

# Executive Summary Sustainability Report 2023

Ermegildo Zegna Group

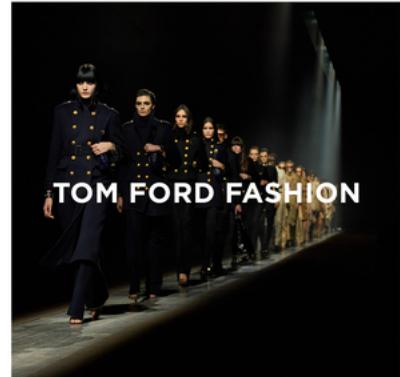
# Our Group

Founded in 1910 in Trivero, Italy, the Ermenegildo Zegna Group (the “Group”) is a leading global luxury player, who owns the world-renowned ZEGNA and Thom Browne brands, and operates TOM FORD FASHION business through an exclusive long-term license agreement with The Estée Lauder Companies Inc.

At the Group’s core is a unique *Filiera*, a one-of-a-kind textile platform integrated with state-of-the-art industrial know-how, which brings together the best Italian craftsmanship and innovation to ensure excellence and utmost quality.

Responsibility towards people, community and the natural world has been at the heart of the Ermenegildo Zegna Group’s belief since its founding. As of December 31, 2023, the Group (including TOM FORD FASHION) employed 6,925 people<sup>1</sup> and had revenues of €1,905 million.

## Ermenegildo Zegna Group



<sup>1</sup>The figure does not include 276 temporary employees as of December 31, 2023.

## OUR PEOPLE: 2023 DATA

Group employees	Employees excluding Tom Ford Fashion segment
6,925	6,374
	61% Women
	97% Permanent contracts
	37% Of new hires were <30
	46% Of management positions held by women

## OUR SUPPLY CHAIN & MATERIALS: 2023 DATA

### Our suppliers

272 Tier 1 suppliers

84% Of total spending on Italian suppliers

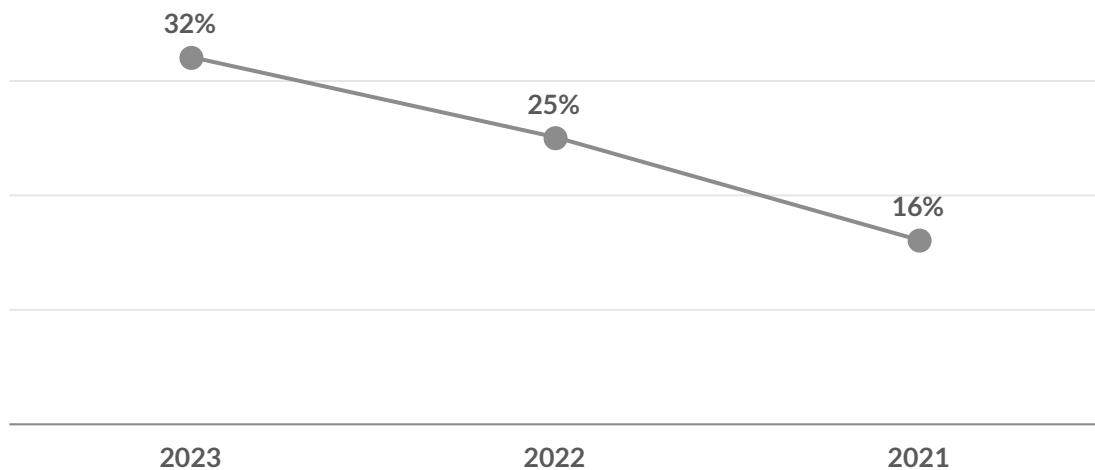
45 Raw materials and finished products suppliers audited

### Our materials

32% Of traceable & lower-impact top priority raw materials

## OUR ENVIRONMENTAL IMPACT

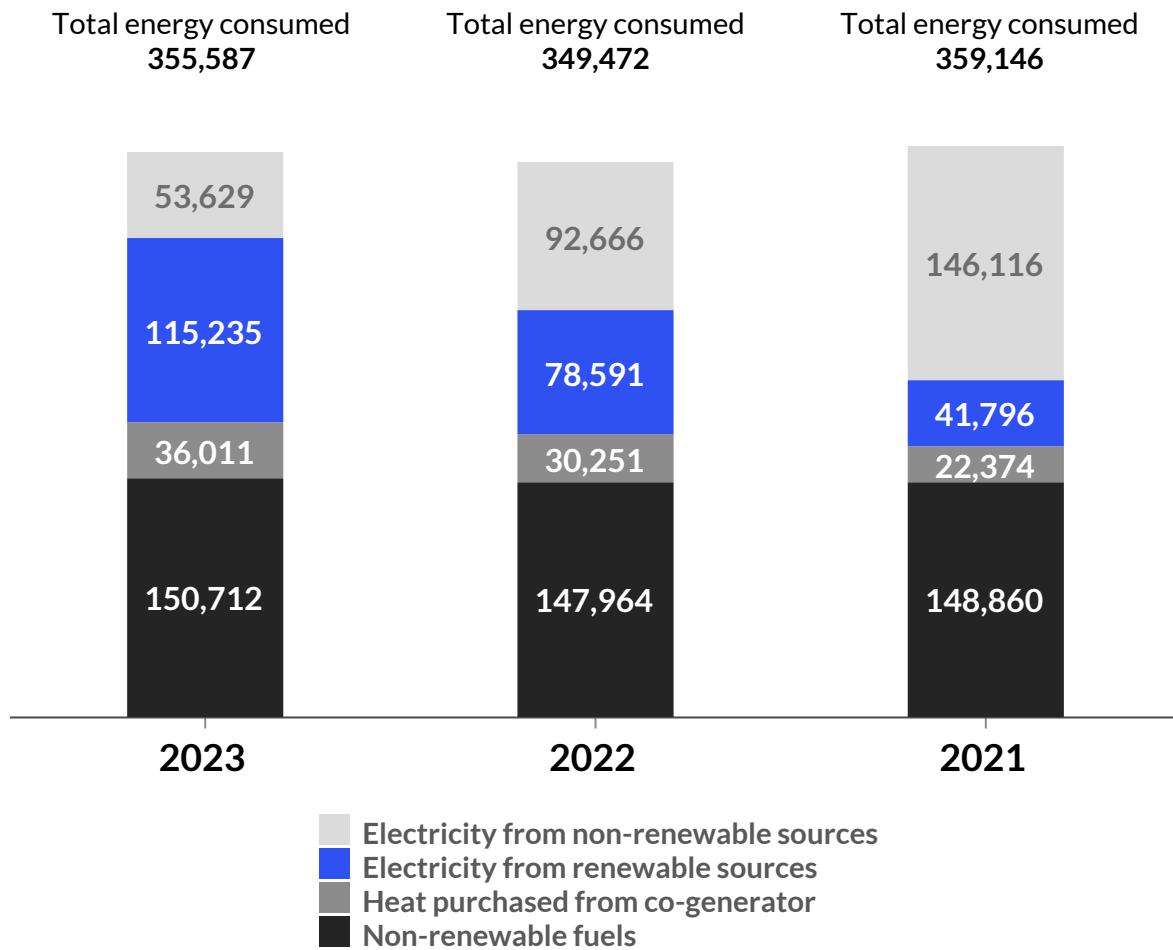
Traceable & lower impact top priority raw materials trend



Top priority raw materials (wool, cashmere, cotton, leather, man-made cellulosics, polyester and linen) account for about 72% of total raw materials purchased in 2023. On December 31, 2023, the share of top priority raw materials sourced from traceable origin and from lower-impact sources was 32%, with key contributions from Authentico® wool, Sustainable Fiber Alliance cashmere, and linen certified by Masters of Linen® and European Flax®. This progress is aligned with our target to reach 50% of top-priority raw materials traced to the geography of origin and from lower-impact sources by 2026.



## ENERGY CONSUMED BY THE GROUP (GJ)

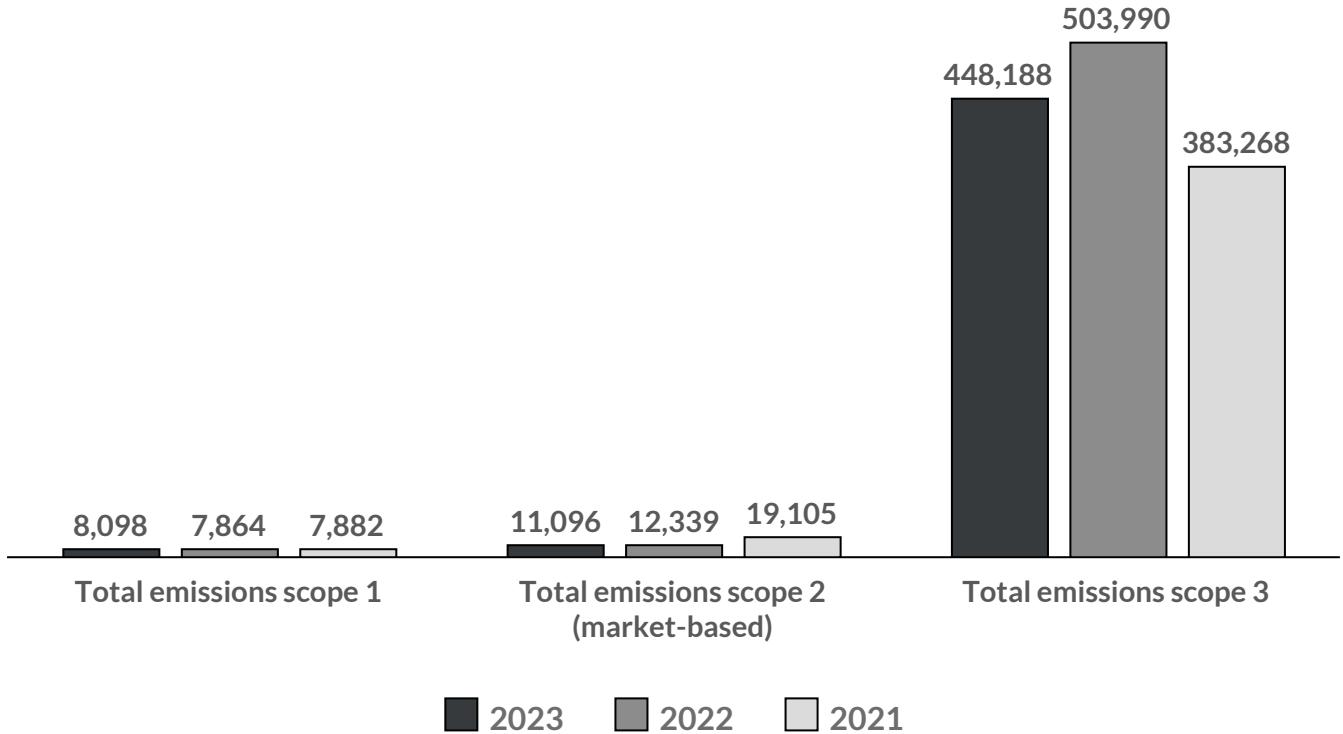


Regarding our target for 100% electricity from renewable sources in Europe and the US by 2024, we made significant progress in 2023 reaching 97% (vs. 73% in 2022 and 22% in 2021). For the Group as a whole in 2023, 68% (vs 46% in 2022 and 22% in 2021) of our electricity was purchased from renewable sources, approaching the Group target of 100% renewable electricity by 2027.

	Electricity consumption (GJ)	Electricity consumption from renewable sources (GJ)	%
USA	6,964	5,994	86%
Europe	106,668	104,362	98%
Rest of the world	55,232	4,879	9%
<b>Total</b>	<b>168,864</b>	<b>115,235</b>	<b>68%</b>

The Group also made progress toward its goal of replacing leased vehicles with plug-in hybrid or electric vehicles, with a coverage of 36% in 2023 (compared to 21% in 2022), aiming at 100% by 2025.

## EMISSIONS – SCOPE 1, SCOPE 2 & SCOPE 3 (tCO<sub>2</sub>e)



In 2023, scope 1 + scope 2 market-based CO<sub>2</sub>e emissions were equal to 19,194 tonnes of CO<sub>2</sub>e, an emissions decrease of 5% compared to 2022.

The Group's scope 1 emissions, which have slightly increased in 2023 compared to 2022, include emissions deriving from the use of natural gas, diesel, gas oil, petrol and LPG. Conversely, scope 2 emissions, which include the use of purchased electricity and heat, decreased compared to 2022 by 2% (location-based approach) and 10% (market-based approach). This is due to a decrease in consumption of energy from electricity, as well as growth in the share of consumed energy from renewable sources.

In 2023, considering the allocation of FLAG (Forest, Land and Agriculture) and non-FLAG targets and in light of the acquisition of Tom Ford International LLC on April 28, 2023, the Group analyzed how these factors impacted our scope 3 emissions across the scope 3 categories. As a result of the

analysis, Scope 3 cat. 15 (investments) estimates for emissions were recalculated for FY 2022 and FY 2021 not considering Tom Ford International LLC as an investment. Moreover, the Group also fine-tuned the methodological approach for the calculation of the following categories: 3.1, 3.2, 3.8, 3.9 and 3.14 and consequently updated FY 2022 and FY 2021 data. For previously disclosed data related to FY2022 and FY2021 please refer to the 2022 Group Sustainability Report.

Overall, the Group's total scope 3 emissions decreased by 11% in 2023 versus 2022.

Purchased goods and services account for 89% of the total scope 3 emissions. 74% of category 1 emissions in FY 2023 are represented by FLAG emissions. Upstream transportation and distribution accounts for 3% of overall emissions, while the remaining categories cumulatively account for 8%.

# Our commitments



## Three ESG commitments and 27 goals

The Group unveiled its ESG strategy in May 2022, during the Capital Markets Day. The strategy consists of 3 commitments, defined in 27 goals. The below table reports all ESG goals with 2023 as the target year, as well as ESG goals beyond 2023 where we have achieved significant progress<sup>2</sup>.

Commitment	ESG goal	Target year	Progress
<b>Commitment 1: Made in Italy, transparently!</b>	Transparent reporting (audited Group Sustainability Report, GRI & SASB reporting standards)	2022	<b>Achieved:</b> We have added the recent Task Force on Climate-related Financial Disclosure (TCFD)-aligned assessment in the 2023 Sustainability Report
	Board oversight of ESG strategy & implementation	2023	<b>Achieved:</b> 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
	Join relevant trade associations	2023 onward	<b>Achieved:</b> The Group joined Textile Exchange in 2022 and ZDHC as a Signatory Brand in 2023. The Group will keep considering further engagements with relevant industry associations.
	Top priority raw materials with at least 50% traced to the geography of origin and from lower-impact sources	2026	<b>In progress:</b> 32% of traceable & lower-impact top priority raw materials
<b>Commitment 2: Weaving the fabric of tomorrow</b>	80% of employees with DE&I training completed	2023	<b>Achieved:</b> 87% of employees received DE&I training
	Develop a talent acquisition & retention approach according to DE&I strategy, to become an equal opportunity employer	2023	<b>Achieved:</b> The Group released a new global operating recruiting procedure, aligned with the DE&I strategy
	Impact investing on wool, cashmere & cotton raw material sources with regenerative agriculture and carbon sequestration initiatives	2023 onward	<b>In progress:</b> The Group is a founding funder of the Unlock Programme of The Fashion Pact
	Parental leave benefits extended to all markets, above local law requirements	2023	<b>In progress:</b> New Group parental leave standards approved in 2023
	Launch the Group Academy	2024	<b>In progress:</b> The Group continued the preparation activities; in 2023 the scope of the project has been broadened
<b>Commitment 3: Oasi, home of our values</b>	Chemical management: ZDHC Foundational compliance level (MRSL, Manufacturing Restricted Substances List, waste water) for all Group production sites	2023	<b>Achieved:</b> All production sites achieved the Foundational compliance level in 2023
	100% electricity from renewable sources (scope 2)	2024 onward (Europe & US) 2027 onward (Group)	<b>In progress:</b> 97% of electricity from renewable sources in Europe and US

<sup>2</sup> For the complete list of ESG goals please refer to the "Our Sustainability Commitments" section in the 2023 Sustainability Report.

# 2023 Key projects



# Governance

## POLICIES AND AWARENESS CAMPAIGNS

In 2023, the Board approved a new policy on bilateral contacts with shareholders, and a new Stakeholder Engagement policy. In addition, the Group adopted an Anti-Corruption policy, an Anti-Money Laundering and Sanctions policy, a Tax policy, a Diversity, Equity and Inclusion policy, and an Animal Welfare policy. The Group also established an antitrust compliance program, starting with the Group Antitrust policy that defines behaviors guaranteeing fair competition.

In 2023, the Group started an awareness campaign to promote behaviors compliant with our Code of Ethics. An awareness-raising campaign for the Misconduct Reporting policy was also launched for all employees, followed by compulsory training.

## FIRST GROUP CLIMATE-RELATED FINANCIAL DISCLOSURE ALIGNED WITH TCFD FRAMEWORK<sup>3</sup>

In 2022, we started the assessment of the financial impact of specific climate-related risks and opportunities, conforming to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD<sup>4</sup>). As part of the assessment we conducted a benchmark analysis to identify best practices in fighting climate change. Additionally, we considered our long-term strategy and identified areas potentially affected by climate change. The result of this analysis was the identification of three potential climate-related risks, encompassing both physical and transitional risks, and two potential opportunities.

RISKS	
Physical risks	Transition risks
<ul style="list-style-type: none"><li>• Scarcity of raw materials (assessed on wool and cashmere fibers)</li><li>• Business interruption</li></ul>	<ul style="list-style-type: none"><li>• Potential market entry challenges</li></ul>
OPPORTUNITIES	
<ul style="list-style-type: none"><li>• Promotion of sustainable branding through low-impact resources</li><li>• Use of lower-emission resources at operational level</li></ul>	

During 2023, as for TCFD recommendations, identified risks and opportunities have been economically assessed to stress-test our business strategy and evaluate its resilience in achieving decarbonization goals, based on climate scenario analysis. In particular, for this analysis, we selected scenarios from IPCC (Intergovernmental Panel on Climate Change) for the analysis of our physical risks, while for both the transitional risk and opportunities, we selected scenarios from the International Energy Agency (IEA).

The assessments were performed against three time horizons: short (2022-2026), medium (2027-2032) and long (2033-2050) term.

Scenario analysis models stressed revenue and cost items based on climate-related factors. The impacts were quantified against the baseline, integrating results to calculate adjusted projections that consider pricing changes and revenue impacts.

The goal was to achieve impact quantification on the EBIT baseline of the Group, excluding the TOM FORD FASHION segment.

Overall, the impact across different scenarios and timeframes did not emerge as notably significant. In accordance with the Group's ERM guidelines, a scale of six levels (from "very low" to "extreme") were used to assess the impact of risks against the scenarios and timeframes analyzed. For the long term, the highest impact is assessed as "medium" (i.e. not notably significant): thus no immediate need for mitigation actions.

The Group intends to continue monitoring climate-related risks and opportunities on a regular basis, with the possibility of expanding the scope of the analysis over time.

<sup>3</sup>In this analysis, we considered the Group perimeter, excluding the newly-acquired business of TOM FORD FASHION.

<sup>4</sup>The TCFD framework is a globally recognized risk-based model developed by the Financial Stability Board to evaluate the robustness and adaptability of corporate strategies in dealing with climate change.

# Social

## DIVERSITY, EQUITY & INCLUSION STRATEGY

Our diversity, equity, and inclusion (DE&I) strategy has evolved since its launch in 2022. Our approach is characterized by a desire to hear our people and to understand their unique needs. We believe that there is power and value in diversity, and that individuals should be seen and heard. An organization that treats its people with respect and dignity, and values them for their unique gifts, is stronger and more resilient.

### Key Initiatives Executed in 2023:

- Our Board approved our DE&I policy;
- We carried out a training on DE&I concepts, involving 87% of the Group's employees, excluding the TOM FORD FASHION segment, both in-person and online;
- We created the "inclusion team", a group of employees in Italy and Switzerland who volunteered to engage in DE&I projects. The team is responsible for identifying inclusion issues and designing initiatives to spread an inclusive culture within the Group;
- We approved new Group parental leave standards, according to which employees are entitled to a parental leave period of 6 weeks with full pay, equivalent to 30 working days. Where the local law is more favorable, no additional provisions apply. The corresponding policy was approved in the first quarter of 2024;
- We developed a talent acquisition and retention approach according to our DE&I strategy, which led to the release of a new recruiting procedure, with a standardized and transparent framework to attract, assess, and appoint qualified candidates. Furthermore, we publicly set a target of gender balance in top management positions;
- We have started on the path to obtaining the Italian Gender Equality Certification.

## TALENT MANAGEMENT

In 2023, we introduced 2 projects that deserve special attention:

1. New leadership model: in response to our evolving strategic vision, we introduced a new leadership model. The initiative identifies key competencies and behaviors to empower our workforce to realize our objectives and achieve our vision.
2. JUMP! Graduate program: This one-year initiative offers a customized learning experience and development path, equipping participants with critical skills for inner growth. The pilot program, based at our Milan headquarters, encompasses three main areas: data science and digital; partnerships and "clienteling" (building customer relationships); and sustainability.

In addition, in 2023, the ZEGNA brand engaged in various initiatives aimed at fostering awareness, involvement, and interest among students. These efforts included site-visits (we welcomed almost 500 graduate and postgraduate students), attending career fairs, partnering with educational institutions (such as the Biella Master delle Fibre Nobili, and the MAFED program of SDA Bocconi), and focusing on strategies to enhance in-house expertise from the outset of careers.

## GROUP ACADEMY

The Ermenegildo Zegna Group considers craftsmanship and innovation as being core to our learning processes and integral to our long-term growth strategy.

Starting with the ZEGNA brand, in 2023 we broadened the scope of the Group Academy project, to include the entire value chain (from industry to customer). We have formulated a new learning strategy based on four "skills factories", each dedicated to fostering expertise in distinct areas: industry, product, customer relations, innovation and leadership.

In 2023, the Group Academy devoted substantial efforts to training and skills development for manufacturing, aiming to attract specialized professionals, bridge the skills gap, identify and train young talent, and facilitate knowledge transfer among employees. The Group Academy is also dedicated to diversifying the workforce, expanding the talent pool for manufacturing facilities, and strengthening connections within territories where the Group operates.

In 2023, the Group Academy delivered 35,200 training hours to 125 external candidates, compared to 13,205 hours delivered in 2022.

The Group Academy also fostered technical career orientation among young people, hosting 133 high school students at our plants in Italy and Switzerland, and signing a new learning partnership with a fashion high school in Parma, Italy.



# Environment

Safeguarding the environment is one of our founding values and fundamental obligations. We continue to focus on reducing our environmental footprint and contributing to the renewable energy transition.

In 2023, we continued executing under such commitments by:

- Increasing the amount of electricity purchased from renewable sources, from 22% in 2021, to 46% in 2022, and to 68% in 2023; and
- Installing and activating two new photovoltaic systems at two of the Group's production sites;

## **Carbon emission reduction targets – SBTi submission**

In 2022, the Ermenegildo Zegna Group committed to setting science-based emissions reduction targets, submitting our targets to the Science-Based Targets initiative (SBTi). In May 2023, the SBTi verified Ermenegildo Zegna N.V.'s net-zero (both near- and long-term) science-based targets 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 by 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 by 50.4% by 2032 from a 2021 base year<sup>5</sup>.

### **Long-term targets**

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

<sup>5</sup> In 2024 the Group will submit a renewed target proposal to the Science-Based Targets initiative to reflect the change in the baseline due to the allocation of FLAG vs. non-FLAG targets and the acquisition of Tom Ford International LLC on April 28, 2023.

## COLLECTIVE VIRTUAL POWER PURCHASE AGREEMENT

As part of the Group's commitment as a Signatory brand of The Fashion Pact, in December 2022 we announced our participation in the Collective Virtual Power Purchase Agreement (CVPPA). The CVPPA, linked to Lightsource BP's solar portfolio in Spain, and finalized in October 2023, offers a long-term renewables commitment for 12 brands.

This collective deal means that businesses with global responsibilities (but less intensive energy use) benefit from solar power; and underpin the development of new renewable energy projects. The Fashion Pact worked collaboratively with Lightsource BP's Power Markets team to create a bespoke PPA structure that meets members' needs and helps satisfy demand for renewable energy.

This tailored and pragmatic approach saw the contract being agreed upon in only a few months, creating an equitable platform for the initiative's members to accelerate their transition to clean energy. The CVPPA is an important step towards reducing our scope 2 emissions. Collective action is crucial to ensuring that we meet our sustainability goals; this project is one example of our willingness to cooperate with other brands to make meaningful changes.

## RE.CREA CONSORTIUM

In 2022, the Group contributed to founding the Re.Crea consortium, an organization dedicated to promoting sustainability in the fashion and textile industries and coordinated by the CNMI (the National Chamber of Italian Fashion). Its goal is to manage the end-of-life phase of textile and fashion products, and to promote the research and development of innovative recycling solutions.

## ZDHC ROADMAP TO ZERO PROGRAMME

As of January 1, 2024, the Group is now a Signatory of the ZDHC Roadmap to Zero Programme, adopting the ZDHC Brands to Zero commitment for the use of chemical substances.<sup>6</sup>

Brands to Zero provides brands and retailers with a harmonized approach and a clear path to achieving sustainable chemical management in their own productions and throughout their supply chain. Brands to Zero allows for performance comparability through annual assessments.

In 2023, the Group's internal manufacturing sites achieved the ZDHC Foundational compliance level, joining Bonotto, Dondi, Tessitura Ubertino, and the Lanificio Ermengildo Zegna in this achievement.

## BIODIVERSITY

On 24 November 2023, ZEGNA was announced as the official partner of the City of Milan for the redesign and care of the flowerbeds in Piazza Duomo for the next three years. ZEGNA has worked with a group of botanical and landscape experts to bring some of the iconic elements of Oasi Zegna's vegetation to Milan (in keeping with ecological best practices). This project will create a green space in the center of the city, inspired by the Oasi Zegna philosophy of environmental responsibility. Oasi Zegna is a 100 km<sup>2</sup> nature reserve located in the Biellese Alps in Piedmont, established by Ermengildo Zegna at the beginning of the previous century, as a unique model of social and environmental awareness.

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<sup>6</sup> ZDHC stands for Zero Discharge of Hazardous Chemicals.

## OASI CASHMERE & OASI LINO

The Oasi Cashmere collection was introduced for the first time in 2022 and presented as "Born in Oasi Zegna". The aim is for the collection to be made from 100% certified traceable cashmere fiber by 2024. The collection is named after, and inspired by, the home of our values – Oasi Zegna – a thriving 100 km<sup>2</sup> 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 communities, and ethical sourcing of raw materials.

The Oasi Lino collection, like Oasi Cashmere, embodies our values of authenticity, craftsmanship and high quality. Foremost, it guarantees the traceability of the fiber from its country of origin to the manufacturing site.

Linen is a natural fiber, coming from the flax plant. Top quality linen comes from flax grown mainly in Normandy, France, with its blue flowers that bloom for just a single day in early summer. Our traceable linen comes from two different certifications: European Flax® and Masters of Linen®. Both guarantee that the fiber comes from European sources and that the material is traceable to the fabric mill. By 2024, all linen fibers contained in the Oasi Lino collection will be 100% traceable.



# Methodological note

This document constitutes the executive summary of the 2023 Sustainability Report of Ermenegildo Zegna N.V. and its fully consolidated subsidiaries for our 2023 fiscal year (January 1st to December 31st, 2023).

The reporting scope of the economic and financial data corresponds to that of the Ermenegildo Zegna Group's consolidated financial statements as of December 31, 2023. The scope of the data and information relating to social and environmental matters refers to the companies of the Ermenegildo Zegna Group consolidated on a line-by-line basis, with the exception of TOM FORD FASHION segment, which is excluded from the 2023 Sustainability Report, except where explicitly indicated.

The Ermenegildo Zegna Group Sustainability Report is published annually. The Executive Summary reports part of the information included in the Ermenegildo Zegna Group Sustainability Report 2023.

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



**Ermengildo Zegna Group**

Executive Summary

Sustainability Report 2023