

Ermenegildo Zegna

ETHICAL CODE

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INTRODUCTION

The name Zegna immediately brings to the mind two irrevocably linked businesses: on the one hand, one of Italy's most longstanding family owned businesses, now headed by a fourth generation and, on the other hand, a leading multinational luxury menswear business that sells its products in more than 80 countries worldwide – 80% of its turnover generated by exports – with a strong presence on both mature and emerging markets.

This type of success is driven by careful diversification on the range of products offered – from apparel to accessories – and winning strategies that have led to the growth of the Ermenegildo Zegna brand worldwide.

History

Ermenegildo Zegna's early days as a family business date back to the second half of the 19th Century. Angelo Zegna, a watchmaker, decided to open a textiles factory. He had ten children and it was his youngest son, Ermenegildo, born in 1892, who took control of what would become one of Italy's best known and most dynamic family owned businesses.

The Lanificio Zegna wool mill was established in Trivero, a town surrounded by the Alps in the Province of Biella, in 1910. By the end of the 1930s, the company had more than a thousand employees and had brought wealth to what was still a poor and isolated town. Ermenegildo was an enlightened businessman, not only with regard to his manufacturing activities. He knew that the quality he was striving for in his products could not be separated from a positive relationship with the local area and community. He understood that the beauty of the natural environment and the well-being of people – not just his employees – were essential requirements for any business that hoped to be successful over a long period of time.

By 1932, he had already equipped the Trivero head office with a conference room, a library, a gym, a cinema/theatre and a public swimming pool. Within a few years, he built a Health Centre for the town with an out patient clinic, a nursery and a maternity clinic.

In the meantime, the business continued to expand.

In 1938, the company began exporting to the United States where tailors of Italian origin knew and trusted the Zegna brand.

In 1968, the company opened a new factory in Novara to produce coats, jackets and trousers. These products enjoyed great success immediately, largely thanks to the quality and strength of the fabrics.

Production was expanded in the 1970s to include accessories and leisure wear. The Made to Measure/Bespoke Tailoring service was launched in 1972.

During the 1980s, Ermenegildo Zegna continued to extend its business activities when it opened its first flagship store in Paris in 1980, followed by another one in Milan in 1985. These two stores represented the beginning of an extensive retail network that has spread over all five continents over the years.

At the end of the 1990s, the company adopted another successful strategy based on verticalisation, diversification and brand extension. The objective was to expand the accessories business and enrich the world of "Zegna Style" by combining excellence, quality and tradition with the sophisticated, cosmopolitan taste of Zegna's clients today.

The Group

Diversification has also involved a number of major acquisitions. In 1999, the Ermenegildo Zegna Group acquired Lanerie Agnona S.p.A. In September 2002, Zegna set up the ZeFer company, a 50-50 joint venture with the Salvatore Ferragamo Group to manage the worldwide growth of Zegna in the footwear and leather goods sector.

In 2003, Zegna strengthened its presence on the Chinese market through the acquisition of 50% of SharMoon, a business owned by the Chen family, which produces high quality clothing for the Chinese market.

Mission and philosophy

The Zegna Group wishes to maintain the prominence of the idea that product quality can only be achieved through a “culture of beauty”, founded upon respect for the environment and the community at large. This mission has been entrusted to the Ermenegildo Foundation which was set up in 2000.

The Foundation extends and implements the family’s commitment by supporting projects and studies in environmental, social, cultural and scientific fields. It promotes the idea of sustainable development on an international scale. This includes improving the quality of life of people and communities, safeguarding and promoting the environment and culture, developing the potential of people and supporting research.

The Zegna Oasis is an example of this commitment. It is a natural park, created in 1993, that covers more than 100 square kilometres in the Trivero area. It offers a range of activities whose aim is to bring people into contact with the natural beauty of the Biella area while teaching them to respect the environment as a whole.

The Zegna Group’s philosophy is now based on long-term goals. They include control by the family to ensure continuity and solidity based on a shared ethical approach and the implementation of rigorous corporate governance.

Objectives

Today, the objectives of the fourth generation of the Zegna family include the continued promotion of the values and actions that descend from the philosophy of the founder of the Group and that now form part of the heritage not only of the family but of everyone who works for the business.

Accordingly, the Group has decided to draft and adopt an Ethical Code that summarises the main ethical principles and rules of conduct that will inspire its activities. The aim is to spread a strong sense of ethical integrity and a corporate culture highly geared towards compliance with applicable laws in Italy and the other countries in which the Group operates.

The Zegna Group has chosen to fall into line with the provisions of Legislative Decree no 231 of 8 June 2001 (“Regulation of the administrative responsibility of entities with legal personality, companies and associations – including those without legal personality – in terms of Article 11 of Law no 300 of 29 September 2000). The said Decree (hereafter also “the Decree”) introducing into Italian law the concept of the administrative responsibility of companies in relation to a range of predefined criminal offences committed by persons within the company with roles of representation, administration or management or by persons subject to the management or supervision by such persons.

Each Group company shall adopt, with regard to their internal relations and relations with third parties, a series of rules of conduct intended to promote, at all levels of the business, a concept of strong ethical integrity and compliance with the law. This is founded upon the belief that a clear declaration of the fundamental values that should inspire everyone in pursuit of their objectives is of central importance to the proper conduct of their activities and constitutes a valuable element in support of the organisation, management and control model that each company is required to adopt under the Decree.

Given the above, this document (hereafter “the Ethical Code”) has been approved by the Company Board of Directors which has undertaken to ensure that it is adopted on as widespread a basis as possible and that compliance with it becomes an essential condition for the proper functioning of the Group, to safeguard its reliability and reputation and to achieve ever greater customer satisfaction. All of these factors contribute towards the current and future success and development of the Company.

CHAPTER I – GENERAL PROVISIONS

1. SCOPE OF APPLICATION AND PERSONS SUBJECT TO THE CODE

The Zegna Group bases all actions, operations, dealings and transactions undertaken in the course of its business activities on the ethical principles and rules of conduct set out in this Ethical Code.

This Ethical Code supplements the provisions already contained in the Code on Workplace Conduct. It is binding on all those who, within the Group companies, carry out functions of representation, administration or management or who exercise management and control, as well as on all employees, collaborators (e.g. freelance consultants, suppliers, agents, representatives, brokers etc) and on anyone who has business dealings with the Group (hereafter “The Persons subject to the Code”).

The persons indicated above as subject to the Ethical Code must, therefore, be aware of the provisions of the Ethical Code and the employees of Group companies are called upon to play an active role in ensuring that it is complied with. For this purpose, the Zegna Group undertakes to ensure that the Ethical Code is distributed as widely as possible, also through the use of means of information and training to raise awareness of its content.

2. EMPLOYEE OBLIGATIONS

Employees observe the Ethical Code when performing their duties.

In particular, employees are required to:

- report any suspected breaches of the Ethical Code during business activities to the Supervisory Board (as per chapter V par.9);
- cooperate fully with the investigation of any possible and/or suspected breaches of the Ethical Code;
- inform third parties with which they have business dealings about the provisions of the Ethical Code.

Dealings between employees of all levels and the third parties they come into contact with as a result of their work activities shall take place based on cooperation, fairness and reciprocal respect.

CHAPTER II – ETHICAL PRINCIPLES

3. THE GROUP’S ETHICAL PRINCIPLES

The Zegna Group believes in, accepts and complies with the following ethical principles:

- legality;
- equality and impartiality;
- transparency, correctness and reliability;
- professionalism;
- confidentiality;
- the value of human resources;
- health and safety;
- environmental protection;
- fair competition.

3.1 LEGALITY

When carrying out activities on behalf of or in the interests of the Group, the persons subject to the Ethical Code shall conduct themselves in full compliance with applicable laws and regulations in the countries they operate in.

3.2 EQUALITY AND IMPARTIALITY

The Zegna Group promotes and protects the respect of human dignity and opposes all forms of discrimination based on age, sex, sexual orientation, personal and social condition, race, language, nationality, political opinion, trade union membership and religious belief.

When carrying out the various corporate activities and making all related decisions, the persons subject to the Ethical Code must conduct themselves in an impartial manner in the best interests of the Group. They shall make decisions professionally and objectively based on neutral and objective evaluation methods.

3.3 TRANSPARENCY, CORRECTNESS AND RELIABILITY

All of the actions, operations, negotiations and, more generally, the conduct of those subject to the Ethical Code shall be based on the utmost transparency, correctness and reliability.

When managing the business, those subject to the Ethical Code shall be required to provide transparent, truthful, complete and accurate information.

3.4 PROFESSIONALISM

The Group considers professionalism a value essential to its growth and establishment on domestic and international markets. A professional work environment is devoid of politics and requires all employees to focus on doing their very best and supporting others to produce high quality work. Accordingly, business activities take place with the professionalism, commitment and due diligence required given the nature of the duties and the responsibilities entrusted to each person.

3.5 CONFIDENTIALITY

The Zegna Group considers confidentiality an essential rule for all of its actions. This means that information remains confidential, with the most rigorous compliance with applicable legislation on personal data security.

Consequently, the persons subject to the Code must not use confidential information relating to the Group or to third parties, that they came into possession of as a result of their work, for personal reasons or for any reason unconnected with their professional duties.

No employee or collaborator may gain a direct or indirect, personal or financial benefit from the use of confidential information. Information shall only be communicated to third parties by authorised persons and, in any case, in accordance with the company guidelines. When information is communicated to third parties for professional or work related reasons, the confidential nature of the information must be highlighted and the third party in question must be asked to comply with the confidentiality requirement.

The passwords required to access password protected electronic information must only be known to the persons issued with the passwords and they must be kept safely and shall not be disclosed to any other parties.

3.6 THE VALUE OF HUMAN RESOURCES

Human resources are indispensable and precious to the existence and future development of the Zegna Group.

Merit based assessment criteria have been adopted so as to develop the skills and abilities of all employees and equal opportunities are guaranteed to all. Human Resources management aims to improve the abilities of each employee, also through training courses and development activities.

Working conditions are designed to ensure that employees perform their duties in a climate of collaboration, respect and calm.

In order to guarantee full respect for the individual, the Zegna Group is involved in the fight against child labour in each of the countries it operates in and avoids all forms of exploitation of child labour.

The Group respects Human Rights and guarantees employment founded upon principles of dignity and respect and without any form of coercion, mistreatment, abuse or corporal punishment.

3.7 HEALTH AND SAFETY

The Zegna Group undertakes to organise and maintain safe and healthy workplaces in compliance with health and safety regulations in the countries in which it operates.

It promotes a safety oriented culture and awareness of the risks involved in workplace activities. It expects employees at all levels to act responsibly and respect the safety system adopted and the company procedures that form part of it. Employees, collaborators and any other parties who, for any reason, enter the Group premises are called upon to contribute towards maintaining the safety and quality of the workplace environment.

The Group operates in accordance with the following principles:

- to conduct business safely in order to protect the health of its employees and the people living in the communities near its premises;
- to monitor the effectiveness of the system used to manage safety related risks on an ongoing basis while seeking continual improvement in this delicate area.

3.8 ENVIRONMENTAL PROTECTION

The Zegna Group seeks to protect the environment. All activities of the Zegna Group will seek to strike the right balance between economic growth and the creation of value with respect for and protection of the environment.

3.9 FAIR COMPETITION

The Zegna Group firmly believes that fair and healthy competition makes a positive contribution to the pursuit of its corporate mission. Accordingly, it complies with competition rules in the countries it operates in and does not engage in or encourage conduct that could lead to forms of unfair competition.

CHAPTER III – RULES OF CONDUCT

4. CONTROL SYSTEM

The Group companies recognise the importance of an efficient and effective internal control system. Having such a system is essential if business activities are to be conducted in accordance with the principles laid down in this Ethical Code.

Therefore, they ensure the right organisational and environmental conditions to promote and encourage a control culture on all levels of the business. Employees are made aware of the importance of the internal control system and of the need to respect applicable laws and regulations and company procedures when doing their work.

The creation of an effective internal control system requires full and proper determination and assignment of duties and responsibilities to persons acting on behalf of the Group companies and the adoption of an appropriate system of delegated powers.

4.1 CORRECT AND TRANSPARENT CORPORATE INFORMATION

All actions, operations and transactions must be correctly recorded in the accounting system in accordance with legal requirements and applicable accounting principles in each of the countries the Group operates in. They must also be properly authorised, verifiable, legitimate, consistent and reasonable.

In order to ensure that the accounting records meet the requirements of accuracy, completeness and transparency, sufficient supporting documentation must be retained for each operation. This guarantees the following:

- accurate accounting records;
- the immediate identification of the characteristics and underlying reasons for the operation;
- the timing and details of the operation can readily be reconstructed;
- decision making, authorisation and implementation processes can be audited and the various levels of responsibility identified.

Each employee shall perform their duties in order to ensure that any matters relating to the operations of the Group companies are recorded accurately and promptly in the accounting records.

Each accounting entry must precisely reflect the contents of the related supporting documentation. Each employee shall be responsible for ensuring that the supporting documentation can be easily found and is filed on a logical basis.

Information circulated within the Group for use in preparing the consolidated financial statements and ensuring a true and fair view of the Group income statement, balance sheet and financial position shall comply with the principles of truthfulness, completeness and transparency. The autonomy of each individual company and specific business area shall be respected.

4.2 THE PREVENTION OF CONFLICTS OF INTERESTS

When performing their work, the employees and collaborators indicated in Chapter 1 must avoid situations where the parties involved in transactions have, or could appear to have, a conflict of interests.

A conflict of interests is a situation where a person subject to the Ethical Code pursues an interest other than the Group mission or performs activities that could interfere with their ability to make decisions in the exclusive interest of the Group or benefits personally from the Group's business opportunities.

Persons subject to the Ethical Code shall abstain from activities in contrast with the best interests of the Group in the knowledge that pursuit of such interests cannot, in any case, legitimate conduct in contrast with Group Principles.

If a possible conflict of interests arises, the Persons subject to the Ethical Code shall duly inform the relevant corporate governance body and comply with any decisions taken in this regard.

4.3 THE PREVENTION OF MONEY LAUNDERING

With regard to various dealings involving with the Group, the Persons subject to the Ethical Code must not, in any way or under any circumstances, be involved in the laundering of money from criminal activities or, knowingly, in the receipt of goods or other items of unlawful origin.

They are also required to obtain all available information about possible suppliers, partners, collaborators and consultants in order to check out their reputation and respectability before establishing business relations with them.

The Zegna Group and its member companies undertake to respect all Italian and international laws and regulations regarding the fight against money laundering.

CHAPTER IV – DEALINGS WITH THIRD PARTIES

5. DEALINGS WITH PUBLIC ADMINISTRATION AND PUBLIC INSTITUTIONS

Dealings with all public administrations and institutions must take place with the most complete respect of applicable legislation and regulations. They must also comply with principles of honesty, correctness and transparency.

Dealings with all public administrations and institutions or with public officials or persons acting in public service i.e. entities, representatives, members, employees, consultants and other parties engaged to perform public duties must not improperly influence the decisions of the public administrations or institutions and, specifically, the persons involved in negotiations or decision making on their account.

During negotiations or business relations with Public Administrations or Institutions, the Group employees shall not engage in the following conduct:

- offer or grant work opportunities and/or commercial gains to public employees involved in negotiations or business relations or to their relatives;
- offer gifts or other benefits unless these are mere acts of commercial courtesy involving modest amounts;
- provide untruthful information or fail to disclose significant information when requested.

Any gifts of modest value or acts of courtesy or hospitality that do not compromise the integrity or reputation of one of the parties must, in any case, be authorised in advance.

The acceptance and sending of promotional materials and free samples must also be approved in advance by the relevant authorising Manager.

The representatives and employees of the Group shall not offer, either directly or through third parties, any sums of money or other items of any form and value to public officials, government representatives or public employees in payment for actions by them in their official capacity or to obtain or delay performance of actions in contrast with their public duties.

6. DEALINGS WITH CUSTOMERS

The Zegna Group bases its business activities on quality. Quality is not merely in regard to its products but also the special attention paid to customer requirements, professionalism, willing and promptness in dealing with commercial requests and handling any complaints in order to ensure that customers are fully satisfied.

When dealing with customers, the Persons subject to the Ethical Code shall act in a correct and clear manner. Where appropriate, dealings will be conducted in writing so as to avoid any disagreement and misunderstanding over the content of commercial relations.

7. DEALINGS WITH SUPPLIERS

Similarly, the Zegna Group conducts its dealings with suppliers in a fair, correct and professional manner and seeks to establish solid and lasting relationships based on common trust.

Suppliers are selected and terms of purchase determined based on impartial, objective evaluations that take account of quality, price and the guarantees offered.

The Group observes the following principles in its dealings with suppliers:

- purchases are made by dedicated purchasing departments and or authorized personnel;
- forms of “reciprocity” with suppliers are not permitted: the goods/services sought by the Group are selected and purchased solely based on price and quality;
- any negotiations with a current or potential supplier shall only regard the goods or services subject to the negotiations with the supplier;
- personnel responsible for purchasing goods and services must not be put under any pressure by suppliers to donate materials, products or sums of money to charities or similar bodies.

During dealings with suppliers, persons subject to the Ethical Code shall act in a clear and transparent manner. Whenever possible, they shall conduct such dealings in writing so as to avoid disagreement or misunderstandings regarding the content of the commercial relations.

Any commitments made and dealings with current or potential suppliers shall take place in accordance with the provisions of the Ethical Code on the prevention of conflicts of interests.

8. DEALINGS WITH POLITICAL AND SOCIAL ORGANISATIONS

The Group makes a positive contribution towards the well being and development of the community in which it operates. Accordingly, when conducting its business, it takes account of local and national communities by making time for and encouraging dialogue with local communities and the public institutions that represent them.

The Group's dealings with the representatives of political institutions take place in full compliance with applicable regulations.

It does not maintain any form of relations with any organisations, associations or movements that pursue, directly or indirectly, criminal or unlawful aims or activities.

CHAPTER V – FINAL PROVISIONS

9. BREACH OF THE ETHICAL CODE AND RESULTING PENALTIES

The Ethical Code is among other a compulsory general principle of the Organizational, Management and Control model adopted by Group Parent Company Ermenegildo Zegna Holditalia S.p.A. in accordance with the provision on the “Administrative liability of legal entities deriving from offences” contained in the Italian Legislative Decree N. 231 of June 8, 2001 and subsequent amendments.

Ermenegildo Zegna Holditalia S.p.A. assigns the function of Guarantor to the Supervisory Board established pursuant to the above mentioned Model. Each direct or indirect subsidiary, in Italy and abroad, entrusts the function to the relevant corporate body in accordance with local corporate governance rules

The Guarantor is entrusted with the task of:

- investigating reports of any violation of the Code by initiating proper inquiry procedures; taking action at the request of Zegna Employees in the event of receiving reports that violations of the Code have not been properly dealt with or in the event of being informed of any retaliation against employees for having reported violations;
- notifying relevant structures of the results of investigations relevant to the adoption of possible penalties; informing the relevant line/area structures about the results of investigations relevant to the adoption of the necessary measures.

Each information flow is to be sent to the following email address: odv.holditalia@zegna.com.

Should they become aware of any possible breaches of the Ethical Code, employees and collaborators shall inform without delay the Supervisory Board set up for the purpose in accordance with the Decree.

This Board shall then proceed to investigate the alleged breach. If appropriate, it will interview the person who reported the breach and/or the person who allegedly committed it. Any penalties imposed by the Board shall be in proportion to the seriousness of the irregularities committed and shall, in any event, be compliant with local employment law and regulations.

The Supervisory Board shall be provided with information on any official action resulting from failure to comply with the Decree (e.g. action taken by the police, requests for legal assistance by managers and/or employees if any criminal proceedings have begun, etc).

Respect of the Code's rules is an essential part of the contractual obligations of all Zegna employees pursuant to and in accordance with applicable law. Any violation of the Code's principles and contents may be considered as a violation of primary obligations under labour relations or of the rules of discipline and can entail the consequences provided for by law, including termination of the work contract and compensation for damages arising out of any violation.

Compliance with the principles contained in the Ethical Code forms part of the contractual obligations taken on by collaborators, consultants and other parties involved in business dealings with the Group. Any breach of the Ethical Code might constitute a breach of contract and could lead to the termination of the contractual relationship and a liability to compensate for the damages caused, in accordance with applicable laws and regulations.

Any breaches of the Ethical Code by persons in positions of responsibility within the Group, by members of the Board of Directors or management shall see the competent body of corporate governance impose penalties or disciplinary measures in proportion to the nature and seriousness of the breach or irregularity and the position of the person who has committed it, in accordance with applicable laws and regulations.

10. ADOPTION OF THE ETHICAL CODE AND AMENDMENTS THERETO

This Ethical Code was approved by the Board of Directors on July 26, 2010.

Any amendments or updates will be approved by the Board of Directors and the interested parties promptly informed.