171,287	10,600	157,054	4,800
Deferred tax assets	40	17,491,939		14,601,797	
TOTAL NON CURRENT ASSETS		**458,449,665**	**92,655,228**	**420,145,777**	**66,573,822**
CURRENT ASSETS					
Inventories	12	79,684,770		73,378,165	
Right of return assets	13	12,008,809		12,654,331	
Trade receivables	14	182,345,025	150,234,870	161,113,992	135,539,248
Tax receivables	15	18,247,520		16,397,959	
Other current assets	16	13,967,992	14,077	13,706,558	460
Other current financial assets	17	185,140,741	148,366,294	132,454,274	122,199,343
Cash and cash equivalents	18	203,179,524		268,832,953	
TOTAL CURRENT ASSETS		**694,574,381**	**298,615,241**	**678,538,232**	**257,739,051**
TOTAL ASSETS		**1,153,024,046**	**391,270,469**	**1,098,684,009**	**324,312,873**

Statement of financial position – liabilities and shareholders' equity

(In Euro)	Notes	31 December 2023	of which with related parties	31 December 2022	of which with related parties
SHAREHOLDERS' EQUITY					
Share capital	19	16,879,000		16,879,000	
Reserves	19	613,706,508		568,763,282	
Net profit/(loss) for the period		86,999,603		89,239,108	
TOTAL SHAREHOLDERS' EQUITY		**717,585,111**		**674,881,390**	
NON CURRENT LIABILITIES					
Provisions for risks and charges	21	34,331,023		38,211,369	
Employee benefit liabilities	22	4,881,818		5,310,096	
Other non current liabilities	23	2,360,816	350,830	1,930,509	1,462,480
Non current lease liabilities	24	140,632,632	92,409,952	111,673,808	64,985,555
Deferred tax liabilities	40	4,228,560		5,174,724	
TOTAL NON CURRENT LIABILITIES		**186,434,849**	**92,760,782**	**162,300,506**	**66,448,035**
CURRENT LIABILITIES					
Trade payables	25	178,139,354	55,018,418	143,463,986	25,425,789
Refund liabilities	26	22,915,198		22,576,538	
Interest-bearing loans & borrowings	20	-	-	21,389,547	21,389,547
Tax payables	27	4,093,512		8,540,842	
Other current liabilities	28	25,231,864	9,657,510	50,184,167	27,418,799
Current lease liabilities	24	18,255,587	9,359,124	14,250,851	7,452,958
Other current financial liabilities	29	368,571		1,096,182	
TOTAL CURRENT LIABILITIES		**249,004,086**	**74,035,052**	**261,502,113**	**81,687,093**
TOTAL LIABILITIES		**435,438,935**	**166,795,834**	**423,802,619**	**148,135,128**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,153,024,046**	**166,795,834**	**1,098,684,009**	**148,135,128**

Income statement

(In Euro)	Notes	2023	of which with related parties	2022	of which with related parties
Revenues from contracts with customers	31	734,820,182	499,407,482	740,233,835	567,447,624
Change in inventories of finished products		(297,203)		8,032,835	
Costs for raw materials, goods and consumables	32	(185,852,707)	(125,293)	(190,137,501)	(231,160)
Costs for services	33	(255,207,747)	(7,087,146)	(269,308,869)	(5,407,938)
Personnel costs	34	(86,645,637)	(9,004,474)	(98,424,941)	(22,496,156)
Amortization, depreciation and write-downs	35	(42,315,737)	(11,252,969)	(39,288,429)	(8,910,903)
Other operating costs	36	(63,596,702)	(52,222,686)	(29,751,988)	(22,535,170)
Other income	37	13,793,850	2,774,266	22,519,374	10,374,918
Operating profit/(loss)		**114,698,299**		**143,874,316**	
Financial charges	38	(67,902,625)	(4,305,205)	(71,798,795)	(2,352,940)
Financial income	39	66,551,445	30,340,966	53,633,886	13,520,426
Profit/(loss) before taxes		**113,347,119**		**125,709,407**	
Income taxes	40	(26,347,516)		(36,470,299)	
Net profit/(loss) for the period		**86,999,603**		**89,239,108**	

Statement of comprehensive income

(In thousands of Euro)	Notes	2023	2022
Net profit/(loss) for the period (A)		**87,000**	**89,239**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from cash flow hedge	3	(3,943)	17,921
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		947	(4,301)
Total other gains/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**(2,996)**	**13,620**
Other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from recognition of defined-benefit plans for employees	22	(164)	633
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		39	(151)
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**(125)**	**482**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)		**(3,121)**	**14,102**
Total comprehensive income for the period, net of taxes (A+B)		**83,879**	**103,341**

Statement of cash flows

(In Euro)	Notes	2023	of which with related parties	2022	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		**86,999,603**		**89,239,108**	
Adjustments to reconcile net profit (loss) to net cash from/(used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets and right-of-use assets	5-6-8	42,315,737	11,252,969	39,288,429	8,910,903
Income taxes	40	26,347,516		36,470,299	
Provision for employee benefit plans	22	168,652		28,499	
Allocation to/(use of) the provision for obsolete inventory	12	4,867,142		(1,210,816)	
Allocation to/(use of) the provisions for risks and charges	21	5,148,143		549,390	
Losses and net provisions for bad debt	14	1,282,563	-	111,653	-
Losses/(gains) on disposal of tangible and intangible assets		19,157	(15,500)	2,747	
Write-down/(revaluation) of investments in subsidiaries	9	23,564,074		14,536,211	
Stock grant plan costs	34	3,962,273	3,871,451	6,585,637	6,585,637
Interest expense and interest expense on lease liabilities	38	5,932,510	4,051,517	3,905,839	2,174,395
Interest income	39	(11,260,212)	(4,828,936)	(2,323,238)	(1,714,148)
Dividend income from subsidiaries	39	(25,512,030)	(25,512,030)	(11,211,684)	(11,211,684)
Other non-monetary items		2,548,601	-	2,596,319	-
Changes in operating assets and liabilities:					
Trade receivables	14	(33,653,033)	(14,695,622)	4,444,709	(4,391,775)
Inventories	12	(11,173,747)		8,347,923	
Trade payables	25	34,675,361	29,592,629	(5,755,080)	13,130,095
Other tax receivables and payables	15-27	(253,118)		2,091,769	
Employee benefits payments	22	(761,159)		(418,353)	
Other assets		(699,335)	(19,417)	(2,166,215)	2,633,599
Other liabilities		(5,175,448)	(17,761,289)	7,319,305	27,012,475
Other net	21	(199,087)		(933,332)	
Income taxes paid		(48,899,785)	-	(6,429,331)	-
Interest expense and interest expense on lease liabilities paid		(4,585,781)	(4,305,205)	(3,665,125)	(2,356,418)
Interest received		11,260,212	4,828,936	2,323,238	1,714,148
Dividends received		25,512,030	25,512,030	11,211,684	11,211,684
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**132,430,839**	**11,971,533**	**194,939,585**	**53,698,911**
Cash flow from investing activities:					
Purchase of tangible assets	5	(18,854,882)	(2,200)	(8,361,268)	(2,000)
Purchase of intangible assets	8	(12,684,618)		(12,459,033)	
Proceeds from the sale of tangible and intangible assets		53,081	15,500	51,803	
Investments in subsidiaries	9	(1,159,398)	(1,159,398)	(25,550,767)	
Net change in Other current financial assets	17	(81,364,581)	(56,123,757)	(33,891,782)	(23,892,782)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**(114,010,398)**	**(57,269,855)**	**(80,211,047)**	**(23,894,782)**
Cash flow from financing activities:					
Net change in financial payables	20	(21,389,547)	(21,389,547)	(87,783,753)	21,389,547
Repayment of lease liabilities	24	(16,334,111)	(9,003,009)	(14,814,291)	(7,872,884)
Dividends paid	19	(46,350,212)	(33,539,989)	(56,732,542)	(40,688,109)
Treasury share repurchase	19	-		(42,669,667)	
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**(84,073,870)**	**(63,932,545)**	**(202,000,253)**	**(27,171,446)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(65,653,429)**		**(87,271,715)**	
OPENING NET CASH AND CASH EQUIVALENTS		**268,832,953**		**356,104,668**	
Increase/(Decrease) in cash and cash equivalents		(65,653,429)		(87,271,715)	
CLOSING NET CASH AND CASH EQUIVALENTS	**18**	**203,179,524**		**268,832,953**	

Statement of changes in shareholders' equity

Note 19

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/ (loss) for the period	Total shareholders' equity
As at 01.01.2023	**16,879**	**(58,202)**	**4,188**	**2,995**	**570,585**	**25,478**	**7,216**	**(1,130)**	**17,633**	**89,239**	**674,881**
Profit/(loss) for 2023										87,000	87,000
Other comprehensive income/(losses)							(2,996)	(125)			(3,121)
Total comprehensive income/(loss)	**-**		**-**	**-**	**-**	**-**	**(2,996)**	**(125)**	**-**	**87,000**	**83,879**
Allocation of 2022 result					89,239					(89,239)	-
Distribution of dividends					(46,348)						(46,348)
Treasury share award		1,979							(1,979)		-
Stock Grant Reserve									5,173		5,173
As at 31.12.2023	**16,879**	**(56,223)**	**4,188**	**2,995**	**613,476**	**25,478**	**4,220**	**(1,255)**	**20,827**	**87,000**	**717,585**

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/ (loss) for the period	Total shareholders' equity
As at 01.01.2022	**16,879**	**(15,532)**	**4,188**	**2,995**	**594,520**	**25,478**	**(6,404)**	**(1,612)**	**12,510**	**32,800**	**665,822**
Profit/(loss) for 2022										89,239	89,239
Other comprehensive income/(losses)							13,620	482			14,102
Total comprehensive income/(loss)	**-**		**-**	**-**	**-**	**-**	**13,620**	**482**	**-**	**89,239**	**103,341**
Allocation of 2021 result					32,800					(32,800)	-
Distribution of dividends					(56,735)						(56,735)
Treasury share repurchase		(42,670)									(42,670)
Stock Grant Reserve									5,123		5,123
As at 31.12.2022	**16,879**	**(58,202)**	**4,188**	**2,995**	**570,585**	**25,478**	**7,216**	**(1,130)**	**17,633**	**89,239**	**674,881**

Explanatory Notes to the Separate Financial Statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated in Italy, with registered office in via Tornabuoni 2 Florence, as a joint-stock company under Italian law and adopts a conventional administration and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A..

The Company is one of the main players in the luxury sector and dates back to 1927.
The separate financial statements for the year ended 31 December 2023 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 6 March 2024.

The Company is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, jewels, and other accessories. The product range also includes fragrances, eyewear, and watches manufactured under license by third parties. Salvatore Ferragamo S.p.A. is also active in the licensing of the Salvatore Ferragamo brand.

The Salvatore Ferragamo Group is present in more than 90 countries around the world, directly through subsidiaries in 26 countries, and sells its products primarily through a network of Salvatore Ferragamo flag-ship stores, both directly operated (DOS) and through third parties, as well as through a significant and well-established presence in department stores and multi-brand specialty stores, and through the e-commerce channel. For further details on the of the Company's main activities, reference is made to the Board of Directors' report on operations.

1.1 Management and coordination

Pursuant to art. 2497 and ff. of the Italian Civil Code, the Company Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni, 2.

In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2022 and 2021 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2022	31 December 2021
STATEMENT OF FINANCIAL POSITION		
ASSETS		
B) Fixed assets	175,302,990	174,132,690
C) Current assets	49,269,615	35,403,201
D) Accruals and Deferrals	2,440	2,273
TOTAL ASSETS	**224,575,045**	**209,538,164**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	127,448,376	153,550,236
- Profit/(loss) for the year	29,688,465	(1,226,880)
B) Provisions for risks and charges	-	-
D) Payables	17,522,360	7,152,175
E) Accruals and Deferrals	165,884	312,673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**224,575,045**	**209,538,164**
INCOME STATEMENT		
A) Value of production	366,866	336,391
B) Costs of production	(3,306,037)	(2,933,122)
Difference between value and costs of production	**(2,939,171)**	**(2,596,731)**
C) Financial income and charges	32,304,452	506,626
Profit before taxes	**29,365,281**	**(2,090,105)**
Income taxes for the year, current and deferred	323,184	863,225
Profit/(loss) for the year	**29,688,465**	**(1,226,880)**

2. Statement of compliance with IFRS and basis of presentation

The Separate Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), endorsed by the European Union and in force at the reporting date. The explanatory notes to the separate financial statements have been supplemented with the extra information requested by CONSOB and by the provisions it has issued in implementation of art. 9 of Leg. Decree 38/2005 (resolutions 15519 and 15520) dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 78 of the Issuers' Regulation, the EC document of November 2003 and, where applicable, the Italian Civil Code. The term "IFRS" used herein includes International Accounting Standards ("IAS") which are still in force as well as all the interpretations issued by the IFRS Interpretation Committee, previously referred to as International Financial Reporting Interpretations Committee ("IFRIC") and, before that, Standing Interpretations Committee ("SIC").

Financial statement structure adopted

The separate financial statements of Salvatore Ferragamo S.p.A. as at 31 December 2023 comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the related explanatory notes.

The statement of financial position, the income statement and the statement of cash flows are presented in Euro, while the statement of comprehensive income and the statement of changes in shareholders' equity and the related explanatory notes are presented in thousands of Euro, unless otherwise indicated.

The Company's statement of financial position distinguishes between current and non current assets and liabilities, where:

- non current assets refer to positive balances to be realized after more than 12 months and include intangible, tangible and financial assets, as well as deferred tax assets;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to liabilities due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities, as well as deferred tax liabilities;
- current liabilities refer to liabilities due within 12 months, including the short-term portion of medium/long-term loans, provisions for risks and charges and employee benefit liabilities.

The income statement is shown in accordance with a classification of costs by nature. The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

All amounts are expressed in Euro and are rounded to the nearest thousand Euro, unless otherwise indicated.

Accounting standards

General notes

The Separate Financial Statements have been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value and on a going concern basis.

The accounting standards adopted in the Separate Financial Statements as at 31 December 2023 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2023. For more details, please refer to "Changes in international accounting standards".

Discretionary valuations and significant accounting estimates

The preparation of the Separate Financial Statements has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Company's products are subject to market trends and changes in fashion trends, product inventories at the end of the season are subject to impairment. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Company's various distribution channels. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials;
- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the Company has well-established and consolidated relations; the Company uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Company updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of credit risks, please refer to notes 3 and 14;
- provisions for risks and charges, specifically expected future expenses and costs for ongoing or foreseeable disputes;

- rights of return to adjust revenues from contracts with customers, where envisaged under contracts to sell items or customary business practices. The Company has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- useful life of property, plant and equipment and intangible assets, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 22 "Employee benefit liabilities";
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Company's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Company uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to notes 3 and 30;
- fair value of share-based payment plans, settled in either cash or shares, that the Company uses to provide incentives to the Group's management; for details about the assumptions underlying the measurement of share-based payment plans at fair value, reference should be made to note 40; risk of defeat in the disputes involving the Company; the Company recognizes a liability when facing legal disputes and lawsuits if it believes it is probable that they will require an outflow of financial resources and a reliable estimate can be made of the amount of the potential losses. Given the uncertainty surrounding the outcome of these proceedings, it is hard to reliably estimate the outflow of resources that will be required to settle them, therefore the amount of the provisions for legal disputes may change as a result of future developments in the outstanding proceedings. The Company monitors the status of ongoing lawsuits and proceedings and consults with its legal advisors as well as legal experts. Moreover, the Company assesses uncertain tax positions and, if required, recognizes a liability.

With reference to IFRS 16, the Company, in its capacity as lessee, made the significant accounting estimates reported below:

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property leases vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Company has considered these conclusions in identifying the lease term. In defining the lease term, the Company considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Company considered whether there are significant economic disincentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Company considered paragraph B35 of IFRS 16.
  Applying the above, considering the specific facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:
  - For annual leases that are automatically renewed except in the event of termination, the Company considered an average term of five years based on historical evidence;
  - In the other cases, if only the Company can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

After the lease commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Company and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- Definition of the discount rate: as most leases entered into by the Company do not contain an implicit interest rate, the Company calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Company identified existing leases as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in Italy (where the leases were entered into), based on the different lease terms, increased by the Group's Credit spread.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts, and are periodically reviewed – recognizing, if necessary, the impact of each change in the income statement in the period in which these estimates and assumptions should differ from actual circumstances.

Impairment/Reversal of impairment of Tangible assets (Property, plant and equipment), Right-of-use assets, Intangible assets with a finite useful life, Investments, and Goodwill

The book value of Property, plant and equipment, Right-of-use assets, Intangible assets with a finite useful life, and Investments is subject to impairment testing when there are indicators of impairment (events or changed situations suggesting that the book value cannot be recovered) which require an immediate assessment of impairment, or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from sale transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

With regard to equity investments, the impairment test is carried out by considering the individual geographic areas in which the subsidiaries operate as cash-generating units ("CGUs").

The cash flows are taken from the estimates made by management, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts refer to a time period of three years and the long-term growth rate (g) used to estimate the terminal value of the asset was assumed to be equal to the rate of inflation expected to prevail over the medium-long term in the main markets where the Group operates. Cash flows do not include restructuring activities for which the Company does not have a current obligation, or significant future investments which will increase the yield on the assets that make up the cash-generating unit that is being valued. The recoverable amount is very dependent on the discount rate used in the discounted cash flow model and also on the expected future incoming cash flows and on the growth rate used for the purposes of the extrapolation.

Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

The impairment loss for goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognized. An impairment loss recognized for goodwill shall not be reversed in subsequent periods.

Disclosure on impairment

Based on the provisions of the impairment test procedure approved by the Board of Directors, the Company undertook an analysis to identify any indicators of impairment and/or impairment losses on assets or whether any grounds for the write-down in previous years no longer exist.
During 2023, the Company reported an operating profit, albeit down by 20.3% from the previous year.

Global economic expectations for 2024 are for moderate growth, although uncertainties remain, mainly related to the evolution of inflation, which, although declining from the highs of the past two years, could lead to a reduction in consumers' willingness to spend and their purchasing power, as well as the development and consequences of the Russian-Ukrainian and Middle Eastern conflicts.

The analysis identified signs of weakness, with Ferragamo Retail Macau Limited performing below expectations, and an impairment test was therefore carried out. The Company has not identified indicators of impairment for the other CGUs.

Climate change impact assessment

In line with the priorities defined by the European Securities and Market Authority (ESMA) of 25 October 2023 for the 2023 reporting year, as mentioned in the section "Main risks and uncertainties" of the Directors' report on operations, the Group started a project in 2023 to integrate a specific framework into the ERM model that will allow the climate change risk factor to be assessed as part of both physical risks and transition risks and opportunities. The analyses provided a climate change risk assessment that focused on the main climate-related exposures for the Group's most relevant sites in a short/medium-term horizon, as well as on the Group's exposure to possible legislative-regulatory, market, technological and reputational disruptions. The work of analyzing transition risks consisted in their identification based on their nature and in the assessment of the related short/medium-term and long-term impacts.
The long-term analysis considered the three forecast scenarios defined by the Intergovernmental Panel on Climate Change (IPCC): the first (best) scenario foresees a limited climate development, the second (mid) a gradual intensification of natural phenomena, and the third (worst) a significant intensification of the same.
Over the years, the Group has strengthened its proactive approach to the dynamics associated with climate change, and several measures have been implemented in 2023 to mitigate potential exposure to sustainable transition risks. These include:

- The Group manages the risks of temporary business interruption due to external events or natural catastrophes by taking out insurance policies to cover direct damage to company assets and any related indirect losses due to business interruption.
- The Performance and Restricted Shares Plan 2023-2025, approved by the Shareholders' Meeting of 26 April 2023, and reserved for selected employees and/or directors and/or collaborators of Salvatore Ferragamo S.p.A. and/or other companies belonging to the Ferragamo Group, who are considered key to the pursuit of sustainable success in the medium-long term, provides for ESG goals, including those related to environmental sustainability (100% renewable energy in all company locations worldwide by 2029). For more details, please refer to note 42 "Share-based payments" in the Separate Financial Statements.

- In 2023, an ESG Steering Committee was established, a strategic body comprising the top management of key corporate functions, with the aim of providing in-depth oversight of the progress of the Sustainability Plan, ensuring constant monitoring and providing valuable feedback to optimize performance in the corporate sustainability sphere. The composition of the committee ensured cross-cutting and expert leadership on sustainability issues.
- In 2023, to accelerate the adoption of renewable electricity by investing in new clean energy infrastructure, the Group, as part of the Fashion Pact with 11 other brands, signed a Collective Virtual Power Purchase Agreement (CVPPA) for the European region. The first of its kind for the fashion industry, the CVPPA aims to add more than 100,000 MWh per year of new renewable electricity generation to the grid.
- In 2023, a data collection activity was also launched with regard to the main textile and tanning suppliers, focusing on the use of chemicals in the production phases, in order to monitor and mitigate the impacts of the related supply chain risks.

For more information, see the Consolidated Non-Financial Statement in the Directors' report on operations.
During 2024, the Company will continue to strengthen its assessment of the risk of climate change on the potential impacts on the Group's assets and processes, making it possible to appropriately address and implement further control measures to help limit exposure to these risks.

Property, plant and equipment

Tangible assets are recorded at historic cost, including the additional costs directly attributable and necessary to use the asset for the purpose for which it has been bought. This cost includes the costs to replace part of the plant and equipment when incurred, if they comply with the recognition criteria. The net value (cost less accumulated depreciation and accumulated impairment) of parts of replaced plant and equipment is recognized in the income statement at the time of replacement.

Maintenance and repair expenses, which do not involve the creation of value from and/or extension of the residual life of the assets, are recognized in the income statement in the year in which they are incurred, otherwise they are capitalized.

Tangible assets are shown net of the related accumulated depreciation and any accumulated impairment determined in accordance with the method described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset, which is reviewed on an annual basis and any changes, if necessary, are applied on a prospective basis.

The useful lives of the main classes of tangible assets are as follows:

	Useful life
Buildings	33 years
Plant and Equipment	5 years
Industrial and commercial equipment	5 years
Other assets:	
- Office furniture and furnishings	5.5 years
- Electronic machines	3 years
- Historic collection	5 years
- Vehicles	4 years
Leasehold improvements	On the basis of the residual term of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash-generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is reversed should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration.

The Company uses the exemption under IFRS 16 for intangible assets.

The Company as lessee

The Company applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Company recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:

The Company recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Company in restoring the underlying asset to its original condition, if required by the lease.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash-generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is reversed should the reasons for it no longer exist.

Lease liabilities:
At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the Company is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Company mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Company uses the Incremental Borrowing Rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
The Company has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Company as lessor
Lease contracts in which the Company largely retains all the risks and benefits of ownership of the asset are classified as operating leases.
The Group capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Business combinations and goodwill

Business combinations are accounted for using the purchase method.

The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company.

Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

Intangible assets

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.

Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Development costs	3-5 years
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is reversed should the reasons for it no longer exist.

Development costs

Research costs are charged to the income statement when they are incurred.

Development costs incurred in relation to a particular project are capitalized only when the Company can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.

During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized with reference to the period in which the project is likely to generate revenues for the Company.

Industrial patents and intellectual property rights
Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the filing and registration of trademarks and patents relating to Company products.

Concessions, licenses, trademarks and similar rights
This item refers to costs for the filing and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Know-how
The item includes the know-how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets
On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI (Solely Payments of Principal and Interest) test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Company's business model for managing financial assets refers to how the Company manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

After initial recognition, the Company measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivables, loans to subsidiaries, and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)
The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Company currently does not have this type of instruments.

Investments in equity instruments
Under IFRS 9, all equity instruments, including derivatives on these instruments, shall be measured at fair value through profit or loss on the assumption that they do not give rise to the contractual cash flows required to pass the SPPI test. However, upon initial recognition, the Company may irrevocably classify its equity investments as equity instruments at fair value through other comprehensive income when they meet the definition of equity instruments as per IAS 32 "Financial Instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument. This category includes Investments in subsidiaries.

Investments
Investments in subsidiaries are measured at purchase cost, in compliance with the provisions of IAS 27.
Should there be indications that the cost is no longer recoverable in full or in part, the carrying amount is reduced to the relevant recoverable amount, in accordance with the provisions of IAS 36. When, subsequently, this loss is reversed or reduced, the carrying amount is increased to the new estimated recoverable amount, which cannot exceed the original cost.

Financial assets at fair value through profit or loss

In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions.

Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reclassification

A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Company changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Company expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Company adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost.

This is the case of financial liabilities held for trading. In addition, the Company may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss: financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings): after initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.
It is not possible to reclassify financial liabilities.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Company elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge – if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.
- Cash flow hedge – if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

Cash and cash equivalents

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

Inventories

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

Provisions for risks and charges

Provisions for risks and charges are allocated when the Company must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.

When the Company believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

Employee benefit liabilities

The Company's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the current value. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19.

Effective 1 January 2007, the 2007 Budget Law and the relevant enabling legislation have introduced significant changes to employee severance indemnities, requiring to allocate them to either supplementary pension schemes or the Treasury Fund of the Italian Social Security Institute (INPS). Starting from said date, in accordance with IAS 19, severance indemnities are classified as "Defined-contribution plans", while the amounts paid into the provision for employee severance indemnities up to 31 December 2006 still qualify as "Defined-benefit plans".

The actuarial assessment of liabilities has been entrusted to an independent actuary.

Fair Value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – Valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:

Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates:

- Receivables and payables and unquoted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Quoted financial instruments: the market value at the reference date is used.

Costs

Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.

Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Company.

Costs are recognized according to their nature considering the standards applicable under IFRS.

Revenues from contracts with customers

Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Sale of goods

Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.

The Company considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return

Some contracts allow customers to return goods within a specified period of time. The Company uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Company will be entitled. The guidance in IFRS 15 regarding the constraints on the rec-

ognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Company adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the changes in inventories of finished products) is recognized also for the right to recover goods from customers.

Royalties
Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

Right of return assets
A right of return asset represents the Company's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Company regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

Refund liabilities
The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Company expects will have to be refunded to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payment plans
The Company recognizes additional benefits to some employees, directors and collaborators holding key positions, through equity-settled share-based payments, which provide for the physical delivery of shares and through cash-settled plans based on share value.

Equity-settled transactions
In accordance with the provisions of IFRS 2 – Share-based payments – rights in favor of employees are valued at fair value when the recipient is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the recipients have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions. The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions

In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the recipient is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Financial income and charges

Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends

Dividends are recognized when the shareholders' right to receive payment arises.

Government grants

Government grants are recognized when there is reasonable certainty that said grants will be received, and all the conditions of said grants are met. Grants related to income are shown as a positive component in the income statement.

Income taxes

Current taxes

Current income taxes are determined in relation to taxable income and in compliance with the rates and provisions in force; payables for current taxes are recognized in the statement of financial position, net of any tax advances paid. The Company regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.
Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes

Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.
Deferred tax liabilities are recorded for all taxable temporary differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Current and deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and which are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

Put and call agreements on minority interests

Put and call agreements are financial instruments in compliance with the provisions of IFRS 9.
The fair value of the financial instruments traded on an active market is determined at each reporting date with reference to market prices or operators' prices (ask price for long-term positions and bid price for short-term positions), without any deduction for transaction costs.

For financial instruments which are not traded on an active market, the fair value is determined using a valuation technique. This technique may include: the use of recent transactions at market conditions; reference to the current fair value of another instrument which is substantially the same; an analysis of discounted cash flows or other valuation models.

The accounting policy chosen by the Company envisages the recognition in the income statement and the recognition under financial liabilities of the fair value at the valuation date.

Changes in international accounting standards

The Company has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force. In addition to the standards described below, which became effective as from 1 January 2023, we also note the introduction of IFRS 17 Insurance Contracts and amendments thereto, which is not applicable to Salvatore Ferragamo S.p.A..

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption for deferred tax, so as to exclude transactions that give rise to equal amounts of taxable and deductible temporary differences, as in the case of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The deferred tax assets and liabilities related to leases and decommissioning obligations shall therefore be recognized at the beginning of the earliest comparative period presented, recognizing the relevant cumulative effect as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest comparative period presented. Since this case does not apply to the Company, the application of the amendments had no impact on retained earnings as at 1 January 2022.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted, provided that this fact is disclosed. These amendments had no significant impact on the Company's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirements for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; in addition, they added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, and earlier application is permitted. As the amendments to "IFRS Practice Statement 2: Making Materiality Judgements" set out non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, an effective date for these amendments is not required. This section "Basis of presentation" has been revised in light of the amendments.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. These amendments had no impact on the Company.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules

Effective as from 1 January 2024, the Salvatore Ferragamo Group, as a multinational group exceeding the revenue threshold of 750 million Euro for two out of the previous four financial years, falls within the scope of the Pillar Two income taxes provided for by Directive (EU) 2022/2523, adopted in Italy by Italian Legislative Decree no. 209 of 27 December 2023, which aims to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (known as global minimum tax).

According to paragraph 4.A of IAS 12 (paragraph added by Regulation (EU) 2023/2468 of the European Commission), which provides, as an exception to the provisions of this standard, that an entity does not recognize and does not disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, no information is disclosed and no deferred tax assets or liabilities are recognized related to Pillar Two income taxes.

The Pillar Two income tax exposure for all Group companies in each jurisdiction is a function of the level of effective taxation, which for each such jurisdiction depends on a number of interrelated factors, mainly the income generated there, the level of the nominal tax rate, the tax rules for determining the tax base, the provision, form and use of incentives or other tax benefits.

However, given the novelty and complexity underlying the determination of the level of effective taxation, Pillar Two rules provides for the possibility, for the first periods of application (known as the transitional regime for periods beginning before 31 December 2026 and ending no later than 30 June 2028), of applying a simplified regime (known as Transitional CbCR Safe Harbor) based primarily on accounting information available for each relevant jurisdiction, which, if at least one of three tests is met, will result in a reduction of the compliance burden and in the zeroing of Pillar Two taxes.

Based on known or reasonably estimable information, the Company's exposure to the Pillar Two income taxes at the end of the reporting period is not considered to be material, as:

- the majority of the Group's entities located in jurisdictions that meet at least one of the three tests of the Transitional CbCR Safe Harbors qualify for a zeroing of Pillar Two taxes; and
- for the remaining Group entities located in jurisdictions that do not meet any of the three tests of the Transitional CbCR Safe Harbors, the effective tax rate in those jurisdictions is close to the minimum of 15% or the profits in those jurisdictions are small relative to the Group's total profits.

The Company, with the support of external consultants, is organizing and preparing for compliance with Pillar Two rules, also with a view to managing the exposure for subsequent periods, by putting in place appropriate systems and procedures aimed at:

- identifying, locating and characterizing all Group companies for the purposes of Pillar Two rules, including on an ongoing basis;
- calculating the simplified tests (known as Transitional CbCR Safe Harbors) for each relevant jurisdiction in order to enjoy the related benefits in terms of reducing compliance burden and zeroing out Pillar Two taxes;
- carrying out full and detailed calculations of the relevant quantities as required by Pillar Two rules for all jurisdictions that fail any of the above tests.

Standards issued but not yet in force

Set out below are the standards which, when preparing the separate financial statements, had already been issued but were not yet in force. The list refers to the standards and interpretations which the Company expects will in all likelihood be applicable in the future. The Company intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In 2020 and 2022, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current, including in relation to liabilities subject to covenants, and to define the disclosures required in the financial statements. The amendments will be effective for annual periods beginning on or after 1 January 2024, and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on the financial statements.

Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback

In September 2022, the IASB issued amendments to IFRS16 to clarify the parameters that the lessor/seller should use to recognize variable lease payments in a "Sale and Leaseback" transaction. The amendments introduce a new model for accounting for variable payments and will require the lessor/seller to reassess and potentially reformulate sale and leaseback transactions entered into as from 2019. The amendments will be effective for annual periods beginning on or after 1 January 2024, and must be applied retrospectively to Sale and Leaseback transactions entered into after the date of initial application of IFRS16. Earlier application is permitted, provided that this fact is disclosed. The Company is currently assessing the impact the amendments will have on the financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments to clarify the characteristics of financial arrangements with suppliers and to require additional disclosures in the financial statements. The more detailed information required is intended to enable readers of the financial statements to understand the impact of financial arrangements with suppliers on liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual periods beginning on or after 1 January 2024; however, earlier application is permitted, provided that this fact is disclosed. The Company is currently assessing the impact the amendments will have on the financial statements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued an amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates to clarify:

- when a currency is not exchangeable for other currencies;
- how a company should estimate spot exchange rates when a currency cannot be exchanged.

The amendments will require more detailed disclosures to enable readers of the financial statements to understand the precise exchange rate used, the estimation process, the nature and impact on the financial statement data of using an estimated exchange rate, and the risks to the company related to the non-exchangeability of currencies. The amendments will be effective for annual periods beginning on or after 1 January 2025. Earlier application is permitted. The Company is currently assessing the impact the amendments will have on the financial statements.

3. Management of financial risks (IFRS 7)

Salvatore Ferragamo S.p.A. monitors, also on a Group basis, the exposure in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit, commercial or counterparty risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines defined by the Company, in compliance with the goals set centrally by the Board of Directors. This enables the supervision and coordination of the operations of the individual Group companies, also through more effective financial planning and control, the systematic monitoring of the levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions.

In accordance with these directives, control over the management of individual financial risks is ensured through intervention aimed at containing their impact, also by using derivatives. Derivatives are used for hedging purposes only. In accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities largely consist of trade payables, payables to banks (if any), other financial payables, and lease liabilities following the introduction of the accounting standard IFRS 16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.
Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the market value of assets and liabilities to changes in the level of interest rates (it refers to fixed-rate assets or liabilities).

Salvatore Ferragamo S.p.A. is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. The Company uses third-party financial resources largely in the form of floating-rate bank debt and deploys the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Company's financial charges and income, and not their fair value.

Bank debt is represented by short-term, floating-rate loans, if any. The cost of bank debt is benchmarked to the market rate (generally Euribor/Libor/SOFR for the period or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. As at 31 December 2023, there were no drawdowns. The margins applied are in line with best market standards.

Cash surpluses are held in current accounts or time deposits with reference banks, which bear interest at the Euribor/Libor/SOFR rate or the benchmark of the currency on the specific interbank market, in cash-pooling structures or invested in intercompany loans, regulated at current market conditions, in order to limit the Group's exposure to the banking system, counterparty risk, and the impact of financial charges.

The Company, with a view to moderately diversifying its cash management, made an insurance investment in a readily adjustable Type I policy in 2022 and an investment in short-term Italian government bonds (*Buoni Ordinari del Tesoro*) in 2023.

Sensitivity to interest rate risk is monitored by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates.

At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating-rate debt into fixed-rate debt, nor did the Company make use of such derivatives in the previous year.

The Company carried out the sensitivity analysis of the interest rate risk to which it is exposed by considering the financial statement items which give rise to floating-rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2023 and 2022, considering the amounts of sensitive assets and liabilities, interest rate trends and the relevant market volatility, showed no contingent gains and losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates has an immaterial impact on the Company's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency, i.e. the Euro.

In particular, the exchange rate risk can be classified based on the nature of the exposure and of the effects on operating results due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk).

The Company operates internationally and therefore is exposed to risks arising from exchange rates fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement.

In keeping with the exchange rate risk management policy adopted in recent years, the Company manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, to both subsidiaries and third parties, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

The Group has a strong presence in international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US Dollar and Chinese Renminbi. In the year ended 31 December 2023, around 31% of the Company's net revenues were denominated in US Dollars, around 9% in Chinese Renminbi, around 6% in South Korean Won, around 6% in Mexican Peso, and around 5% in Japanese Yen. In the year ended 31 December 2022, around 40% of the Company's net revenues were denominated in US Dollars, around 10% in Chinese Renminbi, around 6% in South Korean Won, around 5% in Japanese Yen, and around 4% in Mexican Peso. The currency risks originate mainly from exports of the Company in US Dollars, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure borne by Salvatore Ferragamo S.p.A.), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. Exchange rate risk management is mostly focused on the Company through the direct invoicing in the accounting currency of the subsidiary in order to hedge the exposure deriving from sales in currencies other than the Euro by entering into derivatives. In particular, the Company is exposed to changes in the exchange rate between the Euro and the US Dollar, in relation to sales in Dollars both on the North American market and on few other markets, mainly Asian ones. In this context, the Company is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Company (as a manufacturing company) enters into currency forward exchange contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Company covered its exchange rate risk almost exclusively with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. This way, the Company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

In addition, the Company checks the exposure and the related exchange rate risk management procedures of some Asian and Latin American subsidiaries which make purchases of goods in US Dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are, nonetheless, significantly lower than those concluded directly by the Company to mitigate the exchange rate risk arising from sales in the accounting currency of the various subsidiaries.

In addition, the Company controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) by offsetting financial receivables and payables denominated in the same currency or through financial instruments, whose recognition in accordance with IFRSs follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Company's future transactions in foreign currencies (which can be classified as cash flow hedges pursuant to IFRSs) are accounted for in accordance with hedge accounting rules.

The following table shows the changes in the Cash flow hedge reserve for the years ended 31 December 2023 and 31 December 2022:

Exchange rate risk

(In thousands of Euro)	2023	2022
Opening balance	9,495	(8,426)
+ increases for recognition of new positive effectiveness	15,707	14,430
- decreases for recognition of new negative effectiveness	(2,805)	(22,173)
- decreases due to the transfer of effectiveness from the Cash flow hedge reserve and recognition of income in profit or loss	(20,219)	(3,554)
+ increases due to the transfer of effectiveness from the Cash flow hedge reserve and recognition of cost in profit or loss	3,374	29,218
Closing balance	**5,552**	**9,495**

Overall, the "Reserve", which consists of the value changes in hedges for expected transactions in foreign currency, decreased by 3,943 thousand Euro during 2023, whereas it had increased by 17,921 thousand Euro in 2022. The changes in value reflect the Euro's performance against the main hedged currencies, specifically the Euro's exchange rate with the US Dollar and the Chinese Renminbi, which witnessed a general slight appreciation of the single currency during the year. The amount transferred from the Reserve to "Revenues from sales" on occurrence of the underlying flows was a positive total of 16,845 thousand Euro in 2023, compared to a negative 25,664 thousand Euro in 2022. In 2023, no hedge was interrupted and hedges were one hundred percent effective for the whole duration of the underlying asset.

A hedge may become ineffective as a result of:

- differences in the timing of cash flows of the hedged item and the hedging instrument;
- changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Company held at the end of 2023 and 2022. The number of foreign currencies in the tables shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items)

31 December 2023

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	27,000	36,000	53,000	74,000	5,000	**195,000**
Average forward exchange rate (EUR/USD)	1.051	1.071	1.090	1.096	1.088	
Notional amount in CAD	2,000	500	5,000	2,000	-	**9,500**
Average forward exchange rate (EUR/CAD)	1.449	1.478	1.479	1.502	-	
Notional amount in CNY	40,000	100,000	50,000	110,000	-	**300,000**
Average forward exchange rate (EUR/CNY)	7.302	7.305	7.505	7.773	-	
Notional amount in GBP	1,000	1,700	1,000	-	-	**3,700**
Average forward exchange rate (EUR/GBP)	0.878	0.874	0.871	-	-	
Notional amount in HKD	8,000	11,000	7,000	18,000	-	**44,000**
Average forward exchange rate (EUR/HKD)	8.363	8.418	8.473	8.405	-	
Notional amount in JPY	400,000	1,000,000	600,000	800,000	-	**2,800,000**
Average forward exchange rate (EUR/JPY)	137.631	145.682	153.665	151.440	-	
Notional amount in KRW	4,000,000	10,000,000	12,000,000	14,000,000	-	**40,000,000**
Average forward exchange rate (EUR/KRW)	1,394.800	1,422.317	1,396.625	1,415.937	-	
Notional amount in MXN	30,000	80,000	100,000	40,000	-	**250,000**
Average forward exchange rate (EUR/MXN)	21.285	20.580	19.779	19.261	-	

31 December 2022

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	22,000	65,000	86,000	79,000	-	**252,000**
Average forward exchange rate (EUR/USD)	1.142	1.130	1.074	1.026	-	
Notional amount in CAD	-	1,500	1,000	2,000	-	**4,500**
Average forward exchange rate (EUR/CAD)	-	1.370	1.353	1.359	-	
Notional amount in CNY	80,000	140,000	100,000	140,000	-	**460,000**
Average forward exchange rate (EUR/CNY)	7.360	7.294	7.265	7.047	-	
Notional amount in GBP	-	-	250	1,000	-	**1,250**
Average forward exchange rate (EUR/GBP)	-	-	0.887	0.901	-	
Notional amount in HKD	4,000	21,000	5,000	8,000	-	**38,000**
Average forward exchange rate (EUR/HKD)	8.854	8.800	8.175	8.107	-	
Notional amount in JPY	500,000	1,200,000	1,050,000	800,000	-	**3,550,000**
Average forward exchange rate (EUR/JPY)	129.656	133.220	137.817	137.278	-	
Notional amount in KRW	5,000,000	13,000,000	10,000,000	14,000,000	4,000,000	**46,000,000**
Average forward exchange rate (EUR/KRW)	1,371.400	1,367.402	1,354.036	1,383.503	1,382.500	
Notional amount in MXN	40,000	140,000	40,000	210,000	-	**430,000**
Average forward exchange rate (EUR/MXN)	23.570	23.790	23.455	22.112	-	

Cash flow analysis (hedged items): impact on the income statement

31 December 2023

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**144,000**	56,000	73,000	15,000	-	-
Sales expected in JPY	**2,600,000**	1,300,000	500,000	700,000	100,000	-
Sales expected in GBP	**2,700**	1,700	1,000	-	-	-
Sales expected in MXN	**140,000**	100,000	40,000	-	-	-
Sales expected in CAD	**7,000**	1,000	6,000	-	-	-
Sales expected in CNY	**275,000**	110,000	90,000	75,000	-	-
Sales expected in HKD	**30,000**	8,000	17,000	5,000	-	-
Sales expected in KRW	**36,000,000**	14,000,000	14,000,000	8,000,000	-	-

31 December 2022

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**183,000**	89,000	91,000	3,000	-	-
Sales expected in JPY	**3,050,000**	1,200,000	1,350,000	500,000	-	-
Sales expected in GBP	**1,250**	-	750	500	-	-
Sales expected in MXN	**250,000**	40,000	210,000	-	-	-
Sales expected in CAD	**3,500**	500	3,000	-	-	-
Sales expected in CNY	**350,000**	170,000	150,000	30,000	-	-
Sales expected in HKD	**30,000**	17,000	13,000	-	-	-
Sales expected in KRW	**36,000,000**	14,000,000	14,000,000	8,000,000	-	-

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US Dollar, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2023 as well as 31 December 2022. The above tables set out the financial recognition dates of underlying assets by currency and the dates on which the impact on the income statement is recognized. This is determined upon the invoicing of the estimated flows, which are the object of the exchange rate hedge, as at 31 December 2023 and 2022.

Below is the impact of the hedged items on the statement of financial position:

Expected highly probable sales

(In thousands of Euro)	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	Carrying amount	
			Line item "other current assets"	Line item "other current liabilities"
31 December 2023	225,927	5,552	4,454	(272)
31 December 2022	287,034	9,495	6,595	(2,685)

The Argentine Peso depreciated sharply in 2023, particularly in December, as a result of local political measures; however, the currency is not significant to the Company's overall exposure to exchange rate risk.

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Company's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short- and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with IFRS requirements. Exchange rates were considered for currencies whose changes generate an impact on the Income Statement and Shareholders' Equity, in absolute terms, of over one million Euro.

Sensitivity analysis: exchange rate risk

31 December 2023

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	9.8%	Derivatives	2,000	1,625
			Non-derivatives	(2,376)	
	EUR/USD	6.7%	Derivatives	12,070	9,764
			Non-derivatives	(9,347)	
	EUR/KRW	7.7%	Derivatives	441	1,984
			Non-derivatives	(330)	
	EUR/CNY	5.9%	Derivatives	526	2,068
			Non-derivatives	(677)	
	EUR/MXN	12.2%	Derivatives	1,726	833
			Non-derivatives	(2,213)	
	EUR/GBP	6.0%	Derivatives	1,133	228
			Non-derivatives	(215)	
	EUR/SGD	4.6%	Derivatives	382	-
			Non-derivatives	(426)	
	EUR/THB	8.2%	Derivatives	675	-
			Non-derivatives	(772)	
	EUR/CAD	5.9%	Derivatives	781	331
			Non-derivatives	(634)	
	EUR/BRL	14.0%	Derivatives	799	-
			Non-derivatives	(1,034)	
Total				**2,509**	**16,833**
NEGATIVE CHANGE	EUR/JPY	(9.8%)	Derivatives	(2,486)	(2,020)
			Non-derivatives	2,890	
	EUR/USD	(6.7%)	Derivatives	(14,197)	(11,485)
			Non-derivatives	10,678	
	EUR/KRW	(7.7%)	Derivatives	(524)	(2,357)
			Non-derivatives	385	
	EUR/CNY	(5.9%)	Derivatives	(597)	(2,345)
			Non-derivatives	761	
	EUR/MXN	(12.2%)	Derivatives	(2,221)	(1,072)
			Non-derivatives	2,830	
	EUR/GBP	(6.0%)	Derivatives	(1,328)	(268)
			Non-derivatives	243	
	EUR/SGD	(4.6%)	Derivatives	(430)	-
			Non-derivatives	467	
	EUR/THB	(8.2%)	Derivatives	(801)	-
			Non-derivatives	911	
	EUR/CAD	(5.9%)	Derivatives	(907)	(385)
			Non-derivatives	713	
	EUR/BRL	(14.0%)	Derivatives	(1,171)	-
			Non-derivatives	1,369	
Total				**(3,415)**	**(19,932)**

31 December 2022

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	10.8%	Derivatives	4,029	2,119
			Non-derivatives	(4,083)	
	EUR/USD	8.1%	Derivatives	4,566	12,855
			Non-derivatives	(5,211)	
	EUR/KRW	8.6%	Derivatives	705	1,999
			Non-derivatives	(860)	
	EUR/CNY	6.3%	Derivatives	883	2,808
			Non-derivatives	(942)	
	EUR/MXN	12.5%	Derivatives	1,300	1,336
			Non-derivatives	(1,862)	
	EUR/GBP	7.9%	Derivatives	663	103
			Non-derivatives	(110)	
	EUR/SGD	5.9%	Derivatives	2,068	-
			Non-derivatives	(2,110)	
	EUR/THB	8.5%	Derivatives	696	-
			Non-derivatives	(732)	
	EUR/CAD	7.5%	Derivatives	144	168
			Non-derivatives	(350)	
	EUR/BRL	18.9%	Derivatives	493	-
			Non-derivatives	(1,078)	
Total				**(1,791)**	**21,388**
NEGATIVE CHANGE	EUR/JPY	(10.8%)	Derivatives	(5,008)	(2,633)
			Non-derivatives	5,074	
	EUR/USD	(8.1%)	Derivatives	(5,371)	(15,121)
			Non-derivatives	6,130	
	EUR/KRW	(8.6%)	Derivatives	(838)	(2,374)
			Non-derivatives	1,021	
	EUR/CNY	(6.3%)	Derivatives	(1,001)	(3,184)
			Non-derivatives	1,068	
	EUR/MXN	(12.5%)	Derivatives	(1,674)	(1,719)
			Non-derivatives	2,396	
	EUR/GBP	(7.9%)	Derivatives	(777)	(121)
			Non-derivatives	130	
	EUR/SGD	(5.9%)	Derivatives	(2,328)	-
			Non-derivatives	2,375	
	EUR/THB	(8.5%)	Derivatives	(826)	-
			Non-derivatives	869	
	EUR/CAD	(7.5%)	Derivatives	(167)	(195)
			Non-derivatives	407	
	EUR/BRL	(18.9%)	Derivatives	(722)	-
			Non-derivatives	1,579	
Total				**2,337**	**(25,347)**

As the above table shows, a positive change in the listed exchange rates (*EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN, EUR/GBP, EUR/SGD, EUR/THB, EUR/CAD and EUR/BRL*) would have resulted in a 2,509 thousand Euro profit and 1,791 thousand Euro loss as at 31 December 2023 and 31 December 2022, respectively; a negative change in exchange rates would have caused a 3,415 thousand Euro loss and 2,337 thousand Euro profit as at 31 December 2023 and 31 December 2022, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges, as a result of the assumed positive exchange rate changes would have amounted to 16,833 thousand Euro and 21,388 thousand Euro as at 31 December 2023 and 31 December 2022, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 19,932 thousand Euro and 25,347 thousand Euro as at 31 December 2023 and 31 December 2022, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Company shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the Cash flow hedge reserve and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on the statement of financial position in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Company cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).
The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.
The factors which mainly influence the Company's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.
Liquidity needs or surpluses are monitored on a daily basis by the Company's Treasury Department in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.
The negotiation and management of credit lines is coordinated by the Company at Group level with the aim of satisfying the short and medium/long-term needs of the individual companies according to efficiency and cost-effectiveness criteria.
As at 31 December 2023, there were outstanding uncommitted short-term credit lines with a number of banks made available to the Company to meet financing needs connected to the management of working capital for a total of 176,199 thousand Euro, as well as committed short- and medium/long-term credit lines negotiated on a bilateral basis by the Company for a total of 380,000 thousand Euro, entirely revolving.
As at 31 December 2023, Salvatore Ferragamo S.p.A. has no drawdowns on either committed and uncommitted credit lines. As at 31 December 2023, the Parent company had a net financial position amounting to a surplus of 229,064 thousand Euro, considering also lease liabilities in accordance with the accounting standard IFRS 16; as at 31 December 2022, the Company's net financial position amounted to a surplus of 252,876 thousand Euro.
As at 31 December 2023, committed credit lines had a maximum residual maturity of forty-one months and a weighted average residual maturity of twenty-one months. The Parent company's current committed revolving credit lines do not require compliance with financial covenants. For more details, see note 20 "Interest-bearing loans & borrowings – Limitations on the use of financial resources".
The credit lines and the related financial operations are spread among leading national and international banks. It has always been the Company's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for

any expansion programs. Also during 2023, the policy of Salvatore Ferragamo S.p.A. was to use a significant part of its cash surpluses to take out intercompany loans, regulated at current market conditions, so as to contain the increase in bank debt and the related financial charges.

Cash surpluses are held in current accounts or time deposits with reference banks, which bear interest at the Euribor/Libor/SOFR rate or the benchmark of the currency on the specific interbank market, or invested in intercompany loans, regulated at current market conditions, in order to reduce the Group's exposure to the banking system and limit the counterparty risk as well as the impact of financial charges. The Company, with a view to moderately diversifying its cash management, made an investment in short-term Italian government bonds (*Buoni Ordinari del Tesoro*) of 20,000 thousand Euro in 2023 and increased the insurance investment in a readily adjustable Type I policy of 10,000 thousand Euro, made in 2022, by an additional 5,000 thousand Euro.
Liquidity investments are carried out with the prime objectives of making resources available at short notice and neutralizing the risk of capital losses, avoiding speculative transactions.
In 2022, with the aim of more efficient cash and liquidity management at Group level, Salvatore Ferragamo S.p.A. also entered into a cash pooling agreement with a number of subsidiaries. For further details, please refer to notes 17 and 20. In 2023, the Board of Directors of the Company also approved a policy for the management and mitigation of liquidity risk, the main objective of which is to ensure adequate coverage of the financial needs of Group companies.

These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Company has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's ability to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines has allowed to face the most turbulent market phases and volatility in credit flows with confidence. The financial position of the Company and of the Group is measured on a monthly basis and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Company to safely address the repayment of loans at their natural maturity and to meet the needs arising from investment activities and working capital management.

Liquidity risk – Maturity analysis

31 December 2023

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	122,614	796	-	-	123,410
Payables to subsidiaries	54,714	15	-	-	54,729
Payables for loans due from subsidiaries	-	-	-	-	-
Payables due to shareholders for dividends	-	-	-	-	-
Lease liabilities	5,741	16,029	80,263	86,931	188,964
Derivatives – non-hedging component	510	-	-	-	510
Derivatives – hedging component	350	566	-	-	916
Total	**183,929**	**17,406**	**80,263**	**86,931**	**368,529**

31 December 2022

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	116,561	1,642	-	-	118,203
Payables to subsidiaries	24,435	826	-	-	25,261
Payables for loans due from subsidiaries	21,521	-	-	-	21,521
Payables due to shareholders for dividends	2	-	-	-	2
Lease liabilities	4,371	11,883	61,962	68,674	146,890
Derivatives – non-hedging component	1,179	-	-	-	1,179
Derivatives – hedging component	5,335	2,057	-	-	7,392
Total	**173,404**	**16,408**	**61,962**	**68,674**	**320,448**

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months. In 2023, there were no payables to banks and other lenders, while the financial assets recognized in the financial statements have a maximum residual maturity of less than three months, as they mainly relate to cash and cash equivalents.

Credit risk

Credit risk represents the Company's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties.
The Company's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables.
The Company's exposure to trade credit risk refers mainly to sales to third parties and to receivables arising from revenues generated by licensing activities, which combined represent around 20.6 percent of global turnover: the remaining turnover refers to intercompany and retail sales with cash payment or payment by credit or debit cards at the time of purchase. Trade receivables mainly refer to wholesale sales and are generally due in 90 days or less.

The Company generally favors trade dealings with customers with whom it has well-established and consolidated relations. Pursuant to its policy, Salvatore Ferragamo S.p.A. checks credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers and obtaining, where possible, guarantees or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, are all actions aimed at further mitigating this risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency and its past history.

In general, the Company believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.
The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Company manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations. The Company negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Company's other financial assets, consisting of cash and cash equivalents, financial assets at amortized cost and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Maximum credit risk exposure

	31 December 2023		31 December 2022	
(In thousands of Euro)	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
Trade receivables	182,345	-	161,114	-
Receivables for loans due from subsidiaries	148,366	-	122,199	-
Receivables due from credit cards	447	-	426	-
Cash and cash equivalents	203,180	-	268,833	-
Guarantee deposits	-	206	-	192
Other current financial assets	35,240	-	9,999	-
Derivatives	8,348	-	7,507	-
Total	**577,926**	**206**	**570,078**	**192**

The table shows how the Company's exposure to credit risk – both commercial and counterparty risk – is defined by the book value of the items representing outstanding financial assets as at 31 December 2023 and 31 December 2022, and is almost exclusively limited to the current portion. The non current portion refers to the item "Guarantee deposits" which mainly includes the cash deposits made by the Company for property leases and is recognized at nominal value.

Concentration of credit risk by geographic area

(In thousands of Euro)	31 December 2023	%	31 December 2022	%
Italy	22,292	12.2%	15,044	9.3%
Europe	24,161	13.2%	22,472	14.0%
North America	59,201	32.5%	58,470	36.3%
Japan	3,939	2.2%	4,411	2.7%
Asia Pacific	34,475	18.9%	31,060	19.3%
Central and South America	38,277	21.0%	29,657	18.4%
Total	**182,345**	**100.0%**	**161,114**	**100.0%**

The table shows the concentration of commercial credit risk by geographic area of the Company's activity in the two years under review.

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2023	152,980	(1,013)	7,066	4,232	5,012	14,068	182,345
31 December 2022	144,905	2,023	3,940	708	1,061	8,477	161,114
Figures in % as at 31 December 2023	83.9%	(0.6%)	3.9%	2.3%	2.7%	7.7%	100.0%
Figures in % as at 31 December 2022	89.9%	1.3%	2.4%	0.4%	0.7%	5.3%	100.0%

The table provides an analysis of the maturities of receivables which are past due but not impaired for the years ended 31 December 2023 and 31 December 2022.
The concentration of sales to the main third-party customers is shown in the table below; for the concentration of sales by geographic area, reference should be made to the specific section above:

Concentration of market risk

	2023	2022
Percentage of revenues with the biggest customer	12.5%	6.8%
Percentage of revenues with the 3 biggest customers	20.1%	14.9%
Percentage of revenues with the 10 biggest customers	33.5%	29.1%

Capital management

The main objective of the Company's capital management activity is to ensure that a solid credit rating as well as adequate levels of share capital indicators are maintained in order to support business and optimize value for shareholders. The Company manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Company can modify the dividends paid to shareholders, repay the capital or issue new shares. No change was made to the objectives, policies or procedures during 2023 and 2022.
To this end, the Company's capital management aims to, among other things, ensure compliance with any covenants associated with financial payables to banks that define capital structure requirements.

The Company includes under net debt, if any, interest-bearing loans, other financial payables, lease liabilities, trade and other payables, net of cash and cash equivalents. The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2023	31 December 2022
Interest-bearing loans	-	21,390
Lease liabilities	158,889	125,925
Trade and other payables (net of hedging derivatives)	202,813	187,462
Cash and cash equivalents	203,180	268,833
Net debt	**158,522**	**65,944**
Total Shareholders' equity (net of the Cash flow hedge reserve)	**713,365**	**667,665**
Shareholders' equity and net debt	**871,887**	**733,609**
Debt/Shareholders' equity ratio	**22.22%**	**9.88%**

4. Business combinations

During 2023 there were no business combinations.

It should be noted that on 21 March 2023, Ferragamo Singapore Pte Ltd issued new shares for a total of 43 million SGD, fully subscribed by Salvatore Ferragamo S.p.A. through the conversion of outstanding financial receivables for a total of 29,957 thousand Euro.

On 3 November 2023, the Ferragamo Group completed the purchase of minority interests in the subsidiaries Ferragamo Moda (Shanghai) Co. Limited, Ferragamo Retail Macau Limited and Ferrimag Limited (sub-holdings of Ferragamo Retail HK Ltd., Ferragamo Retail Taiwan Limited and Ferragamo Fashion Trading (Shanghai) Co. Ltd.), held by Imaginex Holdings Limited and Imaginex Overseas Limited, which are controlled by the then board member Peter K. C. Woo – who subsequently resigned as director on 13 November 2023 – through the transfer of the equity investments and the simultaneous payment of the consideration. In particular, Salvatore Ferragamo S.p.A. acquired 24.8% of Ferragamo Retail Macau Limited for a consideration of 1,159 thousand Euro, and 25% of Ferragamo Moda (Shanghai) Co. Limited for a total of 1 USD.

Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

5. Property, plant and equipment

The breakdown of "Property, plant and equipment" as at 31 December 2023 and 2022 is shown in the following table:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Land	18,010	-	18,010	18,010	-	18,010
Buildings	69,886	19,397	50,489	67,447	17,299	50,148
Plant and equipment	61,484	47,332	14,152	56,923	43,075	13,848
Industrial and commercial equipment	22,115	20,096	2,019	21,287	19,358	1,929
Other assets	50,716	44,318	6,398	44,122	39,505	4,617
Leasehold improvements	27,439	22,315	5,124	23,436	21,353	2,083
Fixed assets in progress and payments on account	6,729	-	6,729	4,343	-	4,343
Total	**256,379**	**153,458**	**102,921**	**235,568**	**140,590**	**94,978**

The following tables show the change in the item "Property, plant and equipment" for the years ended 31 December 2023 and 2022:

(In thousands of Euro)	Value 01.01.2023	Additions	Disposals	Depreciation	Value as at 31.12.2023
Land	18,010	-	-	-	18,010
Buildings	50,148	2,439	-	(2,098)	50,489
Plant and equipment	13,848	4,762	(4)	(4,454)	14,152
Industrial and commercial equipment	1,929	965	(45)	(830)	2,019
Other assets	4,617	4,244	(1)	(2,462)	6,398
Leasehold improvements	2,083	4,059	(22)	(996)	5,124
Fixed assets in progress and payments on account	4,343	16,900	(14,514)	-	6,729
Total	**94,978**	**33,369**	**(14,586)**	**(10,840)**	**102,921**

(In thousands of Euro)	Value 01.01.2022	Additions	Disposals	Depreciation	Value as at 31.12.2022
Land	18,010	-	-	-	18,010
Buildings	52,141	79	-	(2,072)	50,148
Plant and equipment	17,035	1,381	-	(4,568)	13,848
Industrial and commercial equipment	2,067	696	(43)	(791)	1,929
Other assets	5,177	2,024	(1)	(2,583)	4,617
Leasehold improvements	2,612	499	(8)	(1,020)	2,083
Fixed assets in progress and payments on account	661	6,406	(2,724)	-	4,343
Total	**97,703**	**11,085**	**(2,776)**	**(11,034)**	**94,978**

The increase in 2023 in the item:

- "Buildings" refers to works at the Osmannoro-Sesto Fiorentino facility;
- "Plant and equipment" refers mainly to the purchase and installation of new equipment at the Osmannoro-Sesto Fiorentino facility, including in early 2023 the completion of a new Ready-To-Wear atelier department;
- "Industrial and commercial equipment" refers largely to the purchase of new furniture and equipment for the stores that were renovated during the year;
- "Other assets" mainly refers to equipment, furniture and furnishings destined to the Milan showroom and offices on Corso Matteotti and to the Osmannoro-Sesto Fiorentino facility, as well as to the purchase of IT equipment for 802 thousand Euro.
- "Leasehold improvements" mainly refers to works carried out for the renovation of the Milan showroom and offices on Corso Matteotti.

The item "Fixed assets in progress and payments on account" mainly includes expenses incurred and payments on account made for the renovation and opening of new stores that were not yet operational as at the reporting date (including works on the Woman store in Milan, where Ferragamo's new store concept was created and opened in February 2024), as well as work for the construction of a building to be used for general interest production activities at the area owned by Salvatore Ferragamo S.p.A. in the municipality of Sesto Fiorentino-Osmannoro.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which can change the use of assets. The analyses carried out did not show any indicators of impairment as regards this item.

6. Right-of-use assets

The breakdown of "Right-of-use assets" as at 31 December 2023 and 2022 is shown in the following table:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Right-of-use assets:						
- Buildings	200,873	59,106	141,767	162,853	47,609	115,244
- Vehicles	5,622	2,712	2,910	4,766	2,800	1,966
- Equipment and other assets	480	480	-	480	480	-
Total	**206,975**	**62,298**	**144,677**	**168,099**	**50,889**	**117,210**

The following tables show the change in right-of-use assets for the years ended 31 December 2023 and 2022.

(In thousands of Euro)	Value as at 01.01.2023	Additions	Disposals	Depreciation	Value as at 31.12.2023
Right-of-use assets:					
- Buildings	115,244	45,944	(436)	(18,985)	141,767
- Vehicles	1,966	2,566	(129)	(1,493)	2,910
- Equipment and other assets	-	-	-	-	-
Total	**117,210**	**48,510**	**(565)**	**(20,478)**	**144,677**

(In thousands of Euro)	Value as at 01.01.2022	Additions	Disposals	Depreciation	Value as at 31.12.2022
Right-of-use assets:					
- Buildings	102,821	28,507	(515)	(15,569)	115,244
- Vehicles	1,844	1,468	(35)	(1,311)	1,966
- Equipment and other assets	79	8	-	(87)	-
Total	**104,744**	**29,983**	**(550)**	**(16,967)**	**117,210**

"Buildings" includes Right-of-use assets largely relating to leases of stores (accounting for approximately 75.0% of right-of-use assets – Buildings as at 31 December 2023) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the year refer to new leases started during the year, whereas the most significant declines relate to leases that were either terminated early or for which the Company negotiated a reduction in future lease payments.

For more details on cash outflows related to leases, see notes 24 Lease Liabilities and 33 Costs for services.
As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which may or may not change decisions on where to locate stores/offices.

The analyses carried out did not show any indicators of impairment as regards this item.

7. Goodwill

The amount of Goodwill, totaling 6,679 thousand Euro, was entirely acquired in 2020 as a result of the acquisition and subsequent merger of Arts s.r.l. and Aura 1 S.r.l.. This item was unchanged in 2023.

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Impairment	Net value	Historical Cost	Impairment	Net value
Goodwill	6,679	-	6,679	6,679	-	6,679
Total	**6,679**	**-**	**6,679**	**6,679**	**-**	**6,679**

As required by the procedure for analyzing impairment indicators adopted by the Company, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

In reviewing its impairment indicators, the Company considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2023, the Company's market capitalization comfortably exceeded the book value of equity, ruling out the existence of an impairment indicator.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted Cash-Flow – DCF analysis).

The DCF analysis was performed based on the budget for the year 2024 (approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 20 December 2023); as for the two following explicit forecast years (2025-2026), the Company used forecast data prepared by management, which represent the best estimate the Company can make of the economic conditions expected for the period, as per the impairment test procedure approved by the Board of Directors on 25 January 2024.

The main assumptions to determine the recoverable amount are given below:

- Growth rate "g": 1.96%, which was assumed to be equal to the rate of inflation expected to prevail over the medium-long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 10.72% considering the Group's positive adjusted net financial position (surplus), it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

The Terminal Value was determined using the perpetuity model with a long-term growth rate "g" and represents the present value, in the final projected year, of all the expected future cash flows.

From the analyses carried out no need emerged to record any impairment on this item.
The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in both parameters.

8. Intangible assets with a finite useful life

The breakdown of "Intangible assets with a finite useful life" as at 31 December 2023 and 2022 is shown in the following table:

	31 December 2023			31 December 2022		
(In thousands of Euro)	Historical Cost	Accumulated amortization	Net value	Historical Cost	Accumulated amortization	Net value
Development costs	106,704	83,157	23,547	95,323	73,619	21,704
Know-how	6,380	2,991	3,389	6,380	2,193	4,187
Industrial patents and use of intellectual property rights	19,901	19,299	602	19,496	19,002	494
Concessions, licenses and trademarks	9,679	8,092	1,587	9,239	7,727	1,512
Intangible assets with a finite useful life in progress	5,377	-	5,377	4,918	-	4,918
Total	**148,041**	**113,539**	**34,502**	**135,356**	**102,541**	**32,815**

The following tables show the change in the item Intangible assets with a finite useful life for the years ended 31 December 2023 and 2022:

(In thousands of Euro)	Value as at 01.01.2023	Additions	Disposals	Amortization	Impairment	Value as at 31.12.2023
Development costs	21,704	11,381	-	(9,308)	(230)	23,547
Know-how	4,187	-	-	(798)		3,389
Industrial patents and use of intellectual property rights	494	405	-	(297)		602
Concessions, licenses and trademarks	1,512	440	-	(365)		1,587
Intangible assets with a finite useful life in progress	4,918	12,055	(11,596)	-		5,377
Total	**32,815**	**24,281**	**(11,596)**	**(10,768)**	**(230)**	**34,502**

(In thousands of Euro)	Value as at 01.01.2022	Additions	Disposals	Amortization	Value as at 31.12.2022
Development costs	21,100	10,296	(2)	(9,690)	21,704
Know-how	4,984	-	-	(797)	4,187
Industrial patents and use of intellectual property rights	571	367	-	(444)	494
Concessions, licenses and trademarks	1,658	211	-	(357)	1,512
Intangible assets with a finite useful life in progress	3,333	11,929	(10,344)	-	4,918
Total	**31,646**	**22,803**	**(10,346)**	**(11,288)**	**32,815**

The increase in 2023 in the item:

- "Development costs" is largely attributable to the capitalization of costs for the development of business software applications (SAP accounting system, ERP, reporting systems, e-commerce platform, "New POS Solution" project aimed at rolling out the new cash and back office system, Oracle Xstore, for the Group's retail channel). As at 31 December 2023, the Company reported no intangible assets arising from internal development;
- "Industrial patents and use of intellectual property rights", totaling 405 thousand Euro, refers to the cost for licenses to use software for the Company's business operations;
- "Concessions, licenses and trademarks" refers to the costs for filing and registering the Salvatore Ferragamo trademark.

The item "Know-how" refers to the determination of know-how resulting from the fair value measurement of the assets and liabilities acquired in 2020 as a result of the acquisition and subsequent merger of the entities Arts S.r.l. and Aura 1 S.r.l.; for more details, see the 2020 Annual Report.

Intangible assets in progress as at 31 December 2023 are mainly represented by the investment in software development to support business processes, including investments in the e-commerce platform and the "New Pos Solution" project aimed at implementing the new cash and back office system, "Oracle Xstore". The item also included advances for architectural consulting for the creation of the new concept store, which will be gradually implemented in the main store locations as part of the brand relaunch project.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which can change the use of assets.

The 230 thousand Euro decrease refers to the item "Development costs", for expenses capitalized in prior years and that no longer fit the Company's strategies. The analyses carried out did not show any further indicators of impairment as regards this item.

9. Investments in subsidiaries

The change in "Investments in subsidiaries" is shown in the following table:

(In thousands of Euro) Company	% Investment	Value as at 01.01.2023	Additions	Write-downs	Stock Grant	Reclassification	Value as at 31.12.2023
Ferragamo Mexico S. de R.L. de C.V.	99.73	538	-	-	6	-	544
Ferragamo Austria Gmbh	100	4,434	-	-	-	-	4,434
Ferragamo Deutschland GmbH	100	4,627	-	-	-	-	4,627
Ferragamo Belgique SA	100	731	-	-	-	-	731
Ferragamo (Suisse) SA	100	890	-	-	-	-	890
Ferragamo U.K. Limited	100	5,591	-	-	-	-	5,591
Ferragamo Australia Pty Ltd.	100	4,132	-	-	-	-	4,132
Ferragamo France S.A.S.	100	9,006	-	-	-	-	9,006
Ferragamo Espana S.L.	100	1,001	-	-	-	-	1,001
Ferragamo Argentina S.A.	95	36	-	-	-	(36)	-
Ferragamo USA Inc.	100	57,875	-	-	43	-	57,918
Ferragamo Hong Kong Ltd.	100	12,771	-	-	28	-	12,799
Ferragamo (Malaysia) Sdn. Bhd.	100	2,856	-	-	-	-	2,856
Ferragamo Korea Ltd.	100	36,032	-	-	9	-	36,041
Ferragamo Retail Macau Limited	100	1,241	1,159	(2,400)	-	-	-
Ferragamo Retail Nederland B.V.	100	1,337	-	-	-	-	1,337
Ferragamo Japan K.K.	89.13	7,459	-	-	11	-	7,470
Ferragamo Chile S.A.	99	870	-	-	-	-	870
Ferragamo Retail India Private Limited	100	-	-	-	-	-	-
Ferragamo Brasil Roupas e Acessorios Ltda.	99	-	-	-	2	-	2
Total		**151,427**	**1,159**	**(2,400)**	**99**	**(36)**	**150,249**

On 3 November 2023, the Ferragamo Group completed the purchase of minority interests in Ferragamo Moda (Shanghai) Co. Limited, Ferragamo Retail Macau Limited and Ferrimag Limited, held by Imaginex Holdings Limited and Imaginex Overseas Limited, which are controlled by the then board member Peter K. C. Woo – who subsequently resigned as director on 13 November 2023 – through the transfer of the equity investments and the simultaneous payment of the consideration. In particular, Salvatore Ferragamo S.p.A. acquired 24.8% of Ferragamo Retail Macau Limited for a consideration of 1,159 thousand Euro, and 25% of Ferragamo Moda (Shanghai) Co. Limited for a total of 1 USD.

For details on the item "Stock Grant" reference should be made to note 42.
As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators and/or impairment losses, which can be assessed through internal or external information sources, regarding the value of the subsidiaries, or of whether any grounds for the impairment of the investments in previous years no longer exist.
In particular an assessment was made of the recoverability of the residual value of investments in order to ensure that they are not recognized at a value higher than their recoverable amount.

The impairment test was performed considering the subsidiary being tested as a CGU. The value used to determine the recoverable amount of the CGUs is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow analysis – DCF).

As a result of these analyses, the CGU tested for impairment was the investment in Ferragamo Retail Macau Limited, which showed signs of weakness and was performing below expectations. The Company has not identified indicators of impairment for the other investments.

The DCF analysis was performed based on the budget for the year 2024 (approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 20 December 2023); as for the two following explicit forecast years (2025-2026), the Company used forecast data prepared by management, which represent the best estimate the Company can make of the economic conditions expected for the period, as per the impairment test procedure approved by the Board of Directors. The values assigned to the main assumptions reflect management's assessment of how the sectors will perform in the future and are based on both internal and external sources.

The main assumptions to determine the recoverable amount are given below.

CGUs tested for impairment	WACC (discount rate)	Growth rate "g"
Ferragamo Retail Macau Limited	10.58%	1.70%

The discount rate (Weighted Average Cost of Capital, WACC), considering the Group's positive adjusted net financial position, is based on government bond yields in the reference market and in the same currency as the cash flows, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.
The growth rate "g" was assumed to be equal to the inflation rate expected to prevail over the medium-long term in the reference market.
The Terminal Value was determined using the perpetuity model with a long-term growth rate "g" that represents the present value, in the final projected year, of all the expected future cash flows.
The impairment test resulted in an impairment of 2,400 thousand Euro, zeroing out the value of the investment in Ferragamo Retail Macau Limited.
The sensitivity analysis of the above assumptions (WACC and g) used to measure the recoverable amount, conducted on the Ferragamo Retail Macau Limited CGU, found that negative changes in key assumptions would not result in additional impairment losses.
With regard to the investments impaired in previous years, it should be noted that it was decided not to carry out any reversal of the impairment, given the still uncertain macroeconomic scenario and the lower-than-expected results.
The following table illustrates the changes in the Provision for excess write-downs of investments, showing, under the item "Provisions", the amount considered suitable to cover the remaining losses (applying the due percentage) after the book value of the equity investment is set to zero. The Reclassification column refers to investments no longer recognized and/or recognized for the first time with the Provision for excess write-downs of investments in 2023.

(In thousands of Euro) Company	% Investment	Value as at 01.01.2023	Increases/ (Decr.)	Provisions	Reclassification	Value as at 31.12.2023
Ferragamo (Singapore) Pte Ltd	100	(28,027)	29,957	(8,003)		(6,073)
Ferragamo Argentina S.A.	95	-		(1,316)	36	(1,280)
Ferragamo (Thailand) Ltd	100	(3,460)	-	(2,398)	-	(5,858)
Ferragamo Monte-Carlo S.A.M.	100	(828)	-	(529)	-	(1,357)
Ferragamo Moda (Shanghai) Co. Ltd.	100	(4,578)	-	(8,918)	-	(13,496)
Total		**(36,893)**	**29,957**	**(21,164)**	**36**	**(28,064)**

The increase of 29,957 thousand Euro in Ferragamo Singapore Pte Ltd is related to the issue of new shares on 21 March 2023 (for a total of 43 million SGD), fully subscribed by Salvatore Ferragamo S.p.A. through the conversion of outstanding financial receivables.

The following table shows the key data from the financial statements of the subsidiaries as at 31 December 2023, together with the historical cost of the investments as well as the Provision for write-downs and the Provision for excess write-downs of investments, if any, as at 31 December 2023:

(In thousands of Euro) Subsidiaries	% Investment	Total Shareholders' Equity	Profit/(loss) for the year	Historical cost of the investment	Provision for write-downs and Provision for excess write-downs of investments	Net Value of the Investment
Ferragamo Austria Gmbh	100	4,242	55	4,434	-	4,434
Ferragamo Deutschland Gmbh	100	2,881	287	9,246	(4,619)	4,627
Ferragamo Belgique SA	100	685	(26)	1,066	(335)	731
Ferragamo France S.A.S.	100	10,950	176	12,332	(3,326)	9,006
Ferragamo (Suisse) SA	100	2,015	120	890	-	890
Ferragamo Espana S.L.	100	4,247	(195)	6,857	(5,856)	1,001
Ferragamo U.K. Limited	100	7,119	285	10,478	(4,887)	5,591
Ferragamo Retail Nederland B.V.	100	1,613	211	2,291	(954)	1,337
Ferragamo Australia Pty Ltd.	100	14,189	252	4,132	-	4,132
Ferragamo USA Inc.*	100	82,671	(8,554)	57,918	-	57,918
Ferragamo Mexico S. de R.L. de C.V.	99.73	45,756	2,079	544	-	544
Ferragamo Hong Kong Ltd.	100	84,699	1,639	12,799	-	12,799
Ferragamo (Malaysia) Sdn. Bhd.	100	3,306	(227)	2,856	-	2,856
Ferragamo Retail India Private Limited	100	(5,083)	15	10,211	(10,211)	-
Ferragamo Korea Ltd.	100	56,900	903	36,041	-	36,041
Ferragamo Japan K.K.	89.13	9,149	1,611	33,960	(26,488)	7,470
Ferragamo Retail Macau Limited	100	26	(2,905)	2,400	(2,400)	-
Ferragamo Chile S.A.	99	704	(119)	3,671	(2,801)	870
Ferragamo Brasil Roupas e Acessorios Ltda.	99	4,082	(122)	17,734	(17,732)	2
Subtotal Investments in subsidiaries				**229,860**	**(79,609)**	**150,249**
Ferragamo Monte-Carlo S.A.M.	100	(1,358)	(529)	1,063	(2,421)	(1,357)
Ferragamo Argentina S.A.	95	(1,347)	(1,511)	3,814	(5,094)	(1,280)
Ferragamo Moda (Shanghai) Co. Ltd.	100	(13,496)	(7,968)	3,732	(17,228)	(13,496)
Ferragamo (Thailand) Limited	100	(5,859)	(2,525)	2,108	(7,967)	(5,858)
Ferragamo (Singapore) Pte Ltd	100	(6,073)	(8,113)	33,053	(39,126)	(6,073)
Subtotal Investments with Provision for excess write-downs of investments				**43,770**	**(71,836)**	**(28,064)**
Total				**273,630**	**(151,445)**	**122,185**

* Data refer to the Ferragamo USA Group.

10. Other non current assets

The item "Other non current assets" of 1,758 thousand Euro (2,778 thousand Euro as at 31 December 2022) refers to the non-current portion of certain tax credits, specifically the non-current portion of the Tax Credit for research and development, design and aesthetic conception, and technological innovation, and the Tax Credit for donations in support of cultural activities (the so-called "Art Bonus").

11. Other non current financial assets

"Other non current financial assets", totaling 171 thousand Euro (157 thousand Euro as at 31 December 2022), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

12. Inventories

The breakdown of "Inventories" as at 31 December 2023 and 2022 is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Gross value of raw materials, accessories and consumables	34,895	25,566	9,329
Provision for obsolete inventory	(6,152)	(2,781)	(3,371)
Raw materials, accessories and consumables	**28,743**	**22,785**	**5,958**
Gross value of finished products and goods for resale	73,556	71,711	1,845
Provision for obsolete inventory	(22,614)	(21,118)	(1,496)
Finished products and goods for resale	**50,942**	**50,593**	**349**
Total	**79,685**	**73,378**	**6,307**

The stocks of raw materials, accessories and consumables increased by 5,958 thousand Euro compared to 2022; the related provision reflects the obsolescence of raw materials (leather goods and accessories) which are no longer suitable for the Company's production plans for future collections. Raw materials also include leather and materials sent to third parties for subsequent processing.

Stocks of finished products show a net increase of 349 thousand Euro. The related provision reflects the difference between the purchase or production cost and the estimated realizable value of products belonging primarily to past collections.

For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 "Statement of compliance with IFRS and Basis of presentation – Discretionary valuations and significant accounting estimates".

Net (uses of) and/or allocations to the provision for obsolete inventory were as follows:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Raw materials	3,371	(1,229)	4,600
Finished products	1,496	18	1,478
Total	**4,867**	**(1,211)**	**6,078**

13. Right of return assets

Concerning the right of return as per "Revenue from contracts with customers", the line item "Right of return assets", amounting to 12,009 thousand Euro as at 31 December 2023 (12,654 thousand Euro as at 31 December 2022), includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery. This item is closely related to Refund liabilities (see note 26 "Refund liabilities") and largely refers to the Group's European companies as well as, to a lesser extent, external customers.

14. Trade receivables

The breakdown of "Trade receivables" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Trade receivables from third parties	35,736	26,960	8,776
Provision for bad debt - third parties	(2,597)	(1,338)	(1,259)
Trade receivables from subsidiaries	154,429	140,915	13,514
Provision for bad debt - subsidiaries	(5,223)	(5,423)	200
Total	**182,345**	**161,114**	**21,231**

Trade receivables from third parties mainly refer to the credit exposure arising from sales made in the wholesale channel, they are interest-free and are generally due in 90 days or less. The related provision for bad debt is considered adequate to meet any cases of insolvency.
For detailed information on trade receivables from subsidiaries reference should be made to note 44 "Transactions with related parties" below.

The changes in the provision for bad debt during 2023 were as follows:

(In thousands of Euro)	Value as at 01.01.2023	Provisions	Uses	Value as at 31.12.2023
Provision for bad debt - third parties	1,338	1,259	-	2,597
Provision for bad debt - subsidiaries	5,423	-	200	5,223
Total	**6,761**	**1,259**	**200**	**7,820**

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks – Credit risk". The 200 thousand Euro use of the "Provision for bad debt – subsidiaries" refers to the adjustment to year-end exchange rates of the provision for bad debt recognized for Ferragamo Retail India Private Limited, set up in previous years and referring to foreign currency trade receivables.

15. Tax receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Due from tax authorities (valued added tax)	10,985	12,039	(1,054)
Other tax receivables	5,467	4,359	1,108
Due from tax authorities (Irap)	1,796	-	1,796
Total	**18,248**	**16,398**	**1,850**

In line with the previous year, the amount due from tax authorities for VAT outstanding as at 31 December 2023 will largely be claimed back in early 2024.
As at 31 December 2023, the item "Other tax receivables" mainly included:

- the Research and development, design and aesthetic conception, and technological innovation tax credit, totaling 4,339 thousand Euro, including 367 thousand Euro relating to the current portion of the credit estimated for 2023, while the remainder refers to current portions accrued in previous periods. The non current portion of said credit is recognized under "Other non current assets";
- the 410 thousand Euro current portion of the tax credit for donations in support of cultural activities (the so-called "Art Bonus") made in 2021, 2022, and 2023; the remaining 474 thousand Euro non current portion was included within "Other non current assets"; the 548 thousand Euro 2023 tax credit for these donations made in 2023 was recognized in profit or loss under "Other income".

16. Other current assets

The breakdown of "Other current assets" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Other receivables for short-term hedging derivatives	6,813	7,251	(438)
Prepaid expenses	2,649	2,626	23
Other receivables	3,998	3,146	852
Receivables from the Holding company	14	-	14
Receivables due from credit card management companies	447	426	21
Receivables from social security institutions	47	258	(211)
Total	**13,968**	**13,707**	**261**

Hedging derivatives, totaling 6,813 thousand Euro (7,251 thousand Euro as at 31 December 2022), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Company to manage exchange rate risk on sales in currencies other than the Euro.

Prepaid expenses included 681 thousand Euro (638 thousand Euro as at 31 December 2022) in contributions for the fit-out of tailored single-brand stores and/or stores-in-stores operated by third parties (TPOS).

The item "Other receivables" refers for 1,364 thousand Euro to the receivable due from the Tuscany Region and the Ministry of Economic Development, relating to the Innovation Agreement (I-SUCCEED project). For more details, please refer to the Board of Directors' report on operations, "Significant events occurred during the year" section.

17. Other current financial assets

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Financial receivables due from subsidiaries	65,219	96,584	(31,365)
Financial receivables due from subsidiaries (cash pooling)	83,147	25,615	57,532
Short-term derivatives	1,535	256	1,279
Other current financial assets	35,240	9,999	25,241
Total	**185,141**	**132,454**	**52,687**

Financial receivables due from subsidiaries included the loans granted to the subsidiaries Ferragamo Monte-Carlo S.A.M., Ferragamo (Suisse) S.A., Ferragamo Deutschland GmbH, Ferragamo U.K. Limited, Ferragamo Japan K.K., Ferragamo Canada Inc., Ferragamo (Singapore) PTE Ltd, Ferragamo (Thailand) Limited and Ferragamo Retail Nederland B.V.. In 2022, with the aim of more efficient cash and liquidity management at Group level, the Company entered into a cash pooling agreement with a number of subsidiaries; specifically, the credit exposure as at 31 December 2023 was 83,147 thousand Euro. For detailed information on financial receivables due from subsidiaries, reference should be made to note 44 "Transactions with related parties" below.

The item "Short-term derivatives" totaled 1,535 thousand Euro and refers to the fair value measurement of derivatives for the non-hedging component (256 thousand Euro as at 31 December 2022). For further details, please refer to note 30 "Financial instruments and fair value measurement".
"Other current financial assets" include 15,444 thousand Euro relating to an insurance investment in a readily adjustable Type I policy (9,999 thousand Euro as at 31 December 2022), and 19,796 thousand Euro relating to an investment in short-term Italian government bonds (*Buoni Ordinari del Tesoro*), both made by the Company with a view to moderately diversifying its cash management.

18. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Time deposits	127,000	85,000	42,000
Bank and post office sight deposits	75,957	183,617	(107,660)
Cash and values on hand	223	216	7
Total	**203,180**	**268,833**	**(65,653)**

Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments or make intercompany loans, and also include a 127 million Euro short-term investment (time deposit). As at 31 December 2023, the Company had unused credit lines amounting to 556,199 thousand Euro; as at 31 December 2022, unused credit lines totaled 527,502 thousand Euro. For more details, see note 20 "Interest-bearing loans & borrowings".

The item "Cash and cash equivalents" as at 31 December 2023 and 2022 was broken down as follows:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Cash and bank sight deposits	76,180	183,833	(107,653)
Time deposits	127,000	85,000	42,000
Total	**203,180**	**268,833**	**(65,653)**

19. Share capital and reserves

The authorized, subscribed, and paid up share capital of the Company as at 31 December 2023 totaled 16,879,000 Euro and consisted of 168,790,000 ordinary shares. During 2023, there were no changes in the number of shares issued.
The treasury share reserve, amounting to 56,223 thousand Euro, consisted of 3,261,034 shares in Salvatore Ferragamo S.p.A., purchased in 2018 (no. 14,000), 2019 (no. 136,000), 2021 (no. 624,163), and in 2022 (no. 2,601,637), at an average unit price of 17.24 Euro. This is net of the free assignment, which took place in the first half of 2023, of 114,766 shares to the Managing Director and General Manager, under and in pursuance of the provisions of the Restricted Shares Plan (for details of which see note 42 "Share-based payments").
Share capital contributions, totaling 2,995 thousand Euro, were paid in a lump sum in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.
The legal reserve of 4,188 thousand Euro was set up in previous years.
The extraordinary reserve of 613,476 thousand Euro was set up with retained earnings; the change recorded in the period was due to an increase of 89,239 thousand Euro in profit for the year 2022 and to a decrease of 46,348 thousand Euro referring to dividends paid out in 2023.

The revaluation reserve totaling Euro 25,478 thousand is composed as follows:

- Revaluation reserve as per Italian Law 342/00 amounting to 4,592 thousand Euro;
- Revaluation reserve as per Italian Law 350/03 amounting to 7,420 thousand Euro;
- Revaluation reserve as per Italian Law 266/05 amounting to 13,465 thousand Euro.

No deferred taxes have been allocated to the revaluation reserves based on the assumption that full taxation for these reserves will be indefinitely deferred. Indeed, no transactions are likely to be carried out which would cause their distribution.

The Cash flow hedge reserve was positive for 4,220 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2023, given the hedges of the Company against exchange rate risk, and is shown net of the tax effect.

The IAS 19 Equity reserve, negative for 1,255 thousand Euro, is the result of the valuation of actuarial gains and losses charged to shareholders' equity, as envisaged by IAS 19, and is shown net of the tax effect. This valuation was made by an independent actuary.

The item "Other reserves" totaled 20,827 thousand Euro and included the changes arising from the application of IASs/IFRSs instead of Italian accounting standards with reference to the Company's opening balance of shareholders' equity as at 1 January 2010 and the closing balance as at 31 December 2010, in addition to the changes arising from the application of IASs/IFRSs that concern Salvatore Ferragamo S.p.A. following the merger of Ferragamo Parfums S.p.A. into the Parent company in 2021.

In addition, the item "Other reserves" includes:

- the 2016-2020 Stock Grant Reserve, totaling 921 thousand Euro;
- the Stock Grant Reserve relating to prior years, totaling 5,037 thousand Euro;
- the Stock Grant reserve for the two incentive plans for top management in place on 31 December 2023, in the amount of 7,750 thousand Euro (for details, please refer to note 42).

Finally, the item "Other reserves" includes the 1.4 thousand Euro Provision as per art. 55 of Italian Presidential Decree 597/1973 relating to VAT recovery pursuant to art. 15 of Italian Law 26/04/1983.

The amounts are net of the tax effects where applicable.

The following table shows, for each specific entry in shareholders' equity, information regarding the possibility of its use and distribution, as well as its use over the last three years.

Shareholders' equity (In thousands of Euro)	Value as at 31 December 2023	Possibility of use	Amount available	Summary of uses made in the last three years
Share capital	16,879			
Treasury share reserve	(56,223)			
Share capital reserves				
Revaluation reserve Law 342/00	4,592	A - B	4,592	
Revaluation reserve Law 350/03	7,420	A - B	7,420	
Revaluation reserve Law 266/05	13,465	A - B	13,465	
Share capital contributions	2,995	A - B	2,995	
Provision as per Art. 55	1	A - B - C	1	
Net profit reserves				
Legal reserve	4,188	B	812	
Extraordinary reserve	613,476	A - B - C	613,476	(103,083)
Reserve for adoption of IASs/IFRSs	6,908	B*	2,007	
Reserve for treasury share price difference	567	A - B - C	567	
Accumulated gains/losses	(356)	B		
Cash flow hedge reserve	4,220			
IAS 19 reserve	(1,255)			
Stock Grant Reserve	13,708	A - B - C	5,958	
Net profit/(loss) for the year	87,000			
Total	**717,585**		**651,293**	**(103,083)**

Key: A - for share capital increase, B - to cover losses, C - for distribution to shareholders. * The available part of the reserve can be used only to cover losses and it must be subsequently reintegrated.

20. Interest-bearing loans & borrowings

A breakdown of current and non current interest-bearing loans & borrowings is given below:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Financial payables to subsidiaries (cash pooling)	-	21,390	(21,390)
Total	**-**	**21,390**	**(21,390)**

During 2023, given its strong cash position and the general credit market conditions, the Company did not consider it appropriate to make any significant changes to its financial structure, maintaining its existing committed and uncommitted credit lines with diversified counterparties almost unchanged (slightly up).
As at 31 December 2023, the Company reported zero payables to banks, in line with 31 December 2022. The credit lines used by the Company are arranged at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor/SOFR or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. In case of drawdowns, the margins applied would be in line with the best market standards.
The financial instruments available are:

i) uncommitted credit lines made available to the Company in order to meet short-term financial needs linked to the management of working capital;

ii) short- and medium/long-term committed credit lines, in the form of either revolving credit lines or term loans, negotiated on a bilateral basis by the Company.

As at 31 December 2023, available committed credit lines had a maximum residual maturity of forty-one months and a weighted average residual maturity of twenty-one months. The credit lines and the related financial operations are spread among leading national and international banks.

In 2022, with the aim of more efficient cash and liquidity management at Group level, the Company entered into a cash pooling agreement with a number of subsidiaries; as at 31 December 2023, the Company's credit exposure amounted to 83,147 thousand Euro, while as at 31 December 2022 the Company had a credit exposure of 25,615 thousand Euro and a bank debt of 21,390 thousand Euro. For detailed information on financial payables to subsidiaries reference should be made to note 44 "Transactions with related parties" below.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Company and the relevant uses:

	31 December 2023		31 December 2022	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	380,000	-	365,000	-
Revolving credit lines	380,000	-	365,000	-
Term loans	-	-	-	-
Uncommitted credit lines	176,199	-	162,502	-
Total	**556,199**	**-**	**527,502**	**-**

The following table provides the breakdown of, and changes in, the net financial position as at 31 December 2023 and 31 December 2022, presented in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006 as supplemented by Consob's Warning no. 5/21.

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
A. Cash	76,180	183,833	(107,653)
B. Cash equivalents	127,000	85,000	42,000
C. Other current financial assets*	185,142	132,454	52,688
D. Cash and cash equivalents (A+B+C)	**388,322**	**401,287**	**(12,965)**
E. Current financial payables (including debt instruments)	369	22,486	(22,117)
F. Current portion of non-current financial payables**	18,256	14,251	4,005
G. Current financial debt (E+F)	**18,625**	**36,737**	**(18,112)**
H. Current financial debt, net (G-D)	(369,697)	(364,550)	(5,147)
I. Non-current financial payables (excluding debt instruments)***	140,633	111,674	28,959
J. Debt instruments	-	-	-
K. Trade and other current payables	-	-	-
L. Non current financial debt (I+J+K)	**140,633**	**111,674**	**28,959**
M. Net financial debt (H+L)	**(229,064)**	**(252,876)**	**23,812**

* The item includes short-term loans of 148,366 thousand Euro granted to Group companies and a cash pooling agreement with two Group Companies; for further details, reference should be made to note 17 "Other current financial assets" and note 44 "Transactions with related parties" (intra-group transactions).

** The item relates to the current lease liability (note 24 "Lease liabilities"), including 9,359 thousand Euro due to related parties. For more details on the related parties, reference should be made to note 44 "Transactions with related parties".

*** The item relates to the non current lease liability (note 24 "Lease liabilities"), including 92,410 thousand Euro due to related parties. For more details on the related parties, reference should be made to note 44 "Transactions with related parties".

Limitations on the use of financial resources

The Company's committed and uncommitted credit lines that are currently outstanding do not require compliance with financial covenants.

21. Provisions for risks and charges

The change in "Provisions for risks and charges" as at 31 December 2023 is shown in the following table:

(In thousands of Euro)	Value as at 01.01.2023	Provisions	Uses	Reclassification	(Increases)/ Decreases	Value as at 31.12.2023
Legal disputes	1,243	5,298	(349)	-	-	6,192
Provision for other risks	75	-	-	-	-	75
Provision for excess write-downs of investments	36,893	21,164	-	(36)	(29,957)	28,064
Total	**38,211**	**26,462**	**(349)**	**(36)**	**(29,957)**	**34,331**

Legal disputes mainly refer to allocations against likely future liabilities relating to legal proceedings against the Company for labor disputes as well as outstanding contractual and tax disputes. Labor disputes refer both to litigations and to estimates of settlement amounts which the Company might pay for settlement in the pre-litigation stage.

The amount set aside during the period refers to legal, labor and tax disputes that arose during 2023; for more details on tax disputes, reference should be made to the Directors' report on operations, section "Significant events occurred during the year – Tax and customs disputes and audits".

The use of the provision for legal disputes, totaling 349 thousand Euro, refers to the settlement of a number of legal, tax and labor proceedings and/or disputes involving the Company.

The provision for other risks refers to the outstanding balance of the additional allowance for a former agent associated with the fragrances business that operated in Italy.

For detailed information and the changes in the "Provision for excess write-downs of investments" reference should be made to note 9 "Investments in subsidiaries".

As regards contingent liabilities, for which no provisions have been made, please refer to the section "Significant events occurred during the year – Tax and customs disputes and audits".

22. Employee benefit liabilities

The line item included 4,882 thousand Euro in "Employee benefit liabilities" as at 31 December 2023 (5,310 thousand Euro as at 31 December 2022). The following table sets out the changes occurred during the period:

(In thousands of Euro)	31 December 2023	31 December 2022
Present value of the obligation at the beginning of the period	5,310	6,333
Financial charge/(income)	169	28
Benefits paid	(761)	(418)
Actuarial loss/(gain) arising from:		
- Financial assumptions	229	(963)
- Demographic assumptions	1	18
- Experience-based adjustments	(66)	312
Total actuarial loss / (gain)	164	(633)
Present value of the obligation at the end of the period	**4,882**	**5,310**

The main assumptions used in determining the present value of employee severance indemnities were as follows:

	2023	2022
Annual rate of salary increase	2.84%	2.88%
Annual discount rate	2.56%	3.18%
Inflation rate	2.10%	2.00%

As regards the demographic assumptions used in determining defined benefit liabilities, the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender; meanwhile, the staff turnover rate has been estimated at 5.42% per year.
Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2023 and 2022 concerning employee benefit obligations:

		2023		2022	
(In thousands of Euro)	Change %	Additions	Disposals	Additions	Disposals
Annual discount rate	+/- 0.5%	(179)	190	(192)	203
Mortality rate	+/- 0.025%	-	-	-	-
Staff turnover rate	+/- 0.5%	-	-	7	(8)

The above sensitivity analyses are based on reasonable changes in the key assumptions at the end of the two reporting periods being compared.

The average number of employees (in terms of full-time equivalents) by category is shown in the following table:

Average staff (*Full time equivalent*)	**2023**	**2022**
Top managers, middle managers and store managers	196	192
White collars	545	520
Blue collars	171	161
Temporary Agency staff	14	25
Total	**926**	**898**

The rising headcount was largely attributable to the strengthening of the central organization as well as the increase in retail staff at the Italian stores.

23. Other non current liabilities

The item totaling 2,361 thousand Euro includes:

- payables for leasehold improvement contributions, amounting to 1,296 thousand Euro (354 thousand Euro as at 31 December 2022), and refers to the straight-lining of amounts received or to be received from lessors for the costs incurred to fit out the stores;
- payables for medium/long-term incentive plans to the Company's management amounting to 1,065 thousand Euro, of which 351 thousand Euro to the Managing Director and General Manager, for details of which see Note 42 "Share-based payments" below.

24. Lease liabilities

Below are the changes in lease liabilities occurred in 2023 and 2022, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	**non current**	**current**	**Total**
Value as at 31.12.2022	111,674	14,251	**125,925**
Additions	48,516	-	**48,516**
Disposals	(559)	-	**(559)**
Reclassifications	(18,998)	18,998	-
Repayment of lease liabilities	-	(16,340)	**(16,340)**
Interest expense on lease liabilities	-	5,620	**5,620**
Interest expense on lease liabilities paid	-	(4,273)	**(4,273)**
Value as at 31 December 2023	**140,633**	**18,256**	**158,889**

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value as at 31.12.2021	96,452	15,177	**111,629**
Additions	29,983		**29,983**
Disposals	(940)		**(940)**
Reclassifications	(13,821)	13,821	-
Repayment of lease liabilities	-	(14,988)	**(14,988)**
Interest expense on lease liabilities	-	3,095	**3,095**
Interest expense on lease liabilities paid	-	(2,854)	**(2,854)**
Value as at 31 December 2022	**111,674**	**14,251**	**125,925**

The average weighted IBR applicable to leases outstanding as at 31 December 2023 was 3.7%. As for the other cash outflows related to leases, see note 33 "Costs for services".

25. Trade payables

The breakdown of "Trade payables" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Trade payables to third parties	104,733	96,147	8,586
Invoices to be received	18,677	22,055	(3,378)
Payables to subsidiaries	54,729	25,262	29,467
Total	**178,139**	**143,464**	**34,675**

Trade payables do not bear interest and usually become due after 60/90 days. This item consists of payables relating to the normal commercial activity carried out by the Company, in particular costs for the purchase of raw materials, parts and manufacturing in outsourcing.
For detailed information on trade payables to subsidiaries reference should be made to note 44 "Transactions with related parties" below.

26. Refund liabilities

Concerning the right of return as per "Revenues from contracts with customers", the line item "Refund Liabilities" (22,915 thousand Euro as at 31 December 2023 and 22,577 thousand Euro as at 31 December 2022) refers to the liability to customers for the amount of the products expected to be returned. This item largely refers to the estimated returns to the Group's European companies and is related to the item "Right of return assets" (see note 13 "Right of return assets").

27. Tax payables

The breakdown of "Tax payables" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Payables for current taxes – IRAP	-	3,938	(3,938)
Payables for current taxes – IRES	-	213	(213)
Tax payables due to foreign tax authorities for VAT (EU)	191	195	(4)
Tax payables for withholdings applied	1,888	2,179	(291)
Other tax payables	2,015	2,016	(1)
Total	**4,094**	**8,541**	**(4,447)**

The decrease in tax payables compared to 2022 is mainly due to the credit balance for current IRAP taxes as at 31 December 2023 (please refer to note 15 "Tax receivables") and to the payment of 213 thousand Euro in June 2023, referring to the remaining portion of the substitute tax liability to the Italian tax authorities, as a result of joining in 2021 the tax realignment schemes – "standard scheme" for know-how and "special scheme" for goodwill.
"Other tax payables" include the liability arising from the R&D credit amnesty procedure for the tax periods from 2015 to 2018, which is to be paid within the extended deadline of 16 December 2024 for 2,012 thousand Euro.

28. Other current liabilities

The breakdown of "Other current liabilities" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	31 December 2023	31 December 2022	Change 2023 vs 2022
Payables to the Holding company	4,942	19,106	(14,164)
Payables to staff	11,464	14,386	(2,922)
Payables to social security institutions	3,472	3,426	46
Other payables to third parties	2,798	5,059	(2,261)
Other payables for hedging derivatives	558	6,186	(5,628)
Accrued expenses	39	296	(257)
Deferred income	1,959	1,725	234
Total	**25,232**	**50,184**	**(24,952)**

Payables to the Holding company include the IRES liability to Ferragamo Finanziaria S.p.A.. For more details, see note 44 "Transactions with related parties" below.

"Payables to staff" mainly include the Company's payables to employees for amounts accrued but not yet paid at the reporting date.

"Payables to social security institutions" refers to payables to social security institutions, paid in the month after the end of the reporting period, relating to amounts due to employees.

"Other payables to third parties" largely include payables due to related parties. For more details, please refer to note 44 "Transactions with related parties".

"Hedging derivatives" shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Company to manage exchange rate risk. For further details, please refer to note 30 "Financial instruments and fair value measurement".

The item "Deferred income" mainly includes i) the contribution for advertising activities relating to the eyewear licensee scheduled for 2024, ii) royalties invoiced but accruing in future years under the terms of contracts signed with counterparties, and iii) the share pertaining to future years of the key money received from Marchon Europe B.V. (US group Marchon), licensee of the Salvatore Ferragamo trademark for eyewear products (150 thousand Euro).

29. Other current financial liabilities

"Other current financial liabilities", totaling 369 thousand Euro as at 31 December 2023, included short-term derivatives (1,096 thousand Euro as at 31 December 2022) and referred to the fair value of derivatives with a negative mark to market at the reporting date. For further details, please refer to note 30 "Financial instruments and fair value measurement".

30. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 involves various line items. The following table sets out the book value of outstanding financial instruments, broken down by category, compared to the corresponding fair values, as at 31 December 2023 and 31 December 2022.

Classification of financial instruments and presentation of their fair value

Financial assets

	31 December 2023			31 December 2022		
	Book value			Book value		
(In thousands of Euro)	Current portion	Non current portion	Fair Value	Current portion	Non current portion	Fair Value
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	1,535	-	1,535	256	-	256
Assets measured at amortized cost						
Receivables due from credit cards	447	-	447	426	-	426
Trade receivables	182,345	-	182,345	161,114	-	161,114
Receivables for loans due from subsidiaries	148,366	-	148,366	122,199	-	122,199
Guarantee deposits	-	171	171	-	157	157
Other current financial assets	35,240	-	35,240	9,999	-	9,999
Cash and cash equivalents	203,180	-	203,180	268,833	-	268,833
Financial assets at fair value through other comprehensive income						
Derivatives – hedging component	6,813	-	6,813	7,251	-	7,251
Total	**577,926**	**171**	**578,097**	**570,078**	**157**	**570,235**

Financial liabilities

(In thousands of Euro)	31 December 2023 Book value Current portion	Non current portion	Fair Value	31 December 2022 Book value Current portion	Non current portion	Fair Value
Liabilities at amortized cost						
Trade payables and payments on account	178,139	-	178,139	143,464	-	143,464
Payables for loans due from subsidiaries	-	-	-	21,390	-	21,390
Payables due to shareholders for dividends	-	-	-	2	-	2
Lease liabilities	18,256	140,633	n/a*	14,251	111,674	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	369	-	369	1,096	-	1,096
Financial liabilities at fair value through other comprehensive income						
Derivatives – hedging component	558	-	558	6,186	-	6,186
Total	**197,322**	**140,633**	**179,066**	**186,389**	**111,674**	**172,138**

* Pursuant to IFRS 16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.

In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 13.

The Company uses internal valuation models, which are generally used in finance, on the basis of prices supplied by market operators or prices collected on active markets through leading info-providers.
To determine the fair value of derivatives, the Company uses a pricing model based on market values of interest rates and exchange rates at the measurement date.

Also for "Guarantee deposits" the book value is a reasonable approximation of the fair value.

There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.

The Company calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a possible default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely currency forward contracts), the related expiry dates (not over twelve months), and the Company's and counterparties' ratings, these adjustments are immaterial.

In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

The following table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Company in the years 2023 and 2022.

(In thousands of Euro)	2023	2022
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	1,447	(17,925)
Derivatives – hedging component	16,845	(25,664)
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives – hedging component	(3,943)	17,921
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL:		
Interest income	11,261	2,323
Interest expense	313	811
Interest expense on lease liabilities	5,620	3,095
Expenses and fees not included in the effective interest rate:		
regarding financial liabilities	951	1,031
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets:		
Receivables/loans	1,283	112

Comments on the main income statement items

For a better understanding of the development in income statement items, reference should also be made to the comments in the Directors' report on operations relating to the comparison between the data for 2023 and 2022.

31. Revenues from contracts with customers

In 2023 and 2022, revenues from contracts with customers totaled 734,820 thousand Euro and 740,234 thousand Euro, respectively. The tables below provide the breakdown by channel and geographic area of the main categories of revenues from contracts with customers.

2023

(In thousands of Euro)	Retail+e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	65,746	167,310	13,532	2,626	249,214
North America	-	170,450	-	8,981	179,431
Asia Pacific	-	210,421	-	7,021	217,442
Japan	-	38,416	-	2,123	40,539
Central and South America	-	45,730	-	2,464	48,194
Total	**65,746**	**632,327**	**13,532**	**23,215**	**734,820**

2022

(In thousands of Euro)	Retail+e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	62,489	147,590	11,898	2,725	224,702
North America	-	216,019	-	7,846	223,865
Asia Pacific	-	199,703	-	5,977	205,680
Japan	-	48,597	-	2,046	50,643
Central and South America	-	33,744	-	1,600	35,344
Total	**62,489**	**645,653**	**11,898**	**20,194**	**740,234**

The Company discloses the disaggregation or revenue using a quali-quantitative approach. The Company recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of other income and services, revenue is recognized when the service is rendered to customers.

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, to sales to retailers.
"Retail + e-commerce" refers mainly to revenues generated by sales in directly operated stores (DOS) in Italy and, to a lesser extent, to sales generated through the Company's e-commerce channel.

"Revenues from royalties" arise mainly from the licensing of the Salvatore Ferragamo trademark with reference to the product categories: eyewear, to the company Marchon Europe B.V.; watches, to the company Vertime B.V. (Timex Group); and fragrances, to the company Inter Parfums Inc.. Revenues from royalties are accounted for based on the stage of completion of the licensee's sales.

The item "Other income and services" largely includes the recovery of freight and packaging costs as well as services provided to subsidiaries.

For detailed information on revenues from subsidiaries reference should be made to note 44 "Transactions with related parties" below.

32. Costs for raw materials, goods and consumables

The breakdown of "Costs for raw materials, goods and consumables" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Raw materials	118,436	122,052	(3,616)
Finished products	64,663	48,355	16,308
Packaging	6,358	4,409	1,949
Other purchases of materials	2,011	742	1,269
Stationery	343	305	38
Change in inventories of raw materials, accessories and consumables	(5,958)	14,275	(20,233)
Total	**185,853**	**190,138**	**(4,285)**

33. Costs for services

The breakdown of "Costs for services" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Manufacturing in outsourcing	131,571	149,144	(17,573)
Production, general, administrative and sales costs	112,648	111,489	1,159
Costs for the use of third-party assets	10,989	8,676	2,313
Total	**255,208**	**269,309**	**(14,101)**

As at 31 December 2023, "Production, general, administrative and sales costs" mainly included:

- 45,781 thousand Euro in communication costs (press advertising, public relations, store window display expenses, events and other advertising expenses);
- 30,132 thousand Euro in consultancy costs and fees to third parties (legal, administrative, product, manufacturing process, IT and other minor costs);
- 11,654 thousand Euro in freight and logistics costs;
- costs for services from subsidiaries totaling 4,656 thousand Euro; for details on these costs reference should be made to note 44 "Transactions with related parties" below;
- 7,224 thousand Euro in maintenance and utility costs;
- fees paid to Directors, Statutory Auditors and the Supervisory Body for a total amount of 1,384 thousand Euro; for detailed information on these fees reference should be made to note 45 "Fees paid to Directors and Statutory Auditors" below.

The following table shows the impacts of leases accounted for under IFRS 16 as well as outside the scope of said standard on profit or loss in 2023 and 2022:

(In thousands of Euro)	2023	% of Total	2022	% of Total
Depreciation of right-of-use assets	20,478	70.5%	16,967	79.1%
Net interest on lease liabilities	5,625	19.4%	2,700	12.6%
Costs relating to short-term leases	330	1.1%	470	2.2%
Costs relating to low-value leases	484	1.7%	441	2.1%
Costs relating to leases with variable payments not included in the measurement of lease liabilities	2,124	7.3%	1,036	4.8%
Lease payment reductions	-	0.0%	(168)	(0.8%)
Total	**29,041**	**100.0%**	**21,446**	**100.0%**

Some of the Company's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, in accordance with the accounting standard IFRS 16, and are recognized on an accrual basis. As at 31 December 2023, overall variable lease payments accounted for 7.3% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore on economic performance in subsequent years. The Company estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.
In general, the Company's leases include clauses that prohibit subleasing the leased asset, but do not require the Company to comply with financial covenants.

The Company does not have any early termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Company considered the renewal options it intends to exercise.

The Company reports commitments for short-term leases expected for 2024 in line with those reported in the 2023 income statement.

34. Personnel costs

The breakdown of "Personnel costs" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Salaries and wages	62,162	72,674	(10,512)
Stock grant plan costs	3,962	6,586	(2,624)
MLT incentive plan costs	600	114	486
Social security and welfare cost	15,915	15,121	794
Allocation of severance indemnities and allocation to complementary pension funds	4,007	3,930	77
Total	**86,646**	**98,425**	**(11,779)**

The decrease in the item is attributable to the entry of a number of individuals in the Company's top management in 2022 in order to strengthen the organizational structure.

35. Amortization, depreciation and write-downs

The breakdown of "Amortization, depreciation and write-downs" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Depreciation of tangible assets	10,840	11,033	(193)
Depreciation of right-of-use assets	20,478	16,967	3,511
Amortization of intangible assets	10,768	11,288	(520)
Write-downs of intangible assets	230	-	230
Total	**42,316**	**39,288**	**3,028**

36. Other operating costs

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
EBIT Adjustment to subsidiaries	52,072	22,374	29,698
Donations	1,645	1,560	85
Allocation to the provisions for other operating risks	5,298	587	4,711
Provision for bad debt – third parties	1,283	-	1,283
Provision for bad debt – subsidiaries	-	112	(112)
Taxes and charges	1,199	1,223	(24)
Membership fees	394	399	(5)
Other operating costs	884	1,110	(226)
Windfall losses	822	2,387	(1,565)
Total other operating costs	**63,597**	**29,752**	**33,845**

As at 31 December 2023, the item amounted to 63,597 thousand Euro and mainly included:

- costs for EBIT adjustments to subsidiaries in the amount of 52,072 thousand Euro, due to the effect of the renewal of the Transfer Pricing Agreement with the Inland Revenue Office – Central Assessment Department – International Ruling Office, which took place on 20 December 2022, and effective for another five years from 2022 to 2026; this agreement is fully in line with the previous one. For more details, please refer to the Directors' report on operations, section "Significant events occurred during the year", as well as to note 44 "Transactions with related parties" below;
- 1,645 thousand Euro in donations, including 794 thousand Euro in donations made in 2023 to support cultural activities (the so-called "Art Bonus") and the 175 thousand Euro donation to the Foundation of the Anna Meyer Children's Hospital Onlus;
- 5,298 thousand Euro in allocations to the provision for risks and charges;
- 1,283 thousand Euro in allocations to the Provision for bad debt – third parties.

37. Other income

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Recovery of expenses from subsidiaries	2,229	1,885	344
Positive EBIT Adjustment to subsidiaries	530	8,484	(7,954)
Advertising contributions	4,774	4,499	275
Revenues from Tax Credits	2,152	2,156	(4)
Grants received for improvements-straight-lining	58	57	1
Operating grants	1,314	2,345	(1,031)
Uses of the Provision for risks and charges and Provision for bad debt	449	1,251	(802)
Insurance refunds	150	91	59
Revenues from museum exhibitions	119	114	5
Other income and revenues	2,019	1,637	382
Total Other income	**13,794**	**22,519**	**(8,725)**

As at 31 December 2023, "Other income" amounted to 13,794 thousand Euro and mainly included:

- 530 thousand Euro in income from EBIT Adjustments by subsidiaries. For more details, please refer to the Directors' report on operations, section "Significant events occurred during the year", as well as to note 44 "Transactions with related parties" below;
- 4,774 thousand Euro in advertising contributions from third parties;
- 2,229 thousand Euro in recovery of expenses from subsidiaries;
- 2,152 thousand Euro in revenues deriving from the recognition of tax credits (including the recognition of estimated Research and development, design and aesthetic conception, and technological innovation tax credit and the tax credit amounting to 65% of donations in support of cultural activities, i.e. the so-called "Art Bonus", made during the year);
- 449 thousand Euro in uses of the provision for bad debt and the provision for risks and charges;
- operating grants, of which 1,188 thousand Euro referring to the non-repayable grant accrued as at 31 December 2023 relating to the Innovation Agreement signed on 12 January 2021 between the Company, the Ministry of Economic Development and the Tuscany Region, recorded against costs already incurred by the Company. For further details, please refer to the section "Significant events occurred during the year" in the Directors' report on operations.

38. Financial charges

The breakdown of "Financial charges" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Financial charges for fair value adjustment of derivatives	14,535	28,593	(14,058)
Write-downs/Provision for excess write-downs of Investments	23,564	15,131	8,433
Losses on exchange rate differences	22,376	22,901	(525)
Interest expense on lease liabilities	5,620	3,096	2,524
Other financial charges	1,314	1,238	76
Financial charges on employee benefits under IAS 19	169	28	141
Expenses on lease liabilities	12	1	11
Interest expense	313	811	(498)
Total	**67,903**	**71,799**	**(3,896)**

For more details on "Write-downs/Provision for excess write-downs of investments", see note 9 "Investments in subsidiaries".

39. Financial income

The breakdown of "Financial income" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Financial income for fair value adjustment of derivatives	15,982	10,668	5,314
Dividends from investments in subsidiaries	25,512	11,212	14,300
Financial income from lease liabilities	7	396	(389)
Restatement/Releases of Provision for excess write-downs of Investments	-	595	(595)
Gains on exchange rate differences	13,789	28,439	(14,650)
Interest income	6,432	610	5,822
Interest income from subsidiaries	4,829	1,714	3,115
Total	**66,551**	**53,634**	**12,917**

In 2023, the item "Dividends from investments in subsidiaries" included the dividends paid by the subsidiary Ferragamo Hong Kong Ltd.

40. Income taxes

The breakdown of "Income taxes" as at 31 December 2023 and 2022 is shown in the following table:

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Current taxes	(29,199)	(29,946)	747
Deferred taxes	2,851	(6,524)	9,375
Total income taxes	**(26,348)**	**(36,470)**	**10,122**

The 113,347 thousand Euro profit before taxes caused the Company to recognize 26,348 thousand Euro in taxes, whereas in 2022 the Company had posted a 125,709 thousand Euro profit before taxes, recognizing 36,470 thousand Euro in taxes.

Compared to 2022, the Company's tax rate decreased from 29.0% to 23.2%, mainly due to the recognition in 2023 of a total of 3,577 thousand Euro related to the Patent Box benefit for the 2021 tax year and the recognition of the best estimate of the Patent Box benefit for the years 2022 and 2023. For more details, please refer to the Directors' report on operations, paragraph "Significant events occurred during the year – Patent Box and Research and development, design, and innovation credits".

(In thousands of Euro)	2023	2022	Change 2023 vs 2022
Current taxes			
IRES	(24,719)	(23,275)	(1,444)
IRAP	(4,580)	(6,671)	2,091
Total	**(29,299)**	**(29,946)**	**647**
Deferred taxes:			
- IRES deferred in current year	4,081	3,593	488
- IRAP deferred in current year	245	177	68
Use of IRES deferred in previous years	(1,450)	(10,081)	8,631
Use of IRAP deferred in previous years	(25)	(213)	188
Total	**2,851**	**(6,524)**	**9,375**
Use of/(Allocation) to the provision for risks for taxes from previous years	**100**	**-**	**100**
Total income taxes	**(26,348)**	**(36,470)**	**10,122**

Deferred tax assets and liabilities

The following table provides a breakdown by nature of deferred tax assets and liabilities as at 31 December 2023 and 31 December 2022:

	31 December 2023	31 December 2022	31 December 2023	31 December 2022	2023	2022
(In thousands of Euro)	Statement of financial position		Other Comprehensive Income		Income statement	
Deferred tax assets						
- on employee benefits	416	360	397	357	17	-
- on tangible assets	1,106	1,162	-	-	(56)	1
- on intangible assets	1,118	1,491			(373)	(373)
- on the valuation of inventories	6,904	5,736	-	-	1,168	(290)
- on tax losses	-	-	-	-	-	(9,017)
- on receivables	417	335	-	-	82	-
- on taxed provisions	1,752	343	-	-	1,409	(95)
- for other temporary differences	5,779	5,175	-	-	604	3,250
Deferred tax assets	**17,492**	**14,602**	**397**	**357**	**2,851**	**(6,524)**
Deferred tax liabilities						
- on the Cash flow hedge reserve	(1,331)	(2,277)	(1,333)	(2,279)	-	-
- for other temporary differences	(2,898)	(2,898)	-	-	-	-
Deferred tax liabilities	**(4,229)**	**(5,175)**	**(1,333)**	**(2,279)**	**-**	**-**
Net effect	**13,263**	**9,427**	**(936)**	**(1,922)**	**2,851**	**(6,524)**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.

The recognition of deferred tax assets was duly adjusted to take account of the effective possibility of realization.

The reconciliation between the theoretical tax charge and the effective tax charge as at 31 December 2023 and 2022 is as follows:

(In thousands of Euro)	2023	%	2022	%
IRES				
Profit before taxes	**113,347**		**125,709**	
Theoretical taxes	27,203	24.0%	30,170	24.0%
Actual taxes	21,988	19.4%	29,763	23.7%
Difference due to:	**(5,215)**	**(4.6%)**	**(407)**	**(0.3%)**
i) Effect of pass-through mechanism of taxation of income of foreign companies resident in countries/ territories with a privileged tax regime	68	0.1%	30	0.0%
ii) Effect of allocation to/(use of) the provision for risks and charges for taxes from previous years	(100)	(0.1%)	-	-
iii) Other effects	653	0.6%	1,080	0.9%
Increases				
Write-downs of investments	5,655	5.0%	3,631	2.9%
Other permanent differences	1,216	1.1%	1,472	1.2%
Decreases				
Income from subsidiaries (dividends)	(5,817)	(5.1%)	(2,556)	(2.0%)
Restatement value of investments	-	-	(143)	(0.1%)
IRAP deduction	(213)	(0.2%)	(398)	(0.3%)
Effect of the Patent Box	(3,077)	(2.7%)	-	-
Tax Credits Impact	(517)	(0.5%)	(518)	(0.4%)
Other permanent differences	(3,083)	(2.7%)	(3,005)	(2.4%)
Total difference	**(5,215)**	**(4.6%)**	**(407)**	**(0.3%)**

(In thousands of Euro)	2023	%	2022	%
IRAP				
Net value of production	**114,698**		**143,875**	
Theoretical taxes	4,473	3.9%	5,611	3.9%
Actual taxes	4,360	3.8%	6,707	4.7%
Difference due to:	**(113)**	**(0.1%)**	**1,096**	**0.8%**
i) Effect of increases in regional IRAP rates	43	0.0%	67	0.0%
ii) Other effects	(56)	(0.0%)	(68)	(0.0%)
Increases				
Personnel costs	3,323	2.9%	3,775	2.6%
Other permanent differences	262	0.2%	314	0.2%
Decreases				
Tax wedge	(3,090)	(2.7%)	(2,881)	(2.0%)
Effect of the Patent Box	(500)	(0.4%)	-	-
Tax Credits Impact	(84)	(0.1%)	(14)	(0.0%)
Other permanent differences	(11)	(0.0%)	(97)	(0.1%)
Total difference	**(113)**	**(0.1%)**	**1,096**	**0.8%**

Other information

41. Dividends

The Parent company Salvatore Ferragamo S.p.A., in execution of the resolution of the Shareholders' Meeting of 26 April 2023, proceeded to distribute to Shareholders a part of the profits allocated to the Extraordinary Reserve, equal to a dividend of 0.28 Euro per share, for each of the 165,528,966 ordinary shares outstanding (net of 3,261,034 treasury shares) at the ex-coupon date, for a total of 46,348,110.48 Euro. As at 31 December 2023, dividends were fully paid.

42. Share-based payments

The Ordinary Shareholders' Meeting of 14 December 2021 approved two incentive plans for the Managing Director and General Manager, Marco Gobbetti: the "Special Award 2022-2026" plan and the "Restricted Shares Plan". These plans became effective on 1 January 2022 for the Managing Director and General Manager. For more information on the "Special Award 2022-2026" Plan, see the documents available on the Company's website *https://group.ferragamo.com/en*, in the section *governance/corporate-governance/remuneration/stock-incentive-plans*. With regard to the "Restricted Shares" Plan and the related amendments approved by the 2023 Ordinary Shareholders' Meeting, please refer to the paragraph "Significant events occurred during the year" in the Directors' report on operations and to the documents relating to the Shareholders' Meeting of 26 April 2023, available on the Company's website *https://group.ferragamo.com/en*, in the section *governance/shareholders-meetings/2023* as well as in the section *governance/corporate-governance/remuneration/stock-incentive-plans*.

The Ordinary Shareholders' Meeting of 26 April 2023 approved a new incentive plan for the top management of the Ferragamo Group called "Performance and Restricted Shares Plan 2023-2025", which started in October 2023, after the completion of the verifications in preparation for the communication of the plan to the recipients identified to date by the Board of Directors. For more information on the Performance and Restricted Shares 2023-2025 Plan, please refer to the paragraph "Significant events occurred during the year" in the Directors' report on operations and to the appropriate documents relating to the Shareholders' meeting, available on the Company's website *https://group.ferragamo.com/en*, in the section *governance/shareholders-meetings/2023* as well as in the section *governance/corporate-governance/remuneration/stock-incentive-plans*.

Restricted Shares Plan

a) Plan description

The Restricted Shares Plan, as amended by the Shareholders' Meeting of 26 April 2023, provides for the assignment of shares in the Company to the Managing Director and General Manager Marco Gobbetti (the "Recipient"), insofar as it pertains to the relevant employment relationship.

The plan is aimed at strengthening the alignment of interests between the Recipient and all the Group's stakeholders, particularly fostering his motivation and loyalty to the Company and the Group, which are key to the implementation of the major change in the Group's business and strategic plan.

Object of the Plan

At the beginning of each year, the Recipient shall be awarded the right to accrue, free of charge, a number of Restricted Shares worth 2,500,000 Euro on an annual basis, determined by dividing said monetary amount by the average value of the shares (i.e., the average of the stock's closing prices) in the 30 days prior to the 1st of January of each year.

Each cycle of the Plan lasts for one year, starting on 1 January of each year (for 2023, from 1 January 2023). Shares under the Restricted Shares Plan will then be assigned at the end of the 12-month vesting period, provided that, in line with the amendments approved by the Shareholders' Meeting on 26 April 2023 in ordinary session:

(1) the Company has met the following minimum targets (so-called underpins) in the reporting period:

a) a total revenues level at CER (current exchange rates) for the reporting year equivalent to a minimum of 70% of that of the previous year; and

b) Group ROIC at positive RER (reported exchange rates) for the reporting year, where ROIC is defined as net income for the period (as reported in the Group's annual consolidated financial statements for the reporting year) divided by average adjusted net invested capital (adjusted net capital represented by net invested capital excluding right-of-use assets and those classified as investment properties);

(2) the relationship between the Recipient and the Company is still in place at the end of the vesting period of each cycle.

Once assigned, the Restricted Shares will still be locked up for 12 months starting on 1 January of each subsequent year (without prejudice to the sell-to-cover mechanism). The lock-up period will continue even if the relationship is terminated for any reason except for death or total and permanent disability resulting in the termination of the relationship.

Shares in the Company are to be awarded free of charge under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code.
The Restricted Shares Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back and malus clauses).

Changes in the period in the number of rights assigned to receive shares*

		31 December 2023	31 December 2022
(i)	Outstanding at the start of the year	114,766	-
(ii)	Assigned in the period	147,732	114,766
(iii)	Canceled in the period	-	-
(iv)	Exercised in the period	(114,766)	-
(v)	Expired in the period	-	-
(vi)	Outstanding at the end of the period	147,732	114,766
(vii)	Exercisable at the end of the period	147,732	114,766

* The average price for the period has not been indicated since it is a plan with free assignment of shares.

b) Changes to the Stock Grant Reserve

(Fair value in thousands of Euro)	31 December 2023		31 December 2022	
	Number	Fair value	Number	Fair value
Rights to receive shares assigned to the Managing Director and General Manager				
- at the start of the year	114,766	2,547	-	-
- assigned in the year	147,732	2,398	114,766	2,547
- exercised in the year	(114,766)	(2,547)	-	-
- at the end of the period	147,732	2,398	114,766	2,547

On 1 January 2023, the Managing Director and General Manager Marco Gobbetti accrued the right to receive, free of charge, 114,766 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2022") awarded to him on 1 January 2022 under and in pursuance of the provisions of the Restricted Shares Plan. The Restricted Shares 2022, which are entirely made up of treasury shares purchased by Salvatore Ferragamo S.p.A., were transferred to the securities account in the name of the Managing Director and General Manager in February 2023 and, on the understanding that they were subject to a twelve month lock-up period, it should be noted that as at the date of this report, this restriction has expired.

The Board of Directors, at its meeting of 26 April 2023, held after the Shareholders' Meeting that approved the amendments to the Restricted Shares Plan, resolved, subject to the favorable opinion of the Nomination and Remuneration Committee, to grant Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 147,732 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2023") effective as of 1 January 2023. On 6 March 2024, the Board of Directors, with the favorable opinion of the Nomination and Remuneration Committee, determined that the minimum targets (so-called underpins) had been achieved, and the Restricted Shares 2023 were therefore transferred, free of charge, to a securities account in the name of Marco Gobbetti, Managing Director and General Manager. These shares are subject to a 12-month lock-up.

Finally, it should be noted that, again in implementation of the Restricted Shares Plan, the Board of Directors, at its meeting held on 25 January 2024, granted Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 205,255 shares of Salvatore Ferragamo S.p.A., effective 1 January 2024.

c) Fair value measurement

The fair value of the Restricted Shares Plan was determined as the fair value of the shares at the time of assignment, discounted by the expected dividends.
The assumptions for the valuation of the Restricted Shares Plan for the Managing Director and General Manager are as follows:

Date of assignment	1 January 2023	1 January 2022
Share price at the assignment date (Euro)	16.49	22.53
Expected dividends	1.55%	1.51%
Fair value per share at the assignment date (Euro)	16.23	22.19

Special Award 2022-2026 Plan

a) Plan description

The Special Award Plan is intended to strengthen the alignment of interests between top management and all the Ferragamo Group's stakeholders in order to create value, providing recipients with an incentive to meet the Company's medium/long-term targets – also reflected in the strategic plan – and boosting retention.

In consideration and for the purpose of pursuing these objectives, the Special Award Plan provides for a single cycle subject to a five-year performance period. This timeframe is considered to be appropriate for the achievement of the aforementioned long-term objectives pursued with the Special Award Plan.

As at 31 December 2023 and as at the date of this Report, the recipient of the Special Award Plan is the Managing Director and General Manager of the Company. The Board of Directors, at its sole discretion, may identify additional recipients (at the beginning of the Plan or during the Vesting Period, with the application, in this case, of a *pro-rata temporis* parameter that re-proportions the Special Award Bonus taking into account the actual period of service during the Vesting Period) among the top managers who hold and will hold the role of directors, employees and/or collaborators of the Company and of subsidiaries.

Object of the Plan

The Special Award Plan provides for the disbursement of a "Special Award Bonus" in two installments, respectively: (a) at the end of the first three-year period from 1 January 2022 (i.e. 31 December 2024), once the first objective has been reached; and (b) at the end of the following two-year period (i.e. 31 December 2026), once the second objective has been reached, subject to the existence at such dates of a management and/or employment relationship between each Recipient and the Company or Subsidiary, on a case by case basis. The disbursement of the "Special Award Bonus", for both installments, will be paid 50% in cash and the remaining 50% in Company shares.

Each installment shall be equal to a percentage (determined by the Company's competent bodies and equal to 0.50% for the Managing Director and General Manager) of the Company's average capitalization in a period between the three months before and after the end of the first three-year period and the subsequent two-year period from the start of the relationship (the "Average Value").

For the portion of the Special Award Bonus that will be paid through the free allocation of Company shares, this shall take place using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code.

The shares awarded to recipients will be locked up for 3 months.

The Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

b) Changes to the Stock Grant Reserve and Plan Cost

(In thousands of Euro)	31 December 2023 Fair value	31 December 2022 Fair value
Rights to receive shares assigned to the Managing Director and General Manager		
- at the start of the year	2,576	-
- assigned in the year	-	2,576
- at the end of the period	5,153	2,576

(In thousands of Euro)	2023	2022
Cost of share-based payment transactions (payment in shares)	2,577	2,576
(Cost adjustment)/Cost of share-based payment transactions (payment in cash)	(1,112)	1,462

c) Fair value measurement

Considering the allocation mechanism set out above, the measurement concerns the total fair value of the plan, influenced by the degree to which performance targets related to the Company's share price have been achieved. Therefore, with respect to the accounting standard these are so-called "market-based" targets. Fair value was estimated using stochastic simulation with the Monte Carlo Method that, based on the appropriate assumptions, allowed to define a substantial number of alternative scenarios in the timeframe considered. In particular, in each scenario, the projection of the share price was carried out starting from the initial value, according to a Brownian geometric movement.

Below are the main assumptions for the evaluation of the Special Award Plan for the Managing Director and General Manager as at the date of assignment, for the valuation of the installment involving share-based payment and, as at the reporting dates (31 December 2023 and 31 December 2022), for the valuation of the installment involving payment in cash. The fair value of the installment involving payment in cash must be measured at each reporting date.

Measurement at assignment	1 January 2022
Date of assignment	1 January 2022
Share price at the assignment date (Euro)	22.53
Expected dividends	1.51%
Expected volatility*	34.00%
Outflow rate	0%
Rate of Return on Salvatore Ferragamo S.p.A. Shares**	(0.07%)

Measurement at the reporting date	31 December 2023	31 December 2022
Date of assignment	1 January 2022	1 January 2022
Share price at the reporting date (Euro)	12.21	16.49
Expected dividends	1.55%	1.51%
Expected volatility*	31.60%	39.00%
Outflow rate	0%	0%
Rate of Return on Salvatore Ferragamo S.p.A. Shares**	3.00%	3.27%

* Reasonable estimate based on historical volatility calculated with reference to the measurement date.
** Average interest rate swap rates at the measurement date, respectively at the three-year and five-year maturities.

Performance and Restricted Shares 2023-2025 Plan

a) Plan description

The Performance and Restricted Shares Plan 2023-2025, approved by the Shareholders' Meeting of 26 April 2023, is intended to strengthen, as part of the recipients' overall remuneration package, the alignment of management interests with all the Group's stakeholders, boosting specifically their motivation and loyalty (with a view to retention) to Salvatore Ferragamo S.p.A. and the Group, in a logic of sustainability and value creation in the medium and long term. For these reasons, the Plan is divided into three cycles, each with a three-year vesting period. This timeframe seems appropriate to achieve the above objectives.

The Performance and Restricted Shares Plan 2023-2025 is reserved for selected employees and/or directors and/or collaborators of Salvatore Ferragamo S.p.A. and/or other companies belonging to the Ferragamo Group who are considered key to the pursuit of sustainable success in the medium to long term and who have been identified by the Board of Directors of Salvatore Ferragamo S.p.A., after consulting with the Nomination and Remuneration Committee (for each of the Plan cycles) at its sole discretion ("Recipients").
As at 31 December 2023, the recipients of the Plan were 45 (160,149 rights granted) and they have been identified among the employees of Salvatore Ferragamo S.p.A. and the following subsidiaries: Ferragamo USA Inc., Ferragamo Mexico S. de R.L. de C.V., Ferragamo Brasil Roupas e Acessorios Ltda., Ferragamo Japan K.K., Ferragamo Korea Ltd., Ferragamo Hong Kong Ltd., Ferragamo Fashion Trading (Shanghai) Co. Ltd., Ferragamo Retail Taiwan Limited.

A member of the Board of Directors is among the recipients of the plan.
The Board of Directors, at its sole discretion, may identify additional recipients (during the first vesting year of each cycle, with the application, in this case, of a *pro-rata temporis* parameter that re-proportions rights taking into account the actual period of service during the Vesting Period) among the top managers who hold and will hold the role of directors, employees and/or collaborators of the Company and of subsidiaries.

Object of the Plan

The Plan is divided into three Cycles. The first covers the 2023-2025 vesting period, the second covers the 2024-2026 vesting period, and the third covers the 2025-2027 vesting period.

Each individual cycle of the Performance and Restricted Shares Plan 2023-2025 includes:

a) the free allocation to the recipients of a certain number of initial rights (the "Initial Rights") to acquire (each) ownership of 1 share of Salvatore Ferragamo S.p.A., subject to the achievement of retention and performance targets, and, in the aggregate, any number of additional rights at the end of each vesting period;

b) the definition of performance indicators for each cycle during the allocation of Initial Rights;

c) the allocation of shares to the recipients, depending on the level of the performance indicators achieved and in relation to the achievement of the retention targets, at the end of each vesting period and subject to the verification of the fulfillment of the conditions set out in the Performance and Restricted Shares Plan 2023-2025.

The vesting of the Initial Rights – divided into an amount equal to 75% of the same, linked to the achievement of retention and performance targets (the "Performance Rights"), and the remaining amount equal to 25% linked to the achievement of retention-only targets (the "Retention Rights") – and the corresponding allocation of the shares will be subject to verification by the Board of Directors:

a) for Performance Rights, of the achievement of the condition of continued employment and/or collaboration and/or management relationship between the recipient and Salvatore Ferragamo S.p.A. and/or any other company of the Ferragamo Group (the "Relationship") at the end of the vesting period of each cycle of the Plan and the achievement of one or more performance indicators at the end of the vesting period of each cycle of the Plan; and

b) for Retention Rights, of the achievement of the sole condition of continued Relationship at the end of the vesting period of each cycle of the Plan.

The relevant indicators for the vesting of Performance Rights for the first Plan Cycle (2023-2025) are divided between economic and financial performance indicators (in line with the Strategic Plan) and ESG indicators (in accordance with the recommendations of the Corporate Governance Code and market best practices) and are as follows:

a) average % growth in product net sales, which is defined as the sum of retail and wholesale channel sales (as shown in the financial statements) net of allocations and returns (i.e. excluding other revenue components such as royalties, Cash flow hedging effect on revenues, real estate leases, etc.);

b) cumulative EBITDA over the 2023-2025 three-year period, which is defined as operating profit (as shown in the financial statements) before amortization, depreciation and write-downs of tangible/intangible assets and right-of-use assets;

c) average ROIC over the 2023-2025 three-year period, which is defined as net income for the period (as reported in the Salvatore Ferragamo Group's annual consolidated financial statements for the reporting year) divided by average adjusted net invested capital (the latter represented by net invested capital excluding right-of-use assets and assets classified as investment properties);

d) ESG, which represents the level of achievement of targets related to the environmental and social sustainability of the Group's operations. These targets are:

i. climate metrics: 100% renewable energy in all company locations worldwide by 2029;

ii. Gender pay gap measurement for employees of Salvatore Ferragamo S.p.A. and subsidiaries in North America, Korea and China;

iii. Uni PdR 125/22 certification (i.e. certification on the effective adoption of the gender equality management system in 6 main areas: Culture and strategy, Governance, HR processes, Opportunities for growth and inclusion of women in business, Gender pay equity, Parental protection and work-life balance).

The number of Initial Rights is determined by the Board of Directors, subject to the favorable opinion of the Nomination and Remuneration Committee, on the basis of an indicator equal to a multiple/percentage of the fixed remuneration of each recipient and dividing this monetary amount by the average of the official price of the Shares during the 30 days preceding the 1st of January of the year in which each cycle of the Plan begins.

Moreover, at the end of the vesting period of each cycle of the Plan, each recipient will be granted, free of charge, an additional number of rights calculated on the basis of the Initial Rights accrued and the cumulative amount of dividends per Share distributed to the shareholders of Salvatore Ferragamo S.p.A. during the period between the first day of the vesting period and the day preceding the date of grant of the Shares, both inclusive.

The allocation of Shares is further dependent on:

a) continued Relationship (not in notice period); and

b) the absence of particularly serious violations of the Group's Code of Ethics leading to termination of employment.

The shares, in the number corresponding to the total number of rights, will be allocated to the recipients by means of a communication from Salvatore Ferragamo S.p.A. no later than the thirtieth calendar day following the date of approval of the consolidated financial statements for the last year of each cycle.

Shares are to be awarded free of charge under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code.

Changes in the period in the number of rights assigned to receive shares*

	31 December 2023
(i) Outstanding at the start of the year	-
(ii) Assigned in the period	164,475
(iii) Canceled in the period	4,326
(iv) Exercised in the period	-
(v) Expired in the period	-
(vi) Outstanding at the end of the period	160,149
(vii) Exercisable at the end of the period	-

* The average price for the period has not been indicated since it is a plan with free assignment of shares.

b) Changes to the Stock Grant Reserve

	2023	
(Fair value in thousands of Euro)	**Number**	**Fair value**
Rights to receive shares assigned to employees of Salvatore Ferragamo S.p.A.		
- at the start of the year	-	-
- assigned in the year	80,247	100
- at the end of the period	80,247	100
Rights to receive shares assigned to employees of subsidiaries		
- at the start of the year	-	-
- assigned in the year	84,228	107
- canceled in the year	4,326	8
- at the end of the period	79,902	99
Total rights to receive shares assigned		
- at the start of the year	-	-
- assigned in the year	164,475	207
- canceled in the year	4,326	8
- at the end of the period	160,149	199

At the starting date of the Plan (which took place in October 2023, following the completion of the verifications in preparation for the communication of the plan to the recipients identified by the Board of Directors, and their formal acceptance), the recipients of the Plan were 47 and 164,475 rights had been allocated. As at 31 December 2023, the recipients of the Plan were 45 (160,149 rights granted), owing to the departure of two employees of subsidiary companies.

c) Fair value measurement

The fair value measurement of the rights assigned was based on the financial market conditions valid at the measurement date, using a methodology consistent with the risk neutral approach typical for these plans.

In order to quantify the Additional Rights for the purpose of estimating the average stock value as at December 2025, the stochastic simulation with the Monte Carlo Method was used which, based on the appropriate assumptions, allowed to define a substantial number of alternative scenarios in the timeframe considered. In particular, in each scenario, the projection of the share price was carried out starting from the initial value, according to a Brownian geometric movement.

The main assumptions for the evaluation of the Performance and Restricted Shares Plan 2023-2025 at the assignment date are as follows.

Measurement at assignment	
Date of assignment	11 October 2023
Share price at the assignment date (Euro)	12.03
Expected dividends	1.55%
Expected volatility*	32.43%
Outflow rate	0%
Rate of Return on Salvatore Ferragamo S.p.A. Shares**	3.58%

* Reasonable estimate based on historical volatility calculated with reference to the measurement date.
** Derived from the interest rate swap curve at the measurement date with reference to the maturity of the plan.

43. Segment reporting

Paragraph 4 of IFRS 8 requires that, should both the consolidated and separate financial statements of the Holding company be presented in a single financial report, the segment reporting must be presented only in reference to the consolidated financial statements.

44. Transactions with related parties

This section describes the transactions with related parties for the years ended 31 December 2023 and 2022; in particular, the following table shows the overall values of transactions with related parties, excluding transactions with subsidiaries, as detailed below in this paragraph:

31 December 2023

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A.	57	(85)	(19)	500	-	14	-	(4,942)	(538)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)									
Related companies									
Palazzo Feroni Finanziaria S.p.A.	26	(9,228)	(3,387)	76,524	1,001	6	(212)	-	(83,519)
Lungarno Alberghi S.r.l.	19	(2,796)	(644)	15,564	8	-	(24)	-	(17,654)
Ferragamo Foundation	2	(189)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	42	(24)	-	-	-	-	(2)	-	-
Club Swan Racing S.r.l.	22	(26)	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	-	16	-	-	19	-	-	-	-
Il Borro Tuscan Bistro S.r.l.	-	(1)	-	-	-	-	-	-	-
Rubino S.r.l.	-	(55)	(1)	57	-	5	(2)	-	(57)
Windows on Italy S.r.l.	-	-	-	-	1	-	-	-	-
Sole Studio S.r.l.	1	-	-	-	-	-	-	-	-
Halldis Italia S.r.l.	-	(9)	-	-	-	-	1	-	-
Other related parties									
Riccardo Ferragamo	-	(50)	-	-	-	-	-	(3)	-
Giovanna Ferragamo	-	(90)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	8	(10,339)	-	-	-	-	-	(5,063)	-
Total	**177**	**(22,876)**	**(4,051)**	**92,645**	**1,029**	**25**	**(289)**	**(10,008)**	**(101,768)**
Company's total	**734,820**	**(620,122)**	**(67,603)**	**144,677**	**182,345**	**14,139**	**(178,139)**	**(27,593)**	**(158,888)**
% ratio	**0.0%**	**3.7%**	**6.0%**	**64.0%**	**0.6%**	**0.2%**	**0.2%**	**36.3%**	**64.1%**

31 December 2022

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A.	57	(79)	(21)	564	14	-	-	(19,106)	(598)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)									
Related companies									
Palazzo Feroni Finanziaria S.p.A.	32	(7,037)	(1,506)	50,041	2	-	(46)	-	(53,957)
Lungarno Alberghi S.r.l.	15	(2,186)	(647)	15,913	4	-	(43)	-	(17,832)
Ferragamo Foundation	2	(191)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	24	(32)	-	-	20	-	(22)	-	-
Bacco S.r.l.	-	(2)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	26	(2)	-	-	-	-	-	-	-
Club Swan Racing S.r.l.	14	(34)	-	-	-	-	-	-	-
Club Swan Yachts S.r.l.	4	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	1	5	-	-	6	-	-	-	-
Rubino S.r.l.	-	(39)	-	51	-	5	(1)	-	(51)
Windows on Italy S.r.l.	-	(1)	-	-	1	-	-	-	-
Sole Studio S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(97)	-	-	-	-	-	-	-
Halldis Italia S.r.l.	-	(12)	-	-	-	-	(3)	-	-
Other related parties									
Riccardo Ferragamo	-	(44)	-	-	-	-	-	(5)	-
Giovanna Ferragamo	-	(90)	-	-	-	-	-	-	-
Angiolo Anichini	-	(225)	-	-	-	-	-	(75)	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(23,606)	-	-	-	-	-	(9,694)	-
Total	**176**	**(33,672)**	**(2,174)**	**66,569**	**47**	**5**	**(165)**	**(28,880)**	**(72,438)**
Company's total	**740,234**	**(596,360)**	**(71,799)**	**117,210**	**161,114**	**13,864**	**(143,464)**	**(52,115)**	**(125,925)**
% ratio	**0.0%**	**5.6%**	**3.0%**	**56.8%**	**0.0%**	**0.0%**	**0.1%**	**55.4%**	**57.5%**

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (2,158 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro), and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Company did not make any allocations to the provision for bad debt with respect to the amounts due from related parties. Please note that, as of 2017, the Company has recognized a provision for bad debt with respect to the receivables due from the subsidiary Ferragamo Retail India Private Limited, amounting to 5,223 thousand Euro as at 31 December 2023. For further details, please refer to note 14 "Trade receivables".

With reference to cash flows, it should be noted that on 3 November 2023, an agreement was finalized between the Ferragamo Group and Imaginex Holdings Limited and Imaginex Overseas Limited, controlled by Peter K. C. Woo (a director of the Company who resigned on 13 November 2023), for the purchase of minority interests in the distribution companies operating in the strategic market of Greater China. Therefore, as this was a related party transaction of major significance, it was examined by the Control and Risks Committee, which is also responsible for Transactions with Related Parties, which expressed its binding favorable opinion. The agreed and duly paid consideration was 42 million USD (or 39 million Euro). In particular, Salvatore Ferragamo S.p.A. acquired 24.8% of Ferragamo Retail Macau Limited for a consideration of 1,159 thousand Euro, and 25% of Ferragamo Moda (Shanghai) Co. Limited for a total of 1 USD.
For more details, reference should be made to note 4 "Business combinations" and to note 9 "Investments in subsidiaries".

Below are the comments to the above tables:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity), "Other current liabilities" included 4,942 thousand Euro in corporate income tax (IRES) payables as at 31 December 2023.

Salvatore Ferragamo S.p.A. has one outstanding lease contract with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods. Since it falls within the scope of IFRS 16, the lease was accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

Related companies

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.
Right-of-use assets and lease liabilities, operating costs, and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16.

Lungarno Alberghi S.r.l.

Revenues (and the related accounts receivable) refer to product sales; right-of-use assets, lease liabilities, operating costs, and financial charges largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Ferragamo Foundation

Costs (and the related accounts payable) refer for 99 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (101 thousand Euro in 2022) and for 90 thousand Euro to donations to support the institutional activities of the Foundation (90 thousand Euro in 2022).

Companies connected to members of the Board of Directors

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

Other related parties

With respect to the other related parties, costs, and the relevant payables, refer to the cost incurred primarily by the Company under the cooperative relationship in place during the year.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 45 "Fees paid to Directors and Statutory Auditors".
The Managers with strategic responsibilities are listed in the following table:

Full name	Role
Giacomo Ferragamo	Chief Transformation & Sustainability Officer
Alessandro Corsi*	Chief Financial Officer and Manager charged with preparing Company's Financial Reports

* His employment and related duties ended on 30 September 2023, following his resignation effective 1 October 2023.

The costs associated with the managers with strategic responsibilities referred to the cost incurred by the Company as part of the employment relationship, including the variable bonus and the imputed cost of the Performance and Restricted Shares 2023-2025 plan. In 2023, they amounted to 872 thousand Euro (compared to 1,257 thousand Euro in 2022). Typically, managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

Intragroup transactions

The following tables show the overall values, in thousands of Euro, of transactions with subsidiaries.

(In thousands of Euro)	Trade receivables		Other current financial assets		Trade payables		Other current financial liabilities	
Company	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Ferragamo Deutschland GmbH	2,233	1,920	5,500	-	5,279	2,171	-	-
Ferragamo France S.A.S.	4,796	3,733	-	-	8,324	7,718	-	-
Ferragamo (Suisse) S.A.	829	901	5,022	3,148	2,099	1,221	-	-
Ferragamo Monte-Carlo S.A.M.	290	216	1,600	1,200	-	-	-	-
Ferragamo Belgique S.A.	419	277	-	-	525	360	-	-
Ferragamo Espana S.L.	3,661	3,019	-	-	10	1	-	-
Ferragamo U.K. Limited	1,253	1,124	10,126	7,216	8,295	6,805	-	-
Ferragamo Austria Gmbh	752	536	-	-	498	421	-	-
Ferragamo Retail Nederland BV	488	2,190	1,400	1,400	7	441	-	-
Total Europe	**14,721**	**13,916**	**23,648**	**12,964**	**25,037**	**19,138**	**-**	**-**
Ferragamo Hong Kong Ltd.	24,161	19,044	41,035	-	18	132	-	21,390
Ferragamo Retail Hong Kong Ltd.	-	-	-	-	-	-	-	-
Ferragamo Australia Pty Ltd.	1,753	1,788	-	-	5,871	3,134	-	-
Ferragamo Japan KK	3,851	4,411	17,911	37,680	352	285	-	-
Ferragamo Moda (Shanghai) Co. Ltd.	48	36	-	-	-	-	-	-
Ferragamo Retail India Private Limited	-	-	-	-	51	-	-	-
Ferragamo Retail Taiwan Limited	53	34	-	-	-	-	-	-
Ferragamo Retail Macau Limited	-	-	-	-	-	-	-	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	432	245	-	-	34	28	-	-
Ferragamo Korea Ltd	7,937	15,002	-	-	3,007	610	-	-
Ferragamo (Singapore) PTE LTD	122	329	6,854	37,063	-	4	-	-
Ferragamo Thailand Limited	100	183	8,611	8,877	-	-	-	-
Ferragamo (Malaysia) SDN BHD	27	15	-	-	-	-	-	-
Total Asia Pacific	**38,484**	**41,087**	**74,411**	**83,620**	**9,333**	**4,193**	**-**	**21,390**
Ferragamo USA Group	59,042	52,830	50,307	25,615	16,495	1,190	-	-
Total North America	**59,042**	**52,830**	**50,307**	**25,615**	**16,495**	**1,190**	**-**	
Ferragamo Mexico S. de R.L. de C.V.	22,425	16,701	-	-	1,997	326	-	-
Ferragamo Chile S.A.	2,017	1,944	-	-	247	64	-	-
Ferragamo Argentina S.A.	2,464	1,875	-	-	-	-	-	-
Ferragamo Brasil Roupas & Acessorios Ltda	10,053	7,139	-	-	1,620	350	-	-
Total Central and South America	**36,959**	**27,659**	**-**	**-**	**3,864**	**740**	**-**	**-**
Total	**149,206**	**135,492**	**148,366**	**122,199**	**54,729**	**25,261**	**-**	**21,390**

(In thousands of Euro)	Revenues from sales		Revenues from services (including royalties)		Other income		Financial income		Total	
Company	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Ferragamo Deutschland GmbH	4,441	3,340	77	97	45	37	117	-	4,680	3,474
Ferragamo France S.A.S.	9,416	8,168	135	156	65	58	5	-	9,621	8,382
Ferragamo (Suisse) S.A.	4,461	4,048	71	76	15	26	92	12	4,639	4,162
Ferragamo Monte-Carlo S.A.M.	500	372	29	29	5	3	56	9	590	413
Ferragamo Belgique S.A.	562	293	21	33	7	5	-	-	590	331
Ferragamo Espana S.L.	9,209	6,408	117	114	62	492	-	-	9,388	7,014
Ferragamo U.K. Limited	10,103	10,432	117	145	40	47	321	63	10,581	10,687
Ferragamo Austria Gmbh	1,454	1,452	38	36	11	10	-	-	1,503	1,498
Ferragamo Retail Nederland BV	603	2,611	33	47	540	8	53	11	1,229	2,677
Total Europe	**40,749**	**37,124**	**638**	**733**	**790**	**686**	**644**	**95**	**42,821**	**38,638**
Ferragamo Hong Kong Ltd.	147,989	148,281	597	542	256	290	25,836	-	174,678	149,113
Ferragamo Retail Hong Kong Ltd.	-	-	42	54	31	32	-	-	73	86
Ferragamo Australia Pty Ltd.	8,419	7,545	421	363	83	60	-	-	8,923	7,968
Ferragamo Japan KK	36,772	34,329	693	707	188	110	129	199	37,782	35,345
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	45	62	34	33	-	-	79	95
Ferragamo Retail India Private Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail Taiwan Limited	-	-	36	41	42	33	-	-	78	74
Ferragamo Retail Macau Limited	-	-	6	12	10	10	-	-	16	22
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	334	262	244	177	-	-	578	439
Ferragamo Korea Ltd	50,187	56,918	604	624	245	4,575	-	11,212	51,036	73,329
Ferragamo (Singapore) PTE LTD	-	-	34	36	39	42	658	831	731	909
Ferragamo Thailand Limited	-	-	13	15	20	19	257	743	290	777
Ferragamo (Malaysia) SDN BHD	-	-	17	20	21	21	-	-	38	41
Total Asia Pacific	**243,367**	**247,073**	**2,842**	**2,738**	**1,213**	**5,402**	**26,880**	**12,985**	**274,302**	**268,198**
Ferragamo USA Group	155,132	232,175	7,991	6,996	502	1,098	2,817	440	166,442	240,709
Total North America	**155,132**	**232,175**	**7,991**	**6,996**	**502**	**1,098**	**2,817**	**440**	**166,442**	**240,709**
Ferragamo Mexico S. de R.L. de C.V.	40,981	34,113	631	511	246	3,173	-	-	41,858	37,797
Ferragamo Chile S.A.	1,404	1,054	-	-	1	1	-	-	1,405	1,055
Ferragamo Argentina S.A.	738	417	-	-	1	1	-	-	739	418
Ferragamo Brasil Roupas & Acessorios Ltda	4,758	4,337	-	-	5	9	-	-	4,763	4,346
Total Central and South America	**47,881**	**39,921**	**631**	**511**	**253**	**3,184**	**-**	**-**	**48,765**	**43,616**
Total	**487,129**	**556,293**	**12,102**	**10,978**	**2,758**	**10,370**	**30,341**	**13,520**	**532,330**	**591,161**

(In thousands of Euro)	Purchases of finished products, raw materials, accessories and consumables		Costs for services		Other operating costs		Financial charges		Total	
Company	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Ferragamo Deutschland GmbH	16	23	1	-	5,276	2,167	-	-	5,293	2,190
Ferragamo France S.A.S.	29	21	-	78	8,317	7,632	-	-	8,346	7,731
Ferragamo (Suisse) S.A.	-	12	-	-	2,099	1,221	-	-	2,099	1,233
Ferragamo Monte-Carlo S.A.M.	1	1	-	-	-	-	-	-	1	1
Ferragamo Belgique S.A.	3	1	-	-	524	360	-	-	527	361
Ferragamo Espana S.L.	17	26	-	-	-	-	-	-	17	26
Ferragamo U.K. Limited	-	(41)	44	39	8,250	6,768	-	-	8,294	6,766
Ferragamo Austria Gmbh	1	1	-	-	498	421	-	-	499	422
Ferragamo Retail Nederland BV	7	4	-	-	-	441	-	-	7	445
Total Europe	**74**	**48**	**45**	**117**	**24,964**	**19,010**	**-**	**-**	**25,083**	**19,175**
Ferragamo Hong Kong Ltd.	-	-	68	74	-	-	254	179	322	253
Ferragamo Retail Hong Kong Ltd.	-	-	-	-	-	-	-	-	-	-
Ferragamo Australia Pty Ltd.	-	-	351	254	5,710	2,949	-	-	6,061	3,203
Ferragamo Japan KK	-	-	1,061	769	-	-	-	-	1,061	769
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail India Private Limited	-	-	113	47	-	-	-	-	113	47
Ferragamo Retail Taiwan Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail Macau Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	34	28	-	-	-	-	34	28
Ferragamo Korea Ltd	-	-	1,341	611	1,684	-	-	-	3,025	611
Ferragamo (Singapore) PTE LTD	-	-	-	4	-	-	-	-	-	4
Ferragamo Thailand Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo (Malaysia) SDN BHD	-	-	-	-	-	-	-	-	-	-
Total Asia Pacific	**-**	**-**	**2,968**	**1,787**	**7,394**	**2,949**	**254**	**179**	**10,616**	**4,915**
Ferragamo USA Group	-	-	628	423	16,070	-	-	-	16,698	423
Total North America	**-**	**-**	**628**	**423**	**16,070**	**-**	**-**	**-**	**16,698**	**423**
Ferragamo Mexico S. de R.L. de C.V.	-	-	1,015	1,156	1,777	-	-	-	2,792	1,156
Ferragamo Chile S.A.	-	-	-	-	247	64	-	-	247	64
Ferragamo Argentina S.A.	-	-	-	-	-	-	-	-	-	-
Ferragamo Brasil Roupas & Acessorios Ltda	-	-	-	-	1,620	350	-	-	1,620	350
Total Central and South America	**-**	**-**	**1,015**	**1,156**	**3,644**	**414**	**-**	**-**	**4,659**	**1,570**
Total	**74**	**48**	**4,656**	**3,483**	**52,072**	**22,373**	**254**	**179**	**57,056**	**26,083**

45. Fees paid to Directors and Statutory Auditors

Directors

(In thousands of Euro)				2023					
				Fees					
Full name	Position held	Term of office	End of term of office	For the position held	As committee member	Non-monetary benefits	Salaries, bonuses and other incentives	Stock Grant	Total
Leonardo Ferragamo	Chair	1.01-31.12	a)	400	-	b)	-	-	400
Angelica Visconti	Deputy Chair	1.01-31.12	a)	200	-		-	-	200
Marco Gobbetti	Managing Director and General Manager	1.01-31.12	a)	120	-	b) c) d) e)	4,220	3,863	8,203
Giacomo Ferragamo	Director	1.01-31.12	a)	50	-	b) c) d)	600	9	659
Frédéric Biousse	Director	1.01-31.12	a)	50	14		-	-	64
Patrizia Michela Giangualano	Director	1.01-31.12	a)	50	30		-	-	80
Annalisa Loustau Elia	Director	1.01-31.12	a)	50	20		-	-	70
Umberto Tombari	Director	1.01-31.12	a)	50	45		-	-	95
Laura Donnini	Director	26.04-31.12	a)	34	15		-	-	49
Peter Woo Kwong Ching	Director	1.01-13.11		-	-		-	-	-
Anna Zanardi Cappon	Director	1.01-26.04		16	15		-	-	31
Total				**1,020**	**139**		**4,820**	**3,872**	**9,851**

a) upon approval of the 2023 financial statements;
b) car; c) mobile phone; d) insurance policies; e) accommodation.

Statutory Auditors

(In thousands of Euro)			2023				
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Other fees received from subsidiaries	Grand total
Andrea Balelli	Chair	01.01-31.12	a)	64	15	-	79
Paola Caramella	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Total				**160**	**39**	**-**	**199**

a) upon approval of the 2025 financial statements.
* Other fees refer to amounts due for the position as Chair or member of the Supervisory Body pursuant to Italian Leg. Decree 231/2001.
Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

46. Commitments and risks

The breakdown of the commitments and risks is as follows:

(In thousands of Euro)	31 December 2023	31 December 2022
Sureties and guarantees provided by third parties to third parties in the interests of the Company	9,945	9,594
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	9,654	10,253
Guarantees provided by the Company to third parties in the interests of Group companies	88,969	105,167
Total	**108,568**	**125,014**

The Sureties and guarantees provided by third parties in the interests of the Company consist of bank sureties and guarantees on leases.

The sureties and guarantees provided by third parties in the interests of Group companies represent the sureties and guarantees on leases entered into by Group companies, including a guarantee for 6 million US Dollars (equal to 5,430 thousand Euro) relating to a lease of the Ferragamo USA Group.

The guarantees provided by the Company to third parties in the interests of Group companies are mainly in favor of banks to guarantee credit lines which may be used locally.

47. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the explanatory notes any funds received during the year in the form of subventions, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, it should be noted that in 2023 Salvatore Ferragamo S.p.A. received:

- 2.1 million Euro as an advance payment in relation to the Innovation Agreement signed by Salvatore Ferragamo S.p.A. with the Ministry of Economic Development and the Tuscany Region on 12 January 2021; for further details, reference should be made to the Directors' report on operations – Significant events occurred during the year.

In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 of 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

48. Significant non-recurring events and transactions

During 2023, the Company did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

49. Transactions arising from atypical and/or unusual transactions

The Company did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance/size, the counterparties involved, the subject of the transaction, the means of determining the transfer price and the timing of the event, may give rise to doubts about the correctness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity and the protection of minority interests.

50. Information on the direct and indirect subsidiaries of Salvatore Ferragamo S.p.A.

The direct and indirect subsidiaries of Salvatore Ferragamo S.p.A. as at 31 December 2023 are detailed below:

				31 December 2023		
				Controlling interest (%)		
Company name	Location	Currency	Share capital	Direct	Indirect	Notes
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	3,187,970,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	16,000,000	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	89.13%		
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		100%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		100%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	100%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		100%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		100%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	100%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	300,000,000	100%		(4)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd	Singapore	Singapore Dollar	47,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		

1. Through Ferragamo USA Inc.;
2. Through Ferragamo Hong Kong Ltd.;
3. Through Ferrimag Limited;
4. Non-operating company.

51. Significant events occurred after 31 December 2023

On 22 January 2024, the Company informed the market of the appointment of Pierre La Tour as Group CFO effective 18 March 2024. At the same meeting, it also specified that La Tour was also appointed by the Company's Board of Directors as a Manager with strategic responsibilities, due to the privileges and duties assigned to him in the Administration, Finance, Control and Investor Relations areas.

On 25 January 2024, in implementation of the Restricted Shares Plan, the Board of Directors, with the favorable opinion of the Nomination and Remuneration Committee, decided to grant Marco Gobbetti, Managing Director and General Manager, the right to receive, free of charge, 205,255 shares of Salvatore Ferragamo S.p.A. effective 1 January 2024.

At the meeting held on 6 March 2024, the Board of Directors, *inter alia*: (i) approved the draft Separate Financial Statements as at 31 December 2023, the Consolidated Financial Statements as at 31 December 2023, and the Board of Directors' report on operations for 2023, containing the consolidated Non-Financial Statement for 2023 that includes non-financial information pursuant to Italian Legislative Decree no. 254 of 30 December 2016; (ii) approved the Corporate Governance Report for 2023, prepared by the Company pursuant to art. 123-bis of the Consolidated Law on Finance; (iii) approved, with the favorable opinion of the Nomination and Remuneration Committee, the Report on the remuneration policy for 2024 and fees paid in 2023, prepared pursuant to art. 123-ter of the Consolidated Law on Finance, art. 84-quater and Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as amended, and art. 5 of the Corporate Governance Code for listed companies; for approval by the next Shareholders' Meeting. For further details, please refer to the documentation made available on the Company's website *https://group.ferragamo.com/en*, section *governance/shareholders-meetings/2024*.
At the same meeting, the Board of Directors also:

- resolved to call the Ordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. for 23 April 2024;
- checked, in implementation of the Restricted Shares Plan and with the favorable opinion of the Nomination and Remuneration Committee, the right of Marco Gobbetti, Managing Director and General Manager, to receive, free of charge, 147,732 shares of Salvatore Ferragamo S.p.A. assigned to him effective 1 January 2023.

52. Proposal to approve the financial statements and allocation of profit

The Board of Directors of Salvatore Ferragamo S.p.A., in relation to the results achieved in 2023, proposes to:

1. approve the 2023 Separate Financial Statements;
2. approve the allocation of the profit for the year 2023, amounting to Euro 86,999,603, to the Extraordinary Reserve;
3. and approve the distribution to Shareholders of a portion of the "Extraordinary Reserve" (which amounted to 613,475,486 Euro as at 31 December 2023), in the amount of 0.10 Euro for each share outstanding at the ex-coupon date. The total dividend is estimated at 16,552,896.60 Euro, taking into account the shares outstanding as at 6 March 2024 (165,528,966 shares).

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro)				
Type of services	**Subject which supplied the service**	**Recipient**	**Notes**	**Total fees for 2023**
Audit	Independent Auditors of the Parent company	Parent company		322
Other services	i) Independent Auditors of the Parent company	Parent company	1	112
	ii) Network of the Parent company's Independent Auditors	Parent company	2	46
Total				**480**

1) The item refers to the certification of the Consolidated Non-Financial Statement and to the certification of the Research and Development credit;
2) This item mainly refers to consulting services to support the efficiency of closing activities.

Florence, 6 March 2024

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

Statement pursuant to art. 154-bis of Leg. Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Marco Gobbetti in his capacity as "Managing Director" and Erika Peruzzi in her capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the company's structure and
   - the effective application of the administrative and accounting procedures for the preparation of the separate financial statements for the period 1 January-31 December 2023.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2023 separate financial statements has been assessed on the basis of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is the generally accepted model internationally.

3. It is also certified that
   3.1 The separate financial statements as at 31 December 2023:
      a. have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;
      b. correspond with accounting books and records;
      c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company.
   3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company, together with a description of the main risks and uncertainties to which it is exposed.

Florence, 6 March 2024

Managing Director
Marco Gobbetti

Manager charged with preparing Company's Financial Reports
Erika Peruzzi





REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors to the Shareholders' Meeting

(pursuant to art. 153 of Italian Leg. Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (hereinafter also referred to as "Ferragamo" or "Company"), pursuant to art. 153 of Italian Leg. Decree 58/1998 ("TUF", which stands for *Testo Unico della Finanza* – Consolidated Law on Finance), shall report to the Shareholders' Meeting convened for the approval of the financial statements on the supervisory activities carried out during the year as well as any potentially material omissions or reprehensible events. In addition, the Board of Statutory Auditors shall also make proposals regarding the financial statements and their approval as well as the matters within its area of responsibility.

This report concerns the work performed by the Board of Statutory Auditors during the year ended 31 December 2023 (hereinafter also referred to as "Report").

The 2023 separate financial statements closed with a profit of 87 million Euro compared to a profit of 89.2 million Euro in the previous year. At a consolidated level, the Group profit amounted to 26.1 million Euro, compared with a profit of 70 million Euro in the previous year.

Introduction

In the year ended 31 December 2023, the Board of Statutory Auditors performed the supervisory activities required by law in accordance with the standards of conduct recommended by the Italian National Board of Accountants and Auditors (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), Consob's regulations on corporate controls, and the guidance in the Corporate Governance Code approved in January 2020 by the Corporate Governance Committee.

The activities described below were formally recorded in the minutes of the 14 meetings the Board of Statutory Auditors held during 2023 and the 4 meetings held in 2024 up to the preparation of this Report.

Throughout the year, the Board of Statutory Auditors alternated between in-person meetings at the Company's headquarters and remote videoconferences.

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors in office as at the reporting date was appointed, based on a slate-voting system, in accordance with the law and the bylaws, also taking into account the provisions on gender balance, by the Shareholders' Meeting of 26 April 2023 and consists of Andrea Balelli (Chair), Paola Caramella (Acting Statutory Auditor), and Giovanni Crostarosa Guicciardi (Acting Statutory Auditor).

The same Meeting also appointed the Substitute Statutory Auditors Roberto Coccia and Antonietta Donato.

Supervisory activities pursuant to art. 149 of the TUF

Pursuant to art. 149 of the TUF, the Board of Statutory Auditors supervises:

- compliance with the law and the bylaws;
- adherence to the principles of sound management;
- the adequacy of the Company's organizational structure as far as matters within its area of responsibility are concerned, the internal control system, and the administrative-accounting system – as well as the latter's reliability in presenting fairly the Company's operations;
- the implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the Company has formally adopted through public disclosures;
- the adequacy of the instructions the Company gives to subsidiaries pursuant to art. 114, paragraph 2 of the TUF.

Supervision of compliance with the law and the bylaws

The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by attending, as a body or with the presence of at least one member, the meetings of the Board of Directors and Board Committees, the hearings of the Company's and Group's management and meetings with the independent auditors.

The Board of Statutory Auditors has always attended the meetings (i) of the Board of Directors, (ii) of the Control and Risks Committee – which acts also as the Committee responsible for Transactions with Related Parties and corporate sustainability – and (iii) of the Nomination and Remuneration Committee.

Events that materially impacted financial performance, financial position, and cash flows during the year

The Board of Statutory Auditors has obtained information on the operations carried out and the transactions that materially impacted the Company's financial performance, financial position, and cash flows, as well as the Group's strategic guidelines, from the Directors on a monthly basis. The Board of Statutory Auditors can provide reasonable assurance that the transactions authorized and conducted by the Company comply with the law and the bylaws and are not manifestly imprudent, risky, in conflict of interest, contrary to the decisions of the Shareholders' Meeting, or such as to compromise the integrity of corporate assets. In addition, there were no atypical or unusual transactions;

Specifically, the Board of Statutory Auditors reports that the following significant transactions and events occurred in 2023:

On 27 February 2023, Director Anna Zanardi Cappon tendered her resignation effective from the Shareholders' Meeting convened for 26 April 2023.

On 2 March and subsequently on 20 April and 20 December 2023, the Board of Directors decided to modify the powers of the Managing Director and the General Manager in order to streamline the organizational structure and to separate the roles.

On 26 April 2023, the Shareholders' Meeting (i) elected independent director Laura Donnini to replace the resigning director; (ii) approved the identification of the recipients of the "Performance & Restricted Shares 2023-2025 LTI Plan"; (iii) approved the Data sheet of the plan called "Restricted Shares", approved by the Shareholders' Meeting of 14 December 2021, in favor of the Managing Director and General Manager; (iv) approved the revision of the Procedure on inside and material information and Internal dealing, then updated in March 2024.

On the same date, the Board of Directors: (i) checked the independence requirements of the Non-Executive Directors; (ii) decided to add members to the Internal Committees of the Board of Directors and to determine their fee; and (iii) appointed the Board of Statutory Auditors as the Supervisory Body pursuant to Italian Legislative Decree 231/2001.

On 30 June 2023, the Company acknowledged the resignation of the CFO and Manager charged with preparing Company's Financial Reports, Alessandro Corsi, effective 30 September 2023, and informed the market.

On 6 July 2023, the Board of Directors: (i) approved the amendment to the Information Flow Regulations; (ii) approved the update of the Statement on Modern Slavery; (iii) updated the Company's Code of Ethics and the Group Whistleblowing Policy; (iv) appointed KPMG S.p.A. to provide limited assurance on the NFS pursuant to Italian Legislative Decree 254 of 30 December 2016, for 2023.

On 3 August 2023, the Board of Directors: (i) approved the Consolidated Half-Year Report as at 30 June 2023; (ii) appointed Erika Peruzzi as the Manager charged with preparing Company's Financial Reports, effective 1 October 2023; and (iii) updated the Related Party Transaction Procedure.

On 9 October 2023, the Company was admitted to the cooperative compliance regime (pursuant to Italian Legislative Decree 128/2015), effective from the 2022 tax year.

On 19 October 2023, the Board of Directors: (i) approved the People Strategy and management succession plans; (ii) approved the revised 2023 Budget; and (iii) adopted a cyber risk management policy, called "Cyber Security Incident", which was prepared by identifying the most relevant business processes in the cyber area, the most significant cyber threats and the security measures implemented, integrating the risk analysis into the ERM Model. An ad hoc committee, chaired by the Chief Information Technology Officer, was also established for this purpose.

On 25 October 2023, the purchase by the Ferragamo Group of the minority interests held by Imaginex Holdings Limited and Imaginex Overseas Limited – companies controlled by the then board member Peter K. C. Woo – in the three joint ventures Ferragamo Moda (Shanghai) Co. Limited ("FMS"), Ferragamo Retail Macau Limited ("FRM") and Ferrimag Limited ("FIM"), established to distribute Ferragamo products in the Greater China area, was approved. The transaction was completed on 3 November 2023; the shareholding subject matter of the purchase amounted to 25% of FMS and 24.8% of FRM for the Company, and to 25% of FIM for Ferragamo Hong Kong Ltd, with the result that the Company and Ferragamo Hong Kong Ltd became the sole shareholders of the aforementioned companies.

On 13 November 2023, the director Peter K. C. Woo resigned from his position, effective immediately.

On 20 December 2023, the Board of Directors approved (i) the 2024 Budget; (ii) changes to the composition and Regulations of the Ethics Committee; (iii) amendments to the Group Whistleblowing Policy and (iv) the Cash Management Policy.

In addition, the following significant transactions and events occurred in 2024 up to the reporting date:

On 25 January 2024, the Board of Directors: (i) approved the assignment of shares under the Restricted Shares Plan for 2024 in favor of the Managing Director and General Manager; (ii) approved the 2024 Audit Plan; and (iii) approved the "Crisis Management" Policy for managing the Company's response to critical events other than cyber ones.

On 6 March 2024, the Board of Directors: (i) approved the draft separate financial statements and the consolidated financial statements as at 31 December 2023, accompanied by the Non-Financial Statement as at 31 December 2023, pursuant to Italian Legislative Decree 254/2016; (ii) approved the final sheets concerning the variable remuneration related to the Short-Term Incentive for the Managing Director, Manager with Strategic Responsibilities and IA Manager for 2023 and the actual achievement of the 2023 targets of the Restricted Shares Plan by the Managing Director and General Manager; (iii) approved the Report on the remuneration policy; (iv) approved the update of the ERM Model; (v) approved the new Organizational Model pursuant to Italian Legislative Decree 231/2001 and the updated Code of Ethics; (vi) appointed KMPG S.p.A. to perform a limited audit of the consolidated sustainability report of the Salvatore Ferragamo Group pursuant to Article 34, paragraph 1, second subparagraph of Directive (EU) 2013/34, as amended by Directive (EU) no. 2022/2464 (the Corporate Sustainability Reporting Directive – CSRD), for the financial years ending 31 December 2024 through 31 December 2028, inclusive; and finally (vii) resolved to submit to the Shareholders' Meeting of 23 April 2024 the proposal of the Board of Statutory Auditors for the review of the Independent Auditors' fees.

In addition, the Board of Statutory Auditors:

- in its capacity as Supervisory Body pursuant to Italian Legislative Decree 231/2001, examined the matters addressed by said decree and found no significant reprehensible issues or events;
- held regular meetings with representatives of the independent auditors to mutually exchange data and information material to the discharge of its duties in accordance with art. 150, paragraph 3 of the TUF. In this regard, there was no material data or information to be disclosed in this report;
- did not receive complaints as per art. 2408 of the Italian Civil Code;
- issued opinions on the remuneration of directors holding specific positions in accordance with art. 2389, paragraph 3 of the Italian Civil Code;
- issued opinions on the so-called "non-audit fees" for services other than auditing, in accordance with applicable laws and the Company's internal procedure, examining specifically their impact on independence, with nothing to report in this regard.

In addition, concerning the Company's bodies and functions, the Board of Statutory Auditors reports that:

- the Board of Directors held 10 meetings in 2023;
- the Control and Risks Committee met 18 times in 2023 (of which 13 times acting as the Related Party Transactions Committee and 6 times as the Corporate Sustainability Committee);

- the Nomination and Remuneration Committee held 12 meetings in 2023 (of which 9 times acting as the Remuneration Committee and 7 as the Nomination Committee);
- the Supervisory Body as per Italian Legislative Decree 231/2001 held 13 meetings in 2023.

Supervision of adherence to the principles of sound management and the adequacy of the organizational structure

The Board of Statutory Auditors:

- obtained information on and supervised, within the scope of its responsibilities, the adequacy of the Company's organizational structure and adherence to the principles of sound management through direct observation, as well as by gathering information from the heads of corporate departments and meeting with the independent auditors to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard and considers the Company's organizational structure to be essentially suitable for its needs and those of the Group as well as for ensuring adherence to the principles of sound management;
- assessed and supervised the adequacy of the administrative-accounting system, as well as its reliability in presenting fairly the Company's operations, by obtaining information from the heads of the relevant departments, examining business documents, and analyzing the work of the independent auditors. The Board of Statutory Auditors has nothing to report in this regard.

The Board of Statutory Auditors has ascertained that directors and statutory auditors receive adequate supporting documents about the items on the agenda of Board of Directors' meetings with reasonable advance notice.

Based on the acquired information, the Board of Statutory Auditors acknowledges that management makes decisions in an informed and reasonable manner and directors are aware of the risks and impacts of the transactions carried out.

The Board of Statutory Auditors did not find any significant atypical and/or unusual transactions, including intragroup transactions as well as intragroup and non-intragroup related-party transactions.

In addition, the Board of Statutory Auditors also assessed the adequacy of the information disclosed in the Directors' report on operations on the lack of significant atypical and/or unusual transactions.

Supervision of the actual implementation of corporate governance rules

Pursuant to art. 149, paragraph 1, lett. c-*bis* of the TUF concerning the supervision by the Board of Statutory Auditors of "*the actual implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the company has formally adopted through public disclosures*", the Board of Statutory Auditors supervised:

- the actual implementation of the corporate governance rules set out in codes of conduct that the Company has formally adopted through public disclosures. In accordance with art. 123-bis of the TUF, the Company prepared the annual Report on Corporate Governance and Ownership Structure for 2023, approved on 6 March 2024, which includes information about (i) the Company's ownership structure; (ii) the Company's actual corporate governance practices; (iii) the key characteristics of the existing risk management and internal control systems, including as far as the separate and consolidated financial reporting process is concerned; (iv) the functioning of the Shareholders' Meeting, its main powers, the rights of Shareholders, and how

they can exercise them; and (v) the composition and functioning of the administration and control bodies and the relevant committees, as well as the other disclosures required by art. 123-bis of the TUF;

- the adoption of the Remuneration Policy for Directors and Managers with strategic responsibilities, in accordance with the Corporate Governance Code;
- the LTI Share Plan called Performance and Restricted Shares 2023-2025 aimed at Group managers, in line with the provisions of the Corporate Governance Code;
- the implementation of the Share Plan called Restricted Shares;
- the implementation of the procedure for the commissioning of services to the independent auditors within the Ferragamo Group during the year.

In addition, the Board of Statutory Auditors acknowledges that: (i) in accordance with the requirements in art. 148, paragraph 3 of the TUF and the guidance provided by the Italian National Board of Accountants and Auditors as well as the Corporate Governance Code, it verified whether its members met the independence, professional expertise, competence and honesty requirements as per applicable laws; (ii) it found that the criteria and procedures adopted by the Board of Directors for the annual assessment of the independence of its independent directors were properly implemented, and that the Board of Directors conducted an analysis based on substantiated evidence and consistent with the decisions concerning the identification of Ferragamo's related parties. The assessment of independence was carried out during the year, and the Board has no comments to make in this regard; and (iii) it supervised the process aimed at adopting the policy for the remuneration of directors and managers with strategic responsibilities, in line with the provisions of the Corporate Governance Code.

Supervision of the adequacy of the instructions the Company gives to subsidiaries

Pursuant to art. 114, paragraph 2 of the TUF: (i) listed issuers give the instructions necessary for the subsidiaries to disclose all information required to meet disclosure requirements in accordance with the law; (ii) the subsidiaries provide the requested disclosures in a timely manner.

The Board of Statutory Auditors supervised the adequacy of the instructions given to subsidiaries and found that the Company is able to promptly and regularly meet disclosure requirements in accordance with the law – including by gathering information from the heads of organizational functions and regularly meeting with the independent auditors to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard.

In addition, the Boards of Directors of the subsidiaries generally include among their members Directors and/or Managers of the Parent company vested with executive powers, thus ensuring a coordinated management and an adequate flow of information supported by appropriate accounting records.

Intragroup or related-party transactions

In accordance with art. 2391-bis of the Italian Civil Code as well as Consob resolution no. 17221 of 12 March 2010 containing the "Related-Party Transactions Regulation" (as amended), on 30 March 2011, Ferragamo's Board of Directors, with the favorable opinion of the Related Party Transactions Committee – which consists only of independent directors (and is appointed for this purpose with a specific resolution of the Board of Directors in accordance with art. 4, paragraph 1 of said Regulation)

– adopted the "Related Party Transaction Procedure", which was subsequently updated most recently on 3 August 2023.
Pursuant to art. 4 of said Regulation, we certify that the Procedure adopted by the Company (i) is consistent with the principles set out in the Regulation, and (ii) is published on the Company's website (*https://group.ferragamo.com*).
Based on the acquired information, in 2023 several transactions with related parties were carried out both within the Group and with third parties. As far as we know, based also on our supervisory work, transactions with related parties were carried out essentially in accordance with said procedure and the Regulation. This is the case for the above-mentioned purchase by the Ferragamo Group of minority interests held by Imaginex Holdings Limited and Imaginex Overseas Limited, companies controlled by the then board member Peter K. C. Woo. In this regard, the Board of Statutory Auditors checked: (i) the fairness of the transaction based on the results of the preliminary investigation carried out by the Control and Risks Committee acting as the Related Party Transactions Committee, which concluded with the fairness opinion on the fairness of the purchase price of the investments prepared by EY; (ii) the corporate interest in the transaction; and (iii) the convenience and fairness of its terms.
The additional intragroup transactions we examined appear to be part of the ordinary course of business, as they concern commercial services as well as the exchange of administrative, financial and organizational services. These transactions were carried out on arm's length terms, determined in accordance with standard parameters reflecting the actual use of the services concerned, and were in the interest of the Company. The transactions with non-intragroup related parties we examined also appear to be part of the ordinary course of business (as they fall within day-to-day operating activities or the relevant financing activities) and were concluded on arm's length or standard terms. The transactions with related parties are disclosed in the Explanatory notes to the separate and consolidated financial statements along with the relevant economic impact.

In our opinion, all said transactions were carried out in the interest of the Company.

Supervision pursuant to Italian Legislative Decree no. 39/2010

Pursuant to art. 19 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree 135/2016), the Board of Statutory Auditors (referred to as the "Audit Committee") shall:

- notify the audited entity's governing body of the audit findings, as well as submit the additional report as per art. 11 of Regulation (EU) no. 537/2014 to said body along with any observations;
- monitor the financial reporting process;
- monitor the effectiveness of the internal control, internal audit and risk management systems;
- monitor the statutory audit of the annual and consolidated financial statements;
- verify and monitor the independence of statutory auditors or independent auditors pursuant to arts. 10, 10-bis, 10-ter, 10-quater, and 17 of said decree as well as art. 6 of the EU Regulation, concerning especially the adequacy of non-audit services provided to the audited entity, in accordance with art. 5 of said Regulation;
- oversee the procedure for the selection of statutory auditors or independent auditors and recommend the statutory auditors or independent auditors to be appointed pursuant to art. 16 of the EU Regulation.

The Board of Statutory Auditors worked with the Control and Risks Committee, established within the Board of Directors, in order to coordinate their respective duties and avoid potential overlaps.

In this regard, the practice introduced at Ferragamo of inviting the entire Board of Statutory Auditors to the meetings of the Control and Risks Committee makes relations fluid and facilitates coordination and exchange of information between the two bodies, even when the activities of the Control and Risks Committee refer to issues of specific relevance for the purposes of Italian Legislative Decree No. 39/2010 and the supervisory matters mentioned above.

Concerning specifically the activities set out in Italian Legislative Decree 39/2010 on Statutory Auditing, we report the following.

Disclosure of the audit findings and the Additional Report as per art. 11 of Regulation (EU) no. 537/2014 to the Governing Body

Pursuant to art. 19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors notified the governing body of the audit findings as well as submitted the additional report as per art. 11 of Regulation (EU) no. 537/2014, issued by the independent auditors on today's date.

Supervision of the financial reporting process

The Board of Statutory Auditors has ascertained the existence of rules and procedures concerning the preparation and disclosure of financial information. In this regard, the report on corporate governance and ownership structure (Corporate Governance Report) defines the guidelines of the internal control and risk management system as well as appropriate financial reporting methods and procedures.

The Board of Statutory Auditors, with the help of the Manager charged with preparing Company's Financial Reports, examined the procedures concerning the preparation of the Company's separate financial statements and the consolidated financial statements, as well as the other interim financial reports. In addition, the Board of Statutory Auditors obtained evidence of the process allowing the Manager charged with preparing Company's Financial Reports as well as the competent Director to issue the certifications required by art. 154-bis of the TUF.

The Board of Statutory Auditors learned that the administrative/accounting procedures for the preparation of the financial statements and any other financial disclosures are overseen by the Manager charged with preparing Company's Financial Reports, who, together with the Managing Director, certifies their adequacy and actual implementation for the purposes of preparing the separate and consolidated financial statements as well as the half-year report.

On 6 March 2024, the Managing Director and the Manager charged with preparing Company's Financial Reports issued the certifications of the consolidated and separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971/1999 as amended and supplemented.

Therefore, the Board of Statutory Auditors considers the financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

Supervision of the effectiveness of the internal control, internal audit and risk management systems

The Board of Statutory Auditors, including together with the Control and Risks Committee, regularly met with the Head of Internal Audit and was informed about both the findings of the audits aimed at verifying the adequacy and operation of the internal control system – in accordance with the law as well as corporate procedures and processes – and the implementation of the relevant plans for improvement. In addition, the Board of Statutory Auditors received the 2024 Audit Plan approved by

the Board of Directors on 25 January 2024 (on which the Control and Risks Committee and the Board of Statutory Auditors issued a favorable opinion at the meeting held on 22 January 2024) as well as regular updates on the progress on the 2023 Plan and any potential corrective actions. In addition, it received the Report of the Head of Internal Audit for the year 2023, as well as the Control and Risks Committee's six-monthly report.

In addition, please note that the Company adopts an integrated risk management model, in line with ERM ("Enterprise Risk Management") standards and best practices, inspired by the framework issued by the "Committee of Sponsoring Organizations of the Treadway Commission" ("COSO ERM").
During 2023, the Company completed the activity of revising the Enterprise Risk Management Model, which, in compliance with the ERM Standards, conceives risk management not only as an internal control tool, but also and above all as an organized and dynamic set of activities to support management in decision-making processes and strategic planning activities. In fact, the ERM model analyzes the main risk areas that have a direct/indirect impact on the achievement of the Strategic Plan objectives. During the year, the Company strengthened the analysis of ESG factors within the risk management model. Risk scenarios with potential direct impacts that also influence the achievement of the targets defined by the Company in the Sustainability Plan were qualified as "sustainability-relevant".
With reference to climate change and in line with the priorities defined by the European Securities and Market Authority (ESMA) on 25 October 2023, a project was also launched, aimed at introducing and integrating a specific framework into the ERM model. The framework is aligned with the main international references and is focused on the analysis of the related risk factors, both in the area of physical risks, as well as with reference to so-called transition risks and opportunities. The analyses provided an assessment of the risk associated with climate change, namely the main climate-related exposures, conducted on the most relevant sites for the Group in a short/medium-term horizon. The Company is committed to strengthening, also in 2024, the assessment of the risk of climate change on the potential impacts on the Group's assets and processes.

Therefore, the Board of Statutory Auditors considers the overall internal control system to be essentially adequate and has nothing to report to the Shareholders' Meeting.

Supervision of the statutory audit of the annual and consolidated financial statements

- Accounting procedures have been audited in accordance with the law by the audit firm KPMG, which the Shareholders' Meeting of 18 April 2019 appointed as independent auditors for the years 2020-2028;
- The Board of Statutory Auditors held regular meetings with the audit firm KPMG to mutually exchange information to perform their duties, including pursuant to art. 150, paragraph 3 of the TUF. Based on the meetings held, there are no material issues to report concerning auditing activities or significant deficiencies in the integrity of the internal control system as far as specifically the financial reporting process is concerned;
- Today, KPMG issued its report on the separate financial statements and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as in compliance with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/05. Furthermore, in the same report, KPMG issued (i) an opinion on compliance with the Single Disclosure Format ("ESEF") provisions of Delegated Regulation (EU) 2019/815 and (ii) an opinion on the consistency of the Directors' report on

operations and the information in the Corporate Governance Report with the financial statements. This report did not include objections or requests for additional disclosures. In the report on the consolidated financial statements, KPMG states it ensured the Directors approved the non-financial statement.

Independence of the audit firm, specifically concerning the provision of non-audit services

Concerning the annual review of independence requirements, the Board of Statutory Auditors states it received a written confirmation from the audit firm with the submission of the Additional Report issued today in accordance with art. 11 of the EU Regulation.

The Board of Statutory Auditors supervised the independence of the audit firm and received evidence on a regular basis of the non-audit services to be assigned (or assigned pursuant to specific regulatory provisions) to the independent auditors. As the Ferragamo Group's consolidated financial statements show, in 2023 KPMG rendered the following services to the Group, including through its network:

Entity and reference period *(Euro/000)*		**Audit services**	**Non-audit services**	**Total**
Salvatore Ferragamo S.p.A.	(2023)	322	158	480
Ferragamo Group	(2023)	707	45	752
Total		**1,029**	**203**	**1,232**

The Board of Statutory Auditors believes the above fees are proportionate to the extent, complexity, and characteristics of the work carried out, and that the non-audit services (and the relevant fees) are not such to compromise the independence of the audit firm. The Board of Statutory Auditors also ensured that the duties assigned to the audit firm are not among those that cannot be assigned to it pursuant to the aforementioned EU Regulation.

In relation to the independent auditors, the Board of Statutory Auditors reports that the aforementioned Additional Report of KPMG does not reveal any deficiencies in the internal control system in relation to the financial reporting process such that they should be reported to this auditing body, nor have any cases of actual or alleged non-compliance with laws and regulations or statutory provisions emerged.

Consolidated Non-Financial Statement (NFS)

As a public-interest entity (PIE) and large Group, Ferragamo must provide the non-financial disclosures required by Italian Legislative Decree 254/2016 transposing Directive (EU) 2014/95 into Italian Law, which became effective on 25 January 2017.

In accordance with said regulations, the Ferragamo Group prepared its NFS for the year ended 31 December 2023 – which was approved by means of a resolution of the Board of Directors held on 6 March 2024 and included in the Annual Report as at 31 December 2023 as part of the Directors' report on operations – in order to ensure an understanding of its operations, performance, results, and impact. On 25 October 2023, the European Securities and Markets Authority (ESMA) published the Public Statement ESMA32-193237008-1793 "European common enforcement priorities for 2023 annual financial reports" concerning non-financial information for 2023 to be published by listed companies.

The Group, as mentioned above, during the year carried out an analysis to identify climate change risks and their potential impact on the Group's activities, and also started a process to comply with the requirements of the European Taxonomy, in line with the requirements of Article 8 of Regulation (EU) 2020/852, with the aim of providing, to investors and the market, a comprehensive view of the Group's economic activities with respect to the first two objectives of climate change mitigation and adaptation.

The NFS: (i) includes a description of topics concerning: corporate governance, corporate policies, the management and organization business model, and the results achieved by the Company with regard to relevant issues in the areas of environment, social aspects, HR management, respect for human rights, anti-corruption and anti-bribery; (ii) consists of five macro-sections: (a) culture of sustainability, (b) responsibility towards people, (c) responsibility towards the environment, (d) responsible and transparent procurement, and (e) social responsibility.

Concerning specifically the examination of the consolidated non-financial statement, the Board of Statutory Auditors supervised compliance with the provisions in Italian Legislative Decree 254/2016 within the responsibilities assigned to it by law. In this regard, the Board of Statutory Auditors states that:

- pursuant to art. 3, paragraph 10, of Italian Legislative Decree 254/2016 and art. 5 of Consob Regulation no. 20267/2018, the Company appointed KPMG to perform a limited audit of the Ferragamo Group's consolidated non-financial statement;
- the Board of Statutory Auditors received regular updates on the groundwork for the preparation of the NFS;
- today, KPMG issued its report, certifying the compliance of the information disclosed in the NFS with the relevant laws and reporting standards used;
- today, KPMG issued its report on the compliance of the separate financial statements (hereinafter also referred to as "Financial Statements") and consolidated financial statements, in which it is stated that it has verified that the non-financial statement has been prepared.

The Board of Statutory Auditors did not find any violations of the relevant regulatory provisions, and therefore considers the non-financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

Separate financial statements, consolidated financial statements, and Directors' report on operations

Ferragamo's draft financial statements, approved by resolution of the Company's Board of Directors on 6 March 2024, were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the legislation enacting art. 9 of Italian Legislative Decree no. 38/2005.

Concerning specifically the separate financial statements for the year ended 31 December 2023, the consolidated financial statements as at 31 December 2023, and the Directors' report on operations for the year 2023, the Board of Statutory Auditors reports that:

- the separate financial statements and the consolidated financial statements were prepared in accordance with the structure and reporting formats required by applicable laws;

- the Financial Statements are accompanied by the Directors' report on operations, which summarizes the main risks and uncertainties as well as describes the Company's outlook. This report complies with applicable laws and is consistent with the resolutions of the governing body as well as the information in the financial statements. In addition, it includes adequate disclosures of the operations carried out during the year, intragroup transactions, and the potential impacts of the conflicts in Ukraine and Palestine on business goals and risks. In accordance with IFRS, the section containing related-party transaction disclosures was included in the Explanatory notes to the financial statements;
- the Company prepared also the Report on Corporate Governance and Ownership Structure, pursuant to art. 123-bis of the TUF, and the Remuneration Report pursuant to art. 123-ter of the TUF;
- the Board of Statutory Auditors received the financial statements in time for filing them at the Company's registered office along with this report;
- it verified the rationality of the assessments made and their consistency with international accounting standards;
- it verified the consistency of the Financial Statements with the events and information it is aware of as a result of the work carried out; therefore, it has nothing to report in this regard;
- as far as the Board of Statutory Auditors knows, the Directors did not depart from the provisions as per art. 2423 of the Italian Civil Code in preparing the financial statements;
- Ferragamo's Board of Directors, in accordance with the joint document issued by the Bank of Italy/Consob/ISVAP on 3 March 2010, independently approved the procedure and results of the impairment test ahead of the approval of the draft financial statements, ensuring their compliance with IAS 36. The information and findings of the assessments carried out are reported in the Explanatory notes to the Financial Statements.

Proposal to the Shareholders' Meeting

1. Financial Statements as at 31 December 2023

In conclusion, the Board of Statutory Auditors – within the scope of its responsibilities, having noted the information in the Financial Statements as at 31 December 2023, and considering the observations included in this report – proposes that the Shareholders' Meeting approve the Financial Statements as presented by the Board of Directors.

2. Group Remuneration Policy

The Board of Statutory Auditors raises no objection to the 2024 Remuneration Policy submitted to the binding resolution of the Shareholders' Meeting.

Final remarks

The Board of Statutory Auditors has no issues to report concerning the information obtained and the supervisory activities performed; the Board of Statutory Auditors did not find any omissions, reprehensible events, irregularities or circumstances to be reported in this document or to the Supervisory Authority.

Florence, 28 March 2024

THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chair)

Paola Caramella (Acting Statutory Auditor)

Giovanni Crostarosa Guicciardi (Acting Statutory Auditor)



INDEPENDENT AUDITOR'S REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salvatore Ferragamo S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Salvatore Ferragamo S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include the material accounting policy information.

In our opinion, the separate financial statements give a true and fair view of the financial position of Salvatore Ferragamo S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Measurement of inventories of finished products

Notes to the separate financial statements: note 2 "Statement of compliance with the IFRS and basis of preparation" and note 12 "Inventories"

Key audit matter	**Audit procedures addressing the key audit matter**
The separate financial statements at 31 December 2023 include inventories of finished products of €51 million, net of the allowance for inventory of finished products write-down of €23 million. Determining the allowance for inventory of finished products write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: • the characteristics of the company's business sector; • the market performance and fashion trends; • the age of the collection in stock; • pricing policies and sales ability through the different distribution channels. For the above reason, we believe that the measurement of inventories of finished products is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of inventories of finished products and assessing the design and implementation of material controls; • analysing changes in inventories of finished products during the year, considering their expected life cycle based on their age; • analysing documents and discussing the assumptions adopted to calculate the allowance for inventory of finished products write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how finished products will be sold and comparing those assumptions with historical figures and the environment in which the company operates; • assessing the appropriateness of the disclosures provided in the notes about inventories of finished products.

Other matters - Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Salvatore Ferragamo S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The company's directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Florence, 28 March 2024

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit


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