



Report on climate risks and opportunities

Excerpt

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Preamble

In early 2024, the TOD'S Group (hereinafter also referred to as "TOD'S" or "the Group") embarked on a journey to map the main risks - physical and transitional - and opportunities related to climate change, in order to produce, on a voluntary basis, the first **Climate Risk Report drafted in line with the recommendations of the Task Force on Climate-related Financial Disclosures - TCFD** (hereinafter also referred to as "Climate Report"). Through the adoption of the TCFD recommendations, TOD'S intends to strengthen the management of climate risks and opportunities, aligning business practices with the expectations of stakeholders.

This Report represents a significant step for the TOD'S Group in addressing the growing challenges posed by climate change; it provides a detailed view of the climate risks and opportunities identified by the company, as well as a description of how these risks and opportunities are integrated into corporate governance, risk management and strategic decision-making processes, ensuring significant resilience and long-term sustainability.

I. ESG Governance

For the TOD'S Group, Sustainability means conducting its activities with an eye on the future and focusing its business strategy on creating value for stakeholders in the medium and long term, also taking into account the challenges related to climate change.

Over the years, the TOD'S Group has adopted a governance structure that involves the interaction of various bodies dedicated to the supervision and management of social and environmental issues.

I.1. The role of Corporate Bodies and Management

The role of the Board of Directors and the Director in charge of the Internal Control and Risk Management System

In line with the commitments undertaken by the Group and with the corporate strategy aimed at combating climate change, the **Board of Directors** of TOD'S has expanded its scope of action, assuming a key role in defining and supervising corporate policies related to ESG (Environmental, Social and Governance) issues. In particular, the Board has been assigned the task of coordinating the initiatives and responsibilities related to climate change, as well as supervising the business risks identified by the competent functions, with a particular focus on climate risks.

The Board of Directors also approves the Consolidated Non-Financial Statement (Sustainability Report), the ESG Policies, and the Group's Sustainability Plan.

In addition, the **Director in charge of the Internal Control and Risk Management System** is responsible for identifying, annually, the main corporate risks, taking into account the specific nature of the activities of the Company and its subsidiaries, and for submitting them to the Control Committee, as well as to the Board of Directors. The risk identification activities are carried out through Control and Risk Self-Assessment interviews in order to obtain a comprehensive overview of the main types of risks potentially applicable, benefitting from the results of internal audits of company processes.

The Control Committee

The **Control Committee** was established within the Board of Directors. This Committee, with proposing and advisory functions, composed solely of non-executive and independent directors, supports the evaluations and decisions of the management body relating to the internal control and risk management system, as well as the approval of periodic financial and non-financial reports.

The Control Committee has been assigned the responsibility for sustainability issues connected to the company's operations and its dynamics of interaction with all stakeholders, including:

- examining and assessing the sustainability policy to ensure the creation of value over time for shareholders and for all the other stakeholders in compliance with the principles of sustainable development and the sustainability guidelines and objectives submitted each year for review of the Board of Directors;

- examining the implementation of the sustainability policy on the basis of the indications provided by the Board of Directors;
- examining and assessing the sustainability initiatives, including in relation to individual projects;
- examining the company's non-profit strategy and implementation thereof, including in relation to individual projects, and the non-profit initiatives submitted to it for review of the Board;
- on the request of the Board, expressing its opinion on other issues regarding sustainability.

The Sustainability & Corporate Social Responsibility Function

The Sustainability & Corporate Social Responsibility Function, reporting directly to the Chief Executive Officer, proposes the Group's Sustainability Plan, identifies, coordinates and manages, in cooperation with the relevant company departments and functions, activities and projects related to sustainability issues, including those related to climate change, contributing to the creation of long-term value.

The Function is involved in multiple project activities, aimed at consolidating and increasing the sustainability of the business, from initiatives to reduce environmental impacts to the responsible management of unsold materials and products, from the analysis and integration of developments in the legislative and regulatory context and best practices, to non-financial reporting (Sustainability Report), from circular economy projects to the analysis of the company's impact on biodiversity and water resources. Furthermore, it actively collaborates with the relevant corporate departments and functions on multiple topics, including energy management, raw materials and packaging, logistics and distribution, production chains, certifications, communication, training and information inside and outside the organisation, collaborations with non-profit associations, data management and monitoring, innovation, research and development on materials and production processes with reduced environmental impact.

1.2. The Remuneration Policy

On 12 March 2024, the Board of Directors of TOD'S S.p.A. approved the Report on the remuneration policy and compensation paid in 2023. This Remuneration Policy contributes to the corporate strategy and the sustainability of the TOD'S Group's business, taking into account the working conditions and the well-being of employees. In particular, the policy provides for remuneration sufficient to attract, retain, and motivate people with professional skills and qualities that promote successful management and the competitiveness of the Company in the long term.

The variable components, both short-term (MBO) and medium-to-long-term (LTI), are linked to predetermined and measurable objectives, diversified according to the functions and roles held by the recipients.

In particular, the Executive Directors of the Board of Directors and some of the Group's Top and Middle Management have been assigned performance objectives in the ESG area (with a focus on 'climate change') to which the accrual of a portion of the short-term variable remuneration component is linked, in line with the Group's Sustainability Policy and Plan. Among the issues considered in this remuneration, there are also aspects related to climate change, including the reduction of energy consumption, measurement, monitoring, and reduction of environmental impacts.

2. Strategy

In 2023, the TOD'S Group prepared a **2023-2025 Sustainability Plan** (approved by the Board of Directors of TOD'S S.p.A. on 6 March 2023), which outlines objectives and guidelines defined in specific priority areas for the Group.

The Plan is based on the results of an internal and external assessment process, including the materiality analysis, the understanding of the competitive environment and the consideration of reports by leading analysts and ESG rating agencies, as well as an assessment of relevance and materiality in relation to the Sustainable Development Goals (SDGs) of the UN 2030 Agenda.

The document is shared with the top management and the Control Committee and approved by the Board of Directors.

2.1 Methodology and scenario analysis

In order to identify the **main risks and opportunities relating to climate change** and assess their impact on the Group, TOD'S has developed **climate scenarios** based on the IPCC Report (Intergovernmental Panel on Climate Change). IPCC scenarios represent future climate projections that may evolve based on assumptions about key factors such as greenhouse gas emissions, technological advances, land-use changes, and other influencing factors. Such scenarios are essential as they allow us to understand the possible evolutions of the climate, in order to prioritise actions and plan effective mitigation and adaptation strategies.

For the **analysis of physical risks**, in particular, Representative Concentration Pathways (RCPs) were adopted: plausible representations of the future development of greenhouse gas and aerosol concentrations in the atmosphere. Each scenario is associated with a predicted level of global warming and provides a view of how greenhouse gas emissions could evolve depending on the policies and practices adopted. Among the possible scenarios, the following were analysed:

RCP scenario	Scenario description
RCP 8.5	The RCP 8.5 scenario is the most extreme. It forecasts an increase of more than 4°C by 2100 and it can occur if no mitigation policy is adopted. The high rates of economic and demographic growth (according to the Shared Socioeconomic Pathway SSP5) favour this scenario, triggering most of the so-called climate 'points of no return', with consequences that are difficult to model.
RCP 7.0	RCP 7.0 is the scenario that outlines the medium-high end of the range of future emissions and warming, deriving from the absence of additional climate policies. It does not set any climate risk mitigation targets.
RCP 4.5	RCP 4.5 is the scenario considered most likely given the countries' current commitments. It foresees a temperature increase of between 2 and 3°C by 2100, well beyond the limits of the 2015 Paris Agreement and the Kyoto Protocol. Considering the current commitments of countries, it is considered likely that 2.5°C will be reached by 2100.
RCP 2.6	The RCP 2.6 scenario is in line with the Paris/Kyoto agreements (increase in global average temperatures within 1.5°C by 2100) and involves strong reduction efforts by all countries in the world. Cumulative greenhouse gas emissions from 2010 to 2100 must be reduced by 70%, requiring substantial changes in energy use and non-CO ₂ emissions.

The analysis, therefore, consists of examining the Group's activities to identify which physical climate risks may affect the performance of the business during the expected life cycle, and quantifying their vulnerability and relevance. The assessment is carried out using advanced climate projections at the highest available resolution (CORDEX) in the existing set of future scenarios, RCP 2.6, RCP 4.5 and RCP 8.5, with a time span of 10 to 30 years.

The **analysis of physical climate risks** was based on **three time spans**: 2025-2030 (*short-term*), 2030-2040 (*medium-term*), 2040-2050 (*long-term*), in line with the reference literature and available data.

For **transitional climate risks and opportunities**, on the other hand, the Climate Risk Assessment was adapted based on TOD'S business in order to identify and quantify the following aspects:

- regulatory and legal;
- reputational;
- of the market;
- technological.

The **climate scenarios used** are multiple:

Source	Scenarios
The International Energy Agency (IEA)	NZE SDS APS STEPS
United Nations International Panel on Climate Change (IPCC)	SSP1 SSP2 SSP3 SSP5
Literary research, world-class scientific journals	H M L

The selection of transition scenarios was guided by the established climate literature, the availability of impact studies, and the probability associated with each scenario. For the identification of transitional climate risks and opportunities, key European regulations, international frameworks, and guidelines issued by relevant institutions were also consulted. These include EU regulations and directives, such as the European Green Deal and the EU Taxonomy for Sustainable Activities, as well as global standards such as those defined by the TCFD and the Paris Agreement. The analysis also took into account the best practices adopted by global organisations and the recommendations emerging from sectoral and scientific reports.

In the analysis of **transitional risks and climate opportunities**, **three time spans** were adopted, taking into consideration the reference sector and the business model of the TOD'S Group: 2024-2026 (*short-term*), 2027-2036 (*medium-term*), 2037-2050 (*long-term*).

2.2 Identification of climate risks and opportunities in the short, medium and long term

The transition scenarios described in the previous section identified **the Group's main climate risks and opportunities** with potential consequences for its operations and value chain. The analysis involved the entire TOD'S Group, examining:

- headquarters and showrooms;
- production and logistics sites;
- depots and warehouses;
- directly operated stores (DOS and Outlets);
- Franchise stores.

TOD'S aim is to effectively manage the risks and opportunities associated with climate change, anticipating potential impacts and ensuring its resilience. To this end, the company will progressively adapt its business model, governance and decision-making processes, as well as its supply chain. This approach allows for the development of targeted short, medium and long-term operational strategies, involving all the activities involved.

The TOD'S Group's physical risks

Below is a representation of the **physical risks identified by TOD'S** — illustrated with a Group-wide average¹ — according to RCP 4.5 and RCP 8.5 scenarios, with an indication of the possible impacts and the level of inherent risk to which the Group's assets are exposed for the three time spans (short, medium, and long).

Category of physical risk	Subcategory of physical risk	Description of physical risk	RCP 4.5			RCP 8.5		
			Short (2025-2030)	Medium (2030-2040)	Long (2040-2050)	Short (2025-2030)	Medium (2030-2040)	Long (2040-2050)
Acute	Extreme weather events	Increased severity and frequency of extreme weather events in a given geographical area. It threatens industrial facilities, especially those located in coastal/riverine areas, causing disruptions to operations and severe damage to infrastructure.	Low	Low	Low	Low	Low	Low
Chronic	Precipitation patterns and variability in weather models	Rainfall is less evenly distributed over time: wet periods have become wetter and dry periods drier. This causes infrastructure problems and forced interruptions of the production process, as well as damaging ecosystems and plants and triggering landslides and flooding.	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Chronic	Sea level rise	The rise in sea level is due to the thermal expansion of the oceans and the melting of glaciers and the Antarctic ice sheet. It is linked to an increased risk of flooding and coastal erosion, infrastructure and operational disruptions, water contamination and migration crises.	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Chronic	Heat stress	Higher temperatures affect the most vulnerable sections of the population, causing increased mortality, lower productivity and damage to infrastructure, and to the distribution, abundance and behaviour of many plant and animal species. This results in increased operating costs due to disruptions in the supply chain, reduced availability of resources, and increased regulatory pressure.	Medium	Medium	Medium	Medium	Medium	Medium
Chronic	Heat-induced fatigue	It can seriously affect the health of workers, affecting their productivity and increasing the risk of accidents, with stress on machinery/plants and degradation of materials.	Medium	Medium	Medium	Medium	Medium	Medium
Acute	Heat waves	Increase in severity and frequency of phenomena characterized by extreme temperatures, which impact on yields and profitability of agriculture and livestock, ecosystem services, worker productivity	Medium	Medium	Medium	Medium	Medium	Medium

¹The analysis examined the entire Group perimeter. The countries analysed were: Australia, Austria, Azerbaijan, Bahrain, Belgium, Brazil, Canada, China, Czech Republic, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Jordan, Kazakhstan, Kuwait, Lebanon, Macao, Malaysia, Netherlands, Panama, Philippines, Portugal, Puerto Rico, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States.

		and infrastructure functionality. This results in an increase in health, energy and material restoration costs.						
Acute	Cold waves	Similar to heat waves, extreme low temperatures can cause operational disruptions and delays in production and delivery, impair workers' health and productivity, damage the quality of materials, increase energy requirements, and compromise logistics and the supply chain.	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Acute	Cyclones, hurricanes, typhoons	Extreme rainfall that is short and intense causes pluvial flooding, while repeated rainfall over long periods leads to the overflowing of rivers and other bodies of water. Increased cloudbursts (sudden extreme rainfall) affect the quality and quantity of available fresh water, because rainwater causes untreated wastewater to enter surface waters. These phenomena cause physical destruction, supply chain disruptions, increased costs for consumers, problems with access to resources, and risks to the health and safety of workers.	Medium	Medium	Medium	Medium	Medium	Medium
Chronic	Changing wind patterns	The scientific models that describe fluid flows on the Earth (winds and ocean currents) are affected by the increased thermal energy trapped in the atmosphere by the greenhouse effect. The change in these models has an impact on the calculation of the most convenient routes for the movement of travellers and goods, in addition to determining a greater probability of the occurrence of extreme weather phenomena in areas hitherto not at all or scarcely affected by them.	Medium	Medium	Medium	Medium	Medium	Medium
Chronic	Drought	An unusual and temporary shortage of water availability, caused by a lack of rainfall and high temperatures, resulting in increased evaporation. Some areas of the world today are experiencing more frequent, severe and prolonged droughts. The effects are reduced river and subsoil flow, stunted crop growth, increased pest attacks, and forest fires. The increased severity and frequency of droughts in specific geographical areas could have a negative impact on water-intensive industries.	Low	Low	Low	Low	Low	Low
Acute	Forest fires	Rising temperatures and increased susceptibility to droughts lead to an increased risk of developing forest and urban fires, which threaten to damage industrial facilities, reduce the availability of water for industrial operations, and create dangerous working conditions for employees.	Low	Low	Low	Low	Low	Low
Chronic	Precipitation stress	Anthropogenic greenhouse gas emissions have created a warmer and more humid atmosphere, leading to more intense weather events and more drastic fluctuations between them. Some places receive a year's worth of rain in a matter of days, or experience long periods of drought followed by heavy downpours, or rapidly alternate between drought and floods. This leads to the phenomenon of soil erosion, unable to absorb water. Precipitation stress can cause infrastructure damage, supply chain disruptions, production losses and increase the risk of pollution and the need for repairs and prevention efforts.	Medium	Medium	Medium	Medium	Medium	Medium

The transitional risks of the TOD'S Group

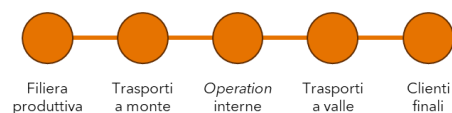
Below, a representation of the **transitional risks** identified by the Group, with an indication of the **related possible impacts and the level of risk** — estimated as a combination of probability and impact —to which the Group's assets are exposed for the three time spans (short, medium, and long).

Subcategory of transitional risk	Description of transitional risk	Impact on the value chain	Time span		
			Short (2024-2026)	Medium (2027-2036)	Long (2037-2050)
Regulations	Introduction/tightening of carbon pricing schemes (e.g. ETS, CBAM, etc.) in countries where TOD'S production plants are located, as well as for the import of materials subject to regulation, resulting in increased indirect costs.		MINOR	MID	TOP
Regulations	Introduction of regulatory requirements regarding the reporting and disclosure of greenhouse gas emissions associated with company products/processes, resulting in increased operating costs and investment in new technologies.		MINOR	TOP	TOP
Regulations	Involvement in climate litigations. For example, liability actions with respect to climate and environmental damage directly or indirectly generated by TOD'S over time.			MID	MID
Regulations	Tightening regulations around strategic raw material sourcing, product design, labeling (e.g. Digital Product Passport) and related disposal, resulting in increased compliance costs and limited resources and markets.		TOP	TOP	TOP
Technology	Investments in low-impact production technologies that do not effectively meet business needs or are not successfully integrated into TOD'S operational processes, resulting in financial losses, costs of reorganising production processes and retraining personnel.		MID	TOP	TOP
Market	Loss of opportunities for innovation and growth due to a block on new investments, delay in adopting market trends and consumer needs. Difficulties in strategic business decisions due to ambiguous or unclear signals from the market, resulting in wrong decisions or delays in adapting to changing market conditions, putting the company's competitiveness and profitability at risk.		MID	TOP	TOP
Market	Change in consumer behaviour/lifestyle, leading to greater attention/preference for products with a lower environmental impact, affecting the current product portfolio and sales		TOP	TOP	TOP
Market	Increase/fluctuation in the cost and availability of raw materials in the time frame required for production due to market shocks caused by climate change or limited resources (e.g. recycled materials, certificates).		TOP	TOP	TOP
Reputation	Damage to TOD'S reputation due to an inadequate or ineffective response to new customer needs and preferences towards products with a lower environmental impact.		MINOR	TOP	MID

Reputation	Widespread stigmatisation and controversy affecting the fashion industry as a whole, resulting in indirect damage to TOD'S due to a generalised negative perception.		MID	TOP	TOP
Reputation	Concerns raised by stakeholders related to unethical business practices, negative environmental impacts or other issues that may damage the image and credibility of TOD'S.			TOP	TOP

Legend

Stages in the value chain where impact is generated:



The following are the scoring scales to be used to assess risk events that could occur within the applicable time spans:

- **Probability:** assessed by considering the likelihood of a risk event occurring over the applicable time spans, using a four-level scoring scale from 'negligible' to 'high';
- **Impact:** assessed in terms of economic, qualitative, health and safety, environmental, operational, reputational (stakeholders) and/or compliance effects on the Group, using a four-level scoring scale from 'negligible' to 'critical'.

		Probabilità			
Rischi		1 - Trascurabile (<5%)	2 - Bassa (5-25%)	3 - Media (25-50%)	4 - Alta (>50%)
Impatto	4 - Critico	MID	TOP	TOP	TOP
	3 - Medio	MID	MID	TOP	TOP
	2 - Basso	MINOR	MINOR	MID	TOP
	1 - Trascurabile	MINOR	MINOR	MINOR	MINOR

TOD'S Group Opportunities

Below is a representation of the **opportunities** identified by the Group, with an indication of the **possible financial impacts and the relative level of opportunity** — estimated as a combination of probability and impact — according to the three time spans (short, medium and long).

		Time span										
Category	Description of opportunity	Short (2024-2026)	Medium (2027-2036)	Long (2037-2050)	Cost reduction	Reduction of GHG emissions	Energy shock resilience	Reputation, competitiveness, innovation	Regulatory compliance	Increase in property value	Major sources of revenue	Crisis resilience, adaptability
Resource efficiency	Using transport modes less environmentally impactful		TOP	TOP	X	X	X	X				

Resource efficiency	Use of more energy-efficient production processes	TOP	TOP	TOP	X	X	X	X				X
Resource efficiency	Use of more efficient production and distribution processes	MINOR	TOP		X	X		X				X
Resource efficiency	Use of secondary raw materials	MINOR	TOP	TOP		X		X	X			
Resource efficiency	Use of processing waste	MID	TOP	TOP	X			X	X		X	
Resource efficiency	Transition to more efficient buildings	MID	TOP	TOP	X	X		X	X	X		X
Resource efficiency	Reducing water use and consumption		MINOR	MINOR	X			X	X			X
Energy source	Use of renewable energy sources (self-production)	TOP	TOP	TOP	X	X	X	X		X		X
Energy source	Use of renewable energy sources (purchased)	TOP	TOP	TOP	X	X		X	X			
Energy source	Use of public incentives to support the transition	TOP	TOP	TOP	X		X	X				X
Energy source	Use of new technologies		TOP	TOP	X	X		X				X
Energy source	Participation in the carbon credit market (e.g. ETS)		MID	TOP		X		X				
Energy source	Shift towards decentralised energy generation	TOP	TOP	TOP	X		X	X	X	X		
Products and services	Development and/or expansion of the offer of low-emission products and services	MINOR	TOP	TOP		X		X	X		X	
Products and services	Revision of the product range, including and strengthening the presence in the collection of items suitable for milder temperatures and reviewing the delivery schedule of products in store	TOP	TOP	TOP				X			X	X

Products and services	Development of climate change adaptation and risk insurance solutions		TOP	TOP				X	X			
Products and services	Ability to diversify business activities by also offering services or circular business models (rental of items, repair, and refresh of products, sale of spare parts, sale of second-hand goods)	MID	TOP	TOP		X		X	X		X	
Markets	Access to new markets also through the use of public incentives	MINOR	TOP	TOP	X			X			X	
Markets	Use of private incentives	TOP	TOP	TOP	X			X			X	
Resilience	Participation in renewable energy purchase programmes (PPAs) and adoption of energy efficiency measures	TOP	TOP	TOP	X	X	X	X				
Resilience	Diversification of the supply chain both in geographical terms and in terms of independence from individual suppliers		TOP	TOP			X					X
Resilience	Replacement/diversification of resources, including those deriving from organic or regenerative agriculture as they are more resilient to climate change and have a lower environmental impact	MINOR	TOP	TOP		X		X	X			X

Legend

The following are the scoring scales to be used to assess opportunities that could occur within the applicable time spans:

- **Probability:** assessed by considering the likelihood of an opportunity occurring over the applicable time spans, using a four-level scoring scale from 'negligible' to 'high';

- **Impact:** assessed in terms of economic, qualitative, health and safety, environmental, operational, reputational (stakeholders) and/or compliance effects on the Group, using a four-level scoring scale from 'negligible' to 'high'.

	Opportunità	Probabilità			
		1 - Trascurabile (<5%)	2 - Bassa (5-25%)	3 - Media (25-50%)	4 - Alta (>50%)
Impatto	4 - Elevato	MID	TOP	TOP	TOP
	3 - Medio	MID	MID	TOP	TOP
	2 - Basso	MINOR	MINOR	MID	TOP
	1 - Trascurabile	MINOR	MINOR	MINOR	MINOR

3. Risk Management in the TOD'S Group

The Group has a risk management system in place to ensure that risks are correctly identified, measured, managed and monitored.

The risk identification activities are carried out through Control and Risk Self-Assessment interviews in order to obtain a comprehensive overview of the main types of risks potentially applicable, benefitting from the results of internal audits of company processes. Once the risk classes have been identified, the assessment takes place through an evaluation process completed by the assignment of qualitative-quantitative ratings, which associate each risk with the probability of the event, as well as its potential impact. These probabilities are also expressed, where possible, in terms of the historical frequency with which an event has occurred as part of the company operations, also taking into account future scenarios involving repetition of the risky event.

3.1 The process of identifying and assessing climate risks

With specific reference to climate change, the process of identifying and assessing risks is divided into several key phases, each of which contributes to outlining a complete picture of the potential challenges and opportunities posed by the climate.

With regard to transitional climate risks and opportunities, during the first phase of screening, an in-depth analysis of the challenges related to the sector in which TOD'S operates was conducted, considering not only the type of business, but also market dynamics, emerging trends and current regulations. This analysis leads to the development of a preliminary list of possible risks and opportunities that might affect the company's operations, classified according to the time span in which they might arise and the position along the value chain. The transitional risks and opportunities identified so far are subject to a thorough review in order to prioritise the most relevant ones in relation to the short, medium and long-term spans.

A comparison is then made with the key business functions involved, based on the relevance and materiality of the identified risks and opportunities, in order to gather additional information and ensure that all perspectives are considered, thus reinforcing the validity of the analysis.

The process of identifying physical climate risks for the TOD'S Group was conducted following a methodology structured into four main steps.

- Data collection: an internal data collection was launched, with the aim of finding information on past hazard events, already implemented mitigation strategies and the exact location of company sites, of which the relevant geographical coordinates were extracted;
- Data sourcing: climate data were extracted from internationally recognised sources, including the European Community Climate Data Service, Copernicus, and the Intergovernmental Panel on Climate Change (IPCC), as well as from relevant scientific literature;
- Analysis of risk exposure and economic impacts: the internal data provided were then integrated with the IPCC data to assess the exposure to climate risks of TOD'S Group's corporate assets, excluding the mitigation measures already in place to obtain a conservative risk assessment. In line with best practices in the literature, Business Interruption Days (BID) have been identified, where applicable;
- review, during the validation phase, of the analysis results and their integration with the feedback from the different company managers, to ensure an accurate and comprehensive process.

Once identified and prioritised, climate risks and opportunities are integrated into the Group's risk framework to enable the TOD'S Group to develop adaptation and mitigation strategies, effectively responding to the challenges posed by climate change, contributing to the company's resilience and positive impact on the environment and the community.

3.2 Climate risk management

The TOD'S Group, aware of the importance of anticipating risks in order to mitigate any consequences on the business, has adopted a corporate strategy that aims to protect the company from physical and transitional risks related to climate change, integrating them into overall risk management.

To protect the company's assets from the consequences of any extreme weather events, the Group has adopted insurance policies that include multiple climate-related risks, demonstrating a concrete commitment to safeguarding its business. Furthermore, with the aim of ensuring greater long-term sustainability, the Group is strengthening its energy autonomy by pursuing the transition to renewable energy sources, in order to progressively increase its independence from external providers. This approach reflects a strategic vision that aims to reduce environmental impact and stabilise operating costs.

The process of identifying and mapping the climate risks and opportunities of the TOD'S Group allows to identify their effects and reduce their consequences on the business, progressively adapting the governance and decision-making processes. By carefully analysing the vulnerability of its production and logistics sites to physical impacts, such as extreme weather events, rising sea levels and droughts, the company can implement preventive measures to protect its facilities, reduce damage, and ensure stability and operational continuity in the medium and long term. Such measures may include the adaptation of buildings to increase their resilience, the development of contingency and business continuity plans, and the diversification of production sites and the supply chain.

4. Metrics and targets for assessing climate risks and opportunities

4.1 Scope 1, 2 and 3 emissions

The Group's strategy, in the context of environmental protection and the reduction of impacts (direct and indirect) related to its activities, has the main objective of reducing greenhouse gas emissions, which contribute to climate change.

Starting from 2022, the TOD'S Group has extended the **monitoring of its greenhouse gas emissions** to include indirect activities, related to the upstream and downstream value chain (Scope 3) and measuring the impact of the following categories: purchase of raw materials and services, purchase of capital goods, activities related to fuel and energy, upstream and downstream transport and distribution, waste generated by operational activities, business travel, employee commuting, use of products sold, end-of-life of products sold, franchises.

The Carbon Footprint, carried out annually, allows identifying the most impactful activities for TOD'S and, consequently, planning future initiatives and projects aimed at a progressive and constant reduction of climate change impacts.

The table below shows, for the two-year period 2022 - 2023, the main CO₂eq emissions generated by the Group, divided — in compliance with the Greenhouse Gas (GHG) Protocol — into three categories: Scope 1, 2 and 3².

²Scope 1: includes direct greenhouse gas emissions deriving from sources owned or controlled by the organisation; Scope 2: includes indirect greenhouse gas emissions related to the production of electricity purchased by the Group; Scope 3: includes all indirect greenhouse gas emissions, not included in Scope 2, related to upstream or downstream activities of business operations.

Emissioni CO₂eq (2023 - 2022)

Footprint (Ton CO ₂ eq)	2023	2022
Scope 1	1.763	1.924
Scope 1/n° dipendenti - FTE	0,347	0,419
Scope 1/Ricavi delle vendite (€/000)	0,002	0,002
Scope 2	12.412	11.225
Scope 2/n° dipendenti - FTE	2,441	2,442
Scope 2/Ricavi delle vendite (€/000)	0,0110	0,0111
Scope 3	123.311	103.972
Scope 3/n° dipendenti - FTE	24,250	22,622
Scope 3/Ricavi delle vendite (€/000)	0,109	0,103
Totale Footprint di CO₂eq	137.485	117.121

As the table shows, indirect emissions (Scope 3) are the most significant for the TOD'S Group (accounting for 89.7% of total GHG emissions in 2023 and 88.8% in 2022, respectively).

As regards energy consumption, Scope 2 emissions are those that generate the greatest impact in the two-year period analysed, with intensity indicators recording values substantially in line between the two years, with reference to both the number of FTE (Full Time Equivalent) employees and sales revenues.

In conjunction with the in-depth analysis and measurement of the Group's GHG footprint, activities were launched to develop a multi-year Decarbonization Strategy. This approach aims to integrate industry best practices to address the challenges posed by climate change and identify solutions to reduce environmental impact.

For further information, please refer to the TOD'S Group's Non-Financial Statement, available at the following [link](#) - Ref. Paragraph “*Lotta al Cambiamento Climatico e Monitoraggio delle emissioni di gas a effetto serra*”.

4.2 The TOD'S Group targets

In January 2024, the TOD'S Group joined the Science Based Target Initiative (SBTi), officially committing to reduce its Scope 1, 2 and 3 CO₂ emissions by 2034, with a 2023 baseline, in line with the table below and with a scenario that assumes a maximum increase in global temperature of 1.5°C compared to pre-industrial levels. Currently, the TOD'S Group is awaiting official validation by SBTi.

Perimeter	Target type	Objective	Year Base	Year Target
Scope 1 + Scope 2 (Combined)	Absolute contraction	58.8%	2023	2034
Scope 3	Economic Intensity - value added (€)	63.8%	2023	2034