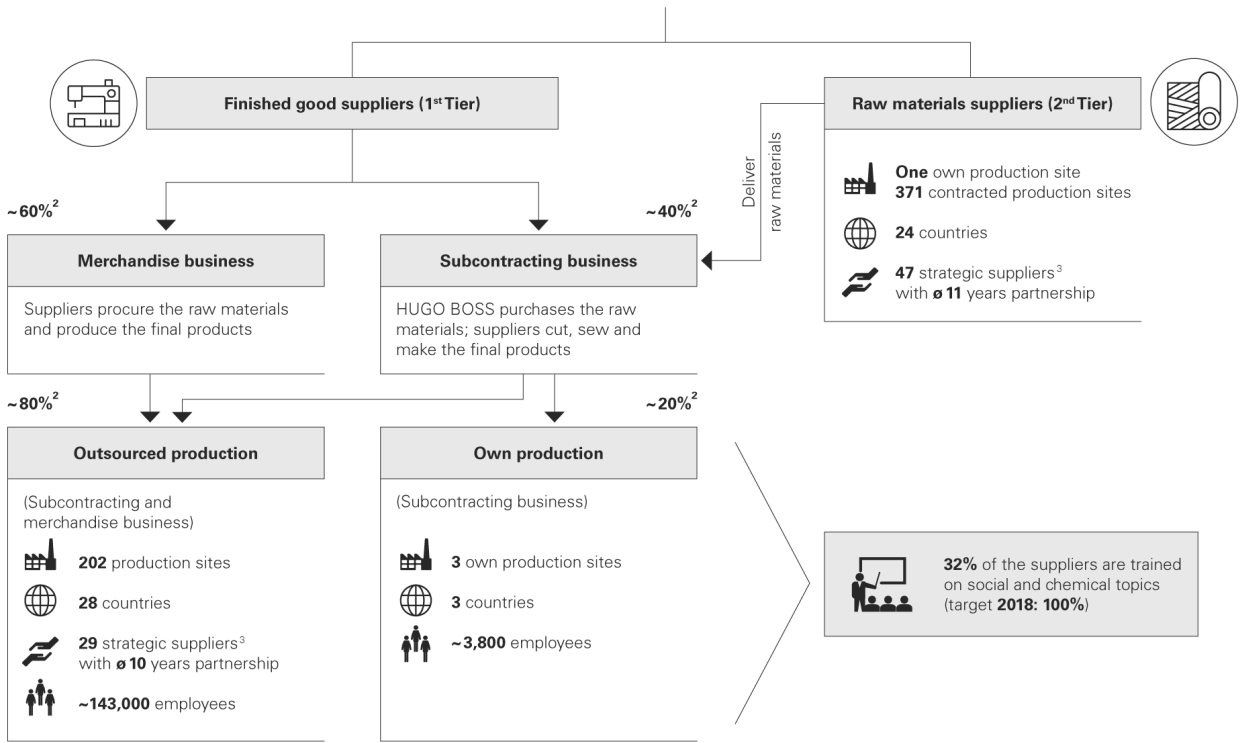


HUGO BOSS SOURCING AND PRODUCTION ACTIVITIES



ONBOARDING PROCESS

Before suppliers are included in the HUGO BOSS supplier portfolio, they must go through a three steps process:

- Questionnaires**
  - General company information
  - Information about social and environmental aspects
  - Compliance
  - Customs
- Contracts**
  - General purchasing terms and conditions
  - Social Standards
  - Restricted Substances List
  - Etc.
- Verification**
  - Social compliance audit on site (1<sup>st</sup> Tier suppliers)
  - Social compliance self-assessment (2<sup>nd</sup> Tier suppliers)
  - Customs audit
  - Financial check
  - Evaluation of country risk

▶ 29 new 1<sup>st</sup> Tier suppliers

▶ 30 new 2<sup>nd</sup> Tier suppliers

SOCIAL AUDITS AND SELF-ASSESSMENTS

- Social compliance audits (on site)**  
Relevant for all potential and active 1<sup>st</sup> Tier suppliers (>30.000€ turnover per half year)
  - 185 conducted audits
  - All new 1<sup>st</sup> Tier suppliers audited  
84% of existing active 1<sup>st</sup> Tier suppliers covered with valid (re-)audit
  - 84% of the sourcing volume from suppliers with an audit result of good or satisfying (target 2020: 90%)
  - 33 identified incidents (Improved result in re-audit in over 50% of cases)
  - All identified violations against the Social Standards are covered with **corrective action plans** and have to be solved latest in the next audit
  - Phase-out of suppliers in case of missing cooperation and repeated under-performance in re-audits
  - Social compliance self-assessments**  
Relevant for all potential and active 2<sup>nd</sup> Tier suppliers
  - 117 completed self-assessments
  - All new 2<sup>nd</sup> Tier suppliers covered
- Audit cycle 2017**  
(Depending on last result):
- | Result                 | Frequency in months |
|------------------------|---------------------|
| Good to satisfying     | 12-18               |
| Improvements needed    | 6                   |
| Risky and insufficient | 3                   |

<sup>1</sup> Unless otherwise stated, all figures refer to the year 2017.

<sup>2</sup> Related to the total sourcing volume.

<sup>3</sup> HUGO BOSS rates suppliers according to four equally weighted criteria: Vendor turnover, relevance for HUGO BOSS, management capabilities and strategy alignment with regard to sustainability. Suppliers are classified as strategic if they achieve a total result of at least 80%.