

Ermenegildo Zegna Group

Executive Summary Sustainability Report 2022

Ermenegildo Zegna Group

**EXECUTIVE
SUMMARY
SUSTAINABILITY
REPORT
2022**

Our commitments

The Ermenegildo Zegna Group (the Group) designs, manufactures and distributes luxury menswear and accessories under the Zegna brand, and womenswear, menswear, children's wear and accessories under the Thom Browne brand. Through our Luxury Textiles Laboratory Platform — which preserves the practices of artisanal mills producing the finest Italian fabrics — the Ermenegildo Zegna Group manufactures the highest quality fabrics and textiles.

Three ESG commitments and 27 goals

In May 2022 the Group unveiled its new ESG strategy. The strategy has three commitments, with 27 goals grouped under those commitments. In the table we report all ESG goals with target year at 2022 as well as ESG goals beyond 2022 with a significant progress.

Commitment 1: Made in Italy, transparently!

This commitment is about enhancing governance of our value chain. It commits us to having the majority of our value chain in Italy, and to improving the traceability of our raw materials and manufacturing processes.

Commitment	ESG goal	Target year	Progress
Commitment 1: Made in Italy, transparently!	Group animal welfare policy formalized and embedded in lower-impact raw material certifications	2022	Achieved. Animal Welfare Policy published on Group website <i>For more information please see chapter "Raw material traceability & circularity" in the Sustainability Report 2022</i>
	Top executives' long-term incentives linked to ESG targets	2022	Achieved. We developed a LTI plan, which includes an ESG multiplier on account of an ESG performance-based indicator reflecting relevant environmental and social performance at the end of the three-year period
	Transparent reporting (audited Group sustainability report, GRI & SASB reporting standards)	2022	Achieved
	Join relevant trade associations (United Nations Framework Convention on Climate Change, Textile Exchange, Sustainable Fiber Alliance, Zero Discharge of Hazardous Chemicals, Leather Working Group)	2023	In progress, the Group joined Textile Exchange in December 2022 and is considering further engagements with relevant industry associations
	Board oversight of ESG strategy & implementation	-	Achieved. From 2023, the Board of Directors is formally in charge of overseeing the Group ESG Strategy and its implementation; the Board is also in charge of approving the Sustainability Report

In July 2022, the Ermenegildo Zegna Group announced that it has entered into a number of bilateral financing agreements for a total amount of €190 million. These are committed revolving lines for a period of 7 years, with the pricing linked to two ESG targets, already disclosed by the Group:

1. At least 50% of top priority raw materials traced to their geography of origin and from lower impact sources by 2026;

2. 100% of purchased electricity from renewable sources in Europe and the US by 2024.

Thanks to this ESG credit facility, the Group will further consolidate its already sound liquidity position, and further integrate sustainability commitments into business and financial goals. These agreements follow from our first sustainability-linked loan signed with Intesa Sanpaolo bank in 2018.

Commitment 2: Weaving the fabric of tomorrow

This commitment is about creating a legacy of sustainability for the communities where we operate.

Commitment	Target	Goal year	Progress
Commitment 2: Weaving the fabric of tomorrow	Kick-off Accademia dei Mestieri by 2022	2022	Preparation activities completed. Accademia dei Mestieri ready for launch, planned for 2023
	Appointment of the Diversity, Equity, and Inclusion (DE&I) Officer & Governance to manage the deployment of the DE&I strategy	2023	Achieved. The DE&I Officer & Governance was appointed in September 2022

Commitment 3: Oasi, Home of our values

This commitment addresses environmental concerns, and particularly emissions reduction and cleaner (more circular) production processes.

Commitment	Target	Goal year	Progress
Commitment 3: Oasi, Home of our values	Climate change commitment with Science-Based Targets initiative (SBTi) submitted	2022	Letter sent to SBTi in August 2022, approved in May 2023
	Assess water footprint & commit to reduction targets, aligned with Science-Based Targets Network (SBTN) evolution	2022 (Internal productions) 2025 (External)	Achieved <i>For more information please see chapter "Water" in the Sustainability Report 2022</i>
	Chemical management: ZDHC Foundational Compliance Level (Manufacturing Restricted Substances List - MRSL, wastewaters) for all Group production sites.	2023	Work in progress. Lanificio Ermenegildo Zegna, Dondi, Bonotto and Tessitura Ubertino already achieved ZDHC Foundational <i>For more information please see chapter "SASB Report" in the Sustainability Report 2022</i>
	Consumer packaging from lower-impact materials	2022 (Paper or recycled plastics) 2030 (Distribution packaging)	Work in progress <i>For more information please see chapter "Packaging & Waste" in the Sustainability Report 2022</i>



2022 Key projects

GOVERNANCE

Long-Term Incentive plan with ESG-linked targets

In 2022, we approved top executives' long-term incentives (LTI) plan linked to ESG targets (see commitment 1).

The LTI plan (applicable to eligible executives) includes an ESG multiplier, which relies on an ESG performance-based indicator for a three-year period.

The Board of Directors is fully entrusted with the oversight of our ESG strategy and determines incentives with the help of its sub-committees (the Governance and Sustainability Committee and the Remuneration Committee).

Climate change risks and opportunities

In 2022 we started a project to assess the financial impact of certain climate-related risks and opportunities, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD recommendations support companies in assessing climate-related issues and in disclosing the climate-relevant financial information to stakeholders.

SOCIAL

Diversity, Equity & Inclusion strategy

We are grounded in the desire to embrace diversity in its many forms. We respect and celebrate the unique gifts of other cultures and communities, and particularly those where the Group has a presence.

For us, "inclusion" means fostering a welcoming and fair environment and encouraging employees to bring their authentic selves to work.

The main goal of the Group DE&I strategy is to strengthen our culture, making it more resilient, supportive and inclusive for current and future employees.

In 2022 a survey (Zegna Voices) reached 86% of our employees (with a completion rate of about 80%) and included interviews and workshops with top management. The findings were used to help set the Group DE&I strategy.

The three priorities of our DE&I strategy are:

1. Promote virtuous behaviors on the basis of DE&I principles; communicating with transparency and adhering to our values;
2. Nurture our people by developing their competences, and encouraging them to express their full potential, while giving them recognition for their achievements;

3. Foster a better work-life balance, supported by management practices and behaviors, across Group offices and sites worldwide.

In 2023 the Group will train employees on DE&I themes. Our DE&I policy has been approved by the Board of Directors on the 5th of April 2023. In 2023 we will introduce KPIs to measure progress in terms of gender balance in top and middle management positions. Note: our 2022 Sustainability Report includes a breakdown of employees per employee category in terms of gender balance.



Accademia dei Mestieri

Accademia dei Mestieri (Crafts Academy) is an Ermenegildo Zegna Group vocational training initiative to create an academy that builds skills and expertise in the manufacture of textiles, clothing, and leather goods. As part of our sustainable growth strategy, we are collaborating with professional schools and institutes, as well as with peers, to offer training and skills development under the auspices of Accademia dei Mestieri.

Accademia's objectives include:

1. Attract specialist professionals;
2. Close the gap between school and the specialized skills needed in textile and garments manufacturing;
3. Identify motivated young people willing to undertake a career in the industrial or manufacturing sector;
4. Up-skill or re-skill our own employees;
5. Intergenerational exchange, whereby experienced employees and outside experts pass on technical expertise to less-experienced staff;
6. Diversify the workforce and grow the manufacturing talent pool.

For 2022, we completed some important milestones: we created a departmental function (Talent, Corporate Learning and DE&I) whose responsibilities include the design of activities for Accademia dei Mestieri; we delivered 13,205 hours of training to 121 people (mainly for Italian and Swiss employees).

The training focused on two main themes:

1. Professional orientation for young people; and
2. Professional training and upskilling for adults.

ENVIRONMENT

Carbon emission reduction targets - SBTi submission

In 2022, the Ermenegildo Zegna Group committed to setting science-based emission reduction targets, submitting our targets proposal to the Science-Based Targets initiative (SBTi). In May 2023, the SBTi verified Ermenegildo Zegna NV's net-zero (both near- and long-term) science-based target by 2050.

Overall Net-Zero Target

Ermenegildo Zegna N.V. commits to reach net-zero greenhouse gas emissions across the value chain by 2050 from a 2021 base year.

Near-Term Targets

Ermenegildo Zegna N.V. commits to reduce absolute scope 1 and 2 GHG emissions 50.4% by 2032 from a 2021 base year.

Ermenegildo Zegna N.V. also commits to increase active annual sourcing of renewable electricity from 22% in 2021 to 100% by 2027.

Ermenegildo Zegna N.V. further commits to reduce absolute scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities, employee commuting, and investments 50.4% by 2032 from a 2021 base year.

Long-Term Targets

Ermenegildo Zegna N.V. commits to reduce absolute scope 1 and 2 GHG emissions 90% by 2050 from a 2021 base year. Ermenegildo Zegna N.V. also commits to reduce absolute scope 3 GHG emissions 90% within the same timeframe.

As a reference, in 2022, 46% of the Group's electricity was purchased from renewable sources, vs 22% for 2021.

CVPPA project

In December 2022, together with 11 other brands and as part of our membership of the Fashion Pact, we announced our participation in the Collective Virtual Power Purchase Agreement (CVPPA). This project promotes renewable energy use in Europe as it aims to kick-start an energy transition (decarbonization of energy production) throughout the fashion industry. Our participation in the CVPPA will help us significantly reduce our Scope 2 emissions.

Re.Crea Consortium

In August 2022, the Ermenegildo Zegna Group (along with other major brands) founded the Re.Crea Consortium, whose purpose is to manage end-of-life textile and fashion products, and to promote R&D for innovative recycling solutions (for both production and pre-consumer waste.) Our participation in Re.Crea underscores our commitment to the concept of extended producer responsibility (EPR). EPR is being legislated for across Europe; it involves considering a product's entire life-cycle, as well as factoring in environmental costs related to garments' end-of-life. The Re.Crea consortium has been founded under the supervision of CNMI (National Chamber for Italian Fashion).

COP15 "Make it Mandatory" campaign

In October 2022, we signed Business for Nature's Make It Mandatory campaign. We are proud to be one of 300+ businesses who signed the COP15 business statement on mandatory assessment and disclosure on biodiversity.

Oasi Cashmere

Oasi Cashmere is a collection introduced for the first time in 2022 and presented as "Born in Oasi Zegna". The aim is for the collection to be 100% made from certified traceable cashmere fiber by 2024. The collection is named after and inspired by the home of our values — Oasi Zegna — a thriving 100km ecosystem that has been nurtured by the Group over generations. The color selection reflects the warm and earthy autumn foliage of Oasi Zegna, and it offers a vast array of garments: e.g. the iconic over-shirt, extra-fine knitwear, trousers and accessories. Oasi Cashmere is a trademark of traceability and accountability. Through Oasi Cashmere, our goal is to promote values such as safeguarding the natural environment, contributing to the communities, and ethical sourcing of raw materials.

#UseTheExisting

We started the #UseTheExisting (#UTE) project in 2019. Under the auspices of this project, our Lanificio Ermenegildo Zegna factory makes new fabrics from discarded fibers. #UTE commits us to a circular approach for industrial waste and for post-consumer waste. (Note: pre-consumer waste includes raw materials, yarns, and fabrics, whereas post-consumer waste is recycled from another source, e.g. polyester from retrieved fishing nets). Through our #UseTheExisting project, animal fiber scraps from production are recovered and recycled.

In 2022, the Zegna brand began a collaboration with a well-known Tuscany-based company specializing in the recycling of animal fiber textile waste. The aim of the partnership is to create a collection (under the #UseTheExisting label) that turns our textile waste into fabrics with a recycled content above 50% in weight.

Biodiversity Conservation Award from Camera Nazionale della Moda Italiana

Our commitment towards the environment has been recognized by Camera Nazionale della Moda Italiana (National Chamber of Italian Fashion) who bestowed Oasi Zegna with the Biodiversity Conservation Award during their 2022 Sustainable Fashion Awards, held at Teatro alla Scala in Milan.

In the first months of 2022, and after a process that lasted for more than 2 years, Oasi Zegna achieved certification with the FSC® (Forest Stewardship Council). FSC® encourages responsible forest management by certifying and supporting entities who show a measurably positive impact on the environment. Our certification has been extended into 2023. Only nine other entities in Italy have so far achieved this prestigious international recognition. We comply to the FSC® standard across five ecosystem services (i.e. showing benefits to people and environment across five distinct areas).

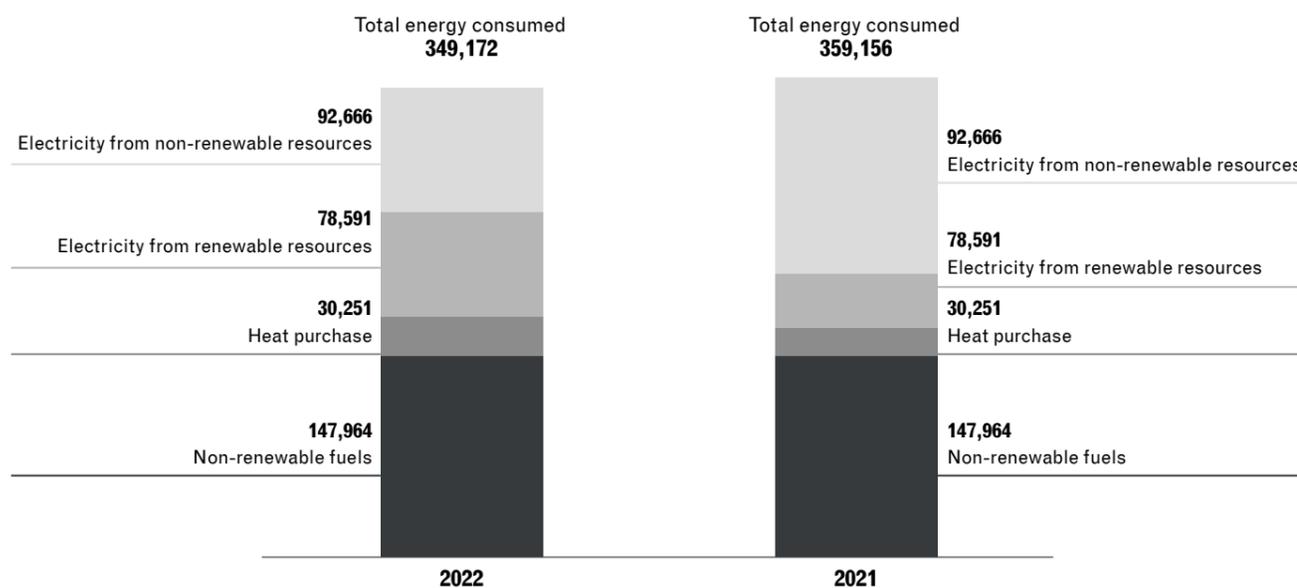
Energy consumption & carbon footprint

In 2022, the Group's energy consumption decreased to 349k GJ compared to 359k GJ in 2021. The energy mix included non-renewable fuels, heat, and electricity. Natural gas, primarily used in production processes, remained stable; gas oil consumption decreased slightly and was primarily used for backup power testing. Due to organizational changes and the exit of EZ Real Estate, which owned hydroelectric power generation, the Group's self-production and sale of renewable energy decreased significantly.

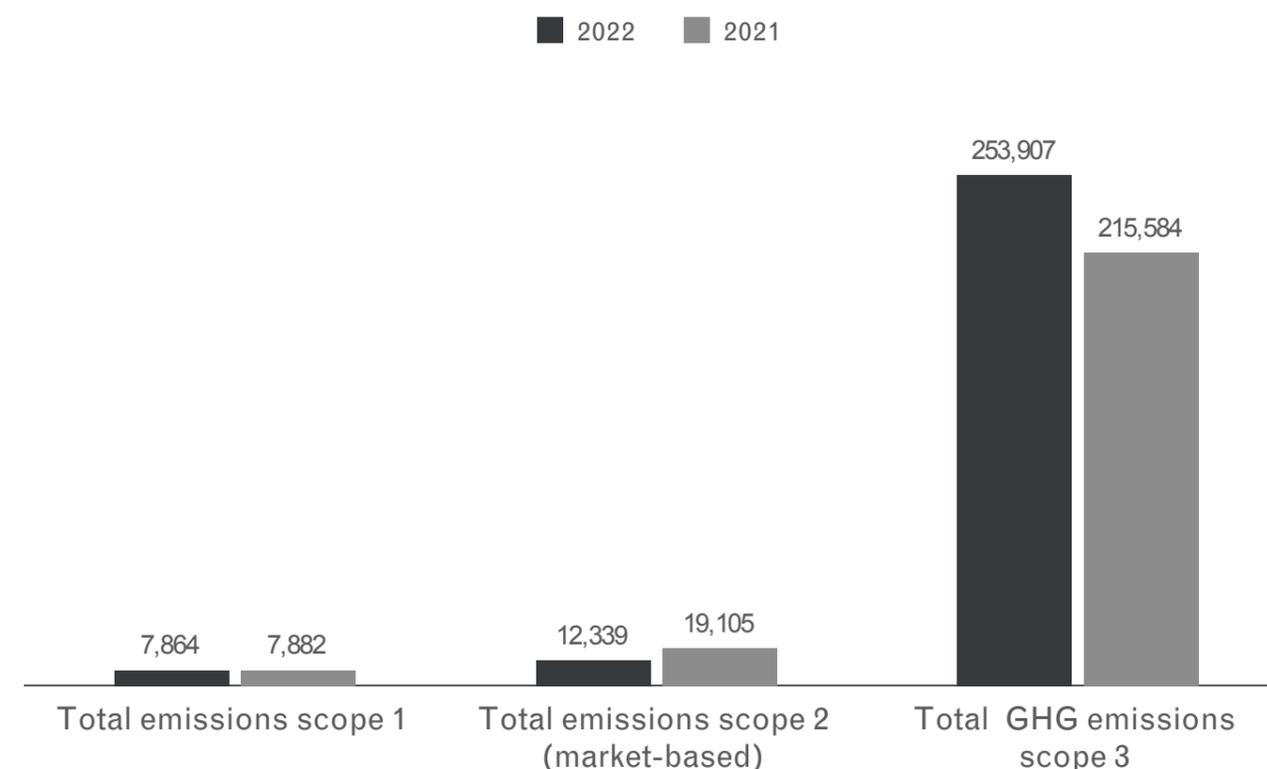
The Group made progress toward its goal of replacing leased vehicles with plug-in hybrid or electric vehicles, with 21% coverage achieved by 2022. The Group also improved its renewable electricity sourcing targets, achieving 69% in Europe and the US (the Group aims at achieving 100% renewable electricity in Europe and the United States by 2024) and 46% Group-wide (the Group is planning to achieve 100% renewable electricity by 2027 in all the countries it operates).

In the course of 2022, we continued increasing the amount of electricity purchased from renewable sources, from 22% to 46%.

ENERGY CONSUMED BY THE GROUP (GJ)



EMISSIONS - SCOPE 1, SCOPE 2 & SCOPE 3 (tCO₂e)



Scope 1 emissions, which include direct emissions from Group operations, remained overall stable in 2022. Scope 2 emissions, which include indirect emissions from purchased electricity and steam, decreased by 11% (location-based approach) and by 35% (market-based approach), as a result of lower energy consumption and increased use of renewable sources.

Scope 3 emissions, generated indirectly along the value chain, were calculated using an updated methodology. Overall, scope 3 emissions increased by 18% in 2022 compared to 2021, due primarily to higher volume of purchased goods and services as well as an increase in both upstream and downstream transportation and distribution activities. This increase in Scope 3 emissions was offset, however, by a significant decrease in the value of the Group's capital goods purchases.

METHODOLOGICAL NOTE

The present document constitutes the executive summary of the 2022 Sustainability Report of Ermenegildo Zegna N.V. and its fully consolidated subsidiaries for our 2022 fiscal year (January 1st to December 31st 2022).

The Ermenegildo Zegna Group (EZG) Sustainability Report is published annually. The Executive Summary reports part of the information included in the EZG Sustainability Report 2022.

To access our Sustainability Reports, please click [here](#).



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