

HUGO BOSS

SUSTAINABILITY REPORT 2014  
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# COMPANY PROFILE

HUGO BOSS is one of the leading companies in the premium and luxury segment of the apparel market. The Group focuses on developing and marketing premium fashion and accessories for men and women. The Group is based in Metzingen (Germany) and employed 13,043 employees<sup>1</sup> who generated annual sales of EUR 2.6 billion in the business year 2014. The result makes the Group one of the most profitable listed clothing manufacturers in the world.

The core brand BOSS, HUGO and the other brand lines BOSS Green and BOSS Orange enable HUGO BOSS to reach out to varied and clearly differentiated target groups. The brands present a comprehensive product portfolio with a range spanning from classic to modern apparel, elegant evening clothing and sportswear, shoes, leather accessories, and product groups marketed under license, including fragrances, eyewear, watches, children's fashions, textiles for the home, and mobile accessories<sup>2</sup>. In 2014, around 10,500 different products were marketed in four collections across all brands. In 2014, customers worldwide were able to purchase HUGO BOSS products at around 7,600 points of sale.

Apart from HUGO BOSS AG, the Group has a total of 55 consolidated subsidiaries located in Europe, the Americas, and Asia/Pacific. The subsidiaries are responsible for the local business activities. 35 subsidiaries are organized as distribution companies. In the year under review, the Group operated its own production facilities in Izmir (Turkey), which is the Group's largest in-house production facility, and in Cleveland (Ohio, USA), Metzingen (Germany), Radom (Poland) and Morrovalle (Italy).

<sup>1</sup>Number of people (headcount) in the HUGO BOSS Group in an active employment relationship on December 31, 2014, including interns, diploma students and agency staff.

<sup>2</sup>The license agreement for mobile accessories came to an end on December 31, 2014.



# WE

As one of the leading companies in the premium and luxury segment of the apparel market, HUGO BOSS assumes responsibility – also in the area of sustainability.

HUGO BOSS sees sustainable business as an opportunity to guarantee the high quality of products expected by customers, to ensure their loyalty, drive forward innovations and further develop the business model, increase efficiency along the value chain and to increase the loyalty of its' own employees over the long term.

# WE – COMBINING EXCELLENCE AND SUSTAINABILITY

## STRATEGY AND MANAGEMENT

The mission statement “HUGO BOSS inspires people towards success” forms the foundation for the Group strategy with the aim of obtaining a long-term increase in the enterprise value. Responsible actions and a long-term approach are key elements of the economic management approach at HUGO BOSS. The corporate values of quality, passion, respect, cooperation, and innovation form the foundation.

The objective of the principle derived from these values “We act responsibly” is to create added value – for employees, customers, business partners, shareholders and the community.

The sustainability strategy includes six fields of action, which forms the framework for defining the central sustainability issues at HUGO BOSS:

**We:** The Company summarizes the principles of its sustainability management here and the dialog with its stakeholders. HUGO BOSS regards their expectations and demands as an opportunity to create value for both sides.

**Environment:** Excellence in environmental protection entails making a meaningful contribution to combating global climate change. The Company focuses in particular on its global supply chain.

**Employees:** HUGO BOSS is committed to recruiting well-qualified employees to the Company over the long term. The Group creates a working environment, where every individual can be integrated and make the most of their potential. The HUGO BOSS Code of Conduct creates the framework for this.

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**Partners:** To protect human rights, HUGO BOSS commits itself and all HUGO BOSS suppliers to maintain internationally accredited employment and social standards, to guarantee fair and secure working conditions, and to make an active contribution to protecting the environment.

**Product:** HUGO BOSS products must satisfy the highest expectations for quality, design and processing, and comply with the expectations of consumers for sustainability. The Company ensures a high level of product safety and takes measures to reduce the environmental impact of its collections.

**Society:** HUGO BOSS upholds and is committed to compliance with binding legal standards and internal rules, in order to retain the trust of business partners and the general public in the Company. By taking on social responsibility at its locations and through its global commitment to support vulnerable children, the Group enhances its acceptance within the community and in its immediate enterprise environment.

The Company has a broadly based sustainability management for a consistent implementation of its sustainability strategy. The Managing Board of HUGO BOSS AG has overall responsibility for sustainability. The Sustainability Committee is the central body for steering the sustainability strategy and for the group-wide management and coordination of sustainability.

In 2014, HUGO BOSS achieved an impressive sustainability performance with its ratings and rankings. CDP, the world's biggest investor initiative for climate protection reporting, recognized HUGO BOSS as the best new entrant from the region Germany, Austria and Switzerland. HUGO BOSS was also listed for the first time in the Sustainability Yearbook published by RobecoSAM – as an "Industry Mover" – in 2015: HUGO BOSS ranks among the 15% of the best companies in its sector as the Company which succeeded in achieving the greatest improvement in the area of sustainability compared with the previous year.

### GOVERNANCE AND COMPLIANCE

HUGO BOSS is convinced that good and transparent corporate governance in compliance with accredited international and national standards is a key factor for the long term success of the Company.

Since HUGO BOSS AG and the Group companies are operating internationally, they are subject to different legal jurisdictions. Good corporate governance constitutes for HUGO BOSS corporate compliance structures, which encompass all measures for complying with statutory and government regulations, internal company guidelines and codes. The work of the Managing Board and its compensation structure are focused on the sustainable increase in corporate value. HUGO BOSS expects its employees to act in accordance with the law at all times during everyday business activities. The basis is the Code of Conduct and other corporate guidelines.

**Corporate Governance means the legal and factual regulatory framework for the management and supervision of the Company.**

## STAKEHOLDER DIALOG

HUGO BOSS believes that meeting the expectations of its most important stakeholders, discussing different perspectives and entering into a joint discussion about challenges and potential solutions is essential for conducting business and at the same time an opportunity to bring about social change. The stakeholder groups include employees, customers, business partners, shareholders and investors, non-government organizations, representatives from business, academia and government, and the community. Key concerns include focus on business practices and compliance with statutory regulations, the development of excellent products, as well as environmental protection, and animal welfare and species conservation.

### KEY TARGETS

Finalization of the **materiality analysis**, including the development of a materiality matrix and a sustainability program in

**2015.**

Conduct a **stakeholder survey** in 2015 with all relevant stakeholder groups, with the intention to identify key issues and expectations.

Implementation of a group-wide and comprehensive **stakeholder management strategy** by

**2020.**

Expansion of regular obligatory **compliance training sessions** to

**100%**

of the group-wide workforce by 2018.

Continuously expand **online communications** on sustainability issues, in order to inform stakeholders more comprehensively.



# ENVIRONMENT

**HUGO BOSS** also sets corporate targets in the area of environmental protection. These serve as the driving force for the continuous improvement of environmental aspects in products and processes. The Group intends to adopt a leading position in the premium and luxury segment of the apparel sector, and is committed to achieving ambitious targets, in alignment with international standards.

# ENVIRONMENT – PRESERVING NATURAL RESOURCES

HUGO BOSS is committed to minimizing the impacts of climate change, protecting natural resources through the application of intelligent concepts and environmentally friendly technologies, reducing environmental impacts, and preservation of biodiversity. HUGO BOSS is therefore implementing measures related to the environment in its global supply chain: at its locations, in transport, with partners, and along the product life cycle.

The responsibility for group-wide environmental protection lies with the Managing Board of HUGO BOSS and is a priority for management. Compliance with all environmental laws and taking account of environmental considerations in all business decisions are integral components of all business activities at HUGO BOSS. The environmental commitment provides a framework for the details, e.g. the requirements for environmental performance at the Company's own locations, with suppliers and in product development. The approach at the HUGO BOSS locations focuses in particular on issues such as energy and energy efficiency, water and resource consumption, waste and sustainability in procurement. HUGO BOSS implements these targets directly at its locations through its environmental management, which is in alignment with international standards. Main focus points in 2014 was the extension of the energy management system in accordance with ISO 50001, as well as the introduction of the environmental management system in accordance with ISO 14001 at HUGO BOSS Textile Industries Ltd. In Turkey.

The textile supply chain is characterized by a very high level of complexity and this can result in some volatile demands for environmental protection. HUGO BOSS addresses these issues by engaging in dialog with its stakeholders and actively working together with interest groups. The Company incorporates their knowledge and assessments into the optimization of its environmental performance.

DGNB Gold Certificate for the new distribution center in Filderstadt.

## ENERGY AND EMISSIONS

HUGO BOSS intends to continuously improve the energy efficiency of its buildings. Energy-saving measures begin with the planning stage of new building projects. They continue with measures for enhanced energy efficiency at existing production, administrative and logistics locations. When renovating and constructing operational facilities, the focus is always on reducing energy consumption and the associated emissions by using the Company's own energy supply systems and energy efficient technologies.

HUGO BOSS strives to obtain accredited sustainability certifications for all new buildings in its portfolio of operational facilities. In this context, the Company defined an important milestone in 2013. The German Sustainable Building Council (DGNB) awarded the most recent administrative building in Metzingen for being one of the three most sustainable office and administrative buildings in Germany. In 2014, HUGO BOSS received a Gold Certificate from the DGNB for its new distribution center in Filderstadt (→ **HUGO BOSS Sustainability Report, p.38**). This is characterized for example through the energy efficient construction and the use of modern technology for renewable energy production.

The Company generates a large proportion of the electricity requirement at its location in Metzingen from renewable energy sources. In 2014, the proportion of electricity produced from renewable energies throughout the Group amounted to 47%. HUGO BOSS has installed photovoltaic systems at its headquarters in Metzingen and at the newly constructed distribution center in Filderstadt. Two co-generation plants also produce energy for the Company.

In 2014, the energy consumption at the assessed locations was 75,795 MWh. The increase of 7.4% by comparison with the previous year (70,579 MWh) was a consequence of various factors. Firstly, 2014 saw a rise in production and a second factor involved the temporary parallel operation of two additional warehouse facilities when the new distribution center in Filderstadt came into operation.

The group-wide greenhouse gas emissions amounted to 28,439 tonnes of CO<sub>2</sub> in 2014 – an increase of approximately 9.9% compared with 2013 (25,885 tonnes of CO<sub>2</sub>). Significant emissions beyond administrative and production buildings are primarily created as a result of business trips, employee commuting, and logistics. Here, the Group is also continuously striving to reduce its environmental footprint.

## WATER AND WASTE

In 2014, HUGO BOSS initiated numerous individual measures for further reduction of water consumption and generation of waste at its most environmentally-relevant locations, e.g. in Germany, Turkey, and in North America. The platform for these measures was provided by implementation of the Group’s own environmental management tool to include the corresponding water and material flows, and the definition of location-specific reduction targets. For example, in 2014 in Izmir, a systematic sorting of waste was launched, in order to achieve maximum possible recycling for the three categories of textiles, nylon, and paper/cardboard.

## LOGISTICS

HUGO BOSS is continually reviewing CO<sub>2</sub> emissions in logistics and transport processes with the objective of reducing them over the long term. One result was that the Company adjusted its global transport routes in 2012 and is increasingly replacing road transport with rail freight for delivery to warehouses (→ **HUGO BOSS Sustainability Report 2014, p.38**). Since 2013, HUGO BOSS has been supported by an IT system in coordinating approximately 80% of the incoming volume of finished goods. This gave the Company complete transparency for this section of the supply chain and permits for example a higher capacity utilization of the selected method of transport.

### KEY TARGETS

Expansion of the certification of the environmental management system in accordance with **ISO 14001** at the **production location Morrovalle (I)** in

**2015.**

Reduction of greenhouse gas emissions by

**30%<sup>1</sup>**

in relation to Group sales by 2020.

Expansion of the certification of the environmental management system in accordance with **ISO 14001** to include all the Group’s own production locations by

**2020.**

Sourcing

**100%**

of the electricity used in all its own retail businesses in the German-speaking regions of Germany, Austria, and Switzerland **from renewable sources** by 2015.

Reduction of water consumption in relation to Group sales by

**40%<sup>2</sup>**

by 2020.

Expansion of the certification of the energy management system in accordance with **ISO 50001** at the **Coldrerio location (CH)** in

**2015.**

<sup>1</sup>For Scope 1 and 2 in accordance with the GHG Protocol and in comparison with the baseline year 2010.

<sup>2</sup>In comparison with the baseline year 2010.



# EMPLOYEES

The success of HUGO BOSS depends on the performance and satisfaction of its employees. The most important function of human resource management across the Group is to recruit future employees for HUGO BOSS, support and promote employees on an individual basis, and to create an environment in which team spirit and proactive commitment are valued. The basis for this is facilitated by an open corporate culture, attractive salaries and a wide range of benefits in the areas of occupational safety, healthcare, and life balance.

# EMPLOYEES – FAIR EMPLOYMENT AND FOSTERING A CULTURE OF RESPONSIBILITY

HUGO BOSS would like to consolidate its position as one of the leading companies in the premium and luxury segment of the global apparel market. In order to achieve this aim, the key goals of human resources are to recruit qualified employees, develop them individually, deploy them strategically, and create long-term loyalty to the Company.

The achievements and expertise of employees are a key factor in the success of the Group. HUGO BOSS uses inspiring roles, performance-related compensation, optimum development opportunities, and a good life balance to assist its employees in expanding their areas of expertise and knowledge in all phases of their career and life. The basis is formed by an open and value-oriented corporate culture, which emphasizes diversity and equal opportunities. The binding Code of Conduct defines the principles for structuring cooperation within the Company and with business partners. The code also includes regulations on avoiding conflicts of interest, provides rules governing data protection, health protection and occupational safety, and it prohibits corruption and bribery.

In accordance with the conventions of the International Labour Organization (ILO), HUGO BOSS respects the right of employees to join organizations which represent their interests. Naturally, HUGO BOSS complies with the right to collective bargaining within the framework of the applicable national legislation.

Human resources bundles its activities into the six strategic fields of values, culture, talents, diversity, health and safety, and standards (→ **HUGO BOSS Sustainability Report 2015, p. 41**). In 2014, the priorities were the further reorganization and optimization of group-wide processes in personnel selection and development, establishing an employee recommendation program and the strategic expansion of retail trade.

The corporate philosophy “commit” represents a global and inspiring corporate culture.

## PERSONNEL STRUCTURE

At the end of 2014, HUGO BOSS employed 13,043 employees at the locations analyzed. (Details on personnel structure, new hires and terminations, and turnover → **HUGO BOSS Sustainability Report 2015, p. 43ff.**)

## VALUE-BASED CORPORATE CULTURE

The Company’s corporate philosophy “commit” reflects the corporate culture and forms the basis for daily cooperation at HUGO BOSS. It is made up of the Company’s vision “HUGO BOSS inspires people towards success” and the values of quality, passion, respect, cooperation, and innovation. “commit” was developed in workshops during 2012 by employees and managers.

All supervisors conduct annual feedback interviews with their employees with the aim of evaluating the performance, expertise, and development potential of each individual. In order to assess employee satisfaction, an anonymous employee survey was carried out at HUGO BOSS AG for the first time in 2014 – with a participation rate of around 70% and overall satisfaction of nearly 80% (→ **HUGO BOSS Sustainability Report 2015, p. 49ff.**). The aim is to conduct the survey regularly in the future.

## VOCATIONAL TRAINING AND EMPLOYEE DEVELOPMENT

HUGO BOSS AG invests in vocational training for young people, in order to cover the need for skilled employees in the long term. The Company provides a broadly based package of training vocations and dual courses of study with training in the Company and study at university in cooperation with regional, national and international universities and training centers. Internally, the HUGO BOSS University provides a diverse portfolio of training and employee development measures throughout the world. Apprentices in retail at HUGO BOSS AG are able to access system-based learning support.

As an international company, HUGO BOSS offers its employees a broad range of assignments in different regions. The specialist career provides a new career path for particularly talented employees in retail: clearly defined job profiles and external salary benchmarks also facilitate targeted monetary development.

## COMPENSATION AND BENEFITS

The compensation system in the Group is based on fair and transparent remuneration for employees. The basis is provided by the job profiles for specialist and managerial careers. The companies operating at international locations base their pay structures on the corresponding national statutory framework conditions. HUGO BOSS also provides comprehensive company benefits at all locations.

## DIVERSITY

As an international company, diversity is integral to daily business at HUGO BOSS and is regarded as a competitive factor. HUGO BOSS promotes equal opportunities for all employees – irrespective of gender, nationality, religious and political convictions, sexual orientation, age, or potential disability. The Company is convinced that diversity in the workforce exerts a positive impact on corporate culture and is a differentiating attribute.

## OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

As a responsible employer, the operational health and safety of its employees is a top priority for HUGO BOSS. The operational healthcare management comprises of numerous offers which contribute to HUGO BOSS employees retaining and strengthening their physical and mental health. HUGO BOSS believes that an important lever for this lies in structuring workplaces and daily workflows in an employee and team-friendly manner.

### KEY TARGETS

Revision of the global strategy on **workplace safety, occupational safety, and operational healthcare management** in 2015, with the aim of establishing a group-wide, uniform standard by

**2020**

which is evaluated and controlled using an indicator system.

Continuous optimization of global employee loyalty, measured by the **reduction in employee-related turnover by**

**25%<sup>1</sup>**

by 2020.

Expansion of **employee survey** to

**80%**

of the workforce by 2020, with the objective of improving employee satisfaction.

Raising employee awareness on **sustainability issues**.

<sup>1</sup> In comparison with the baseline year 2014.

A man in a dark suit is adjusting a mannequin's light-colored pinstriped suit jacket. The mannequin is wearing a white dress shirt and a dark red striped tie. The background is dark and out of focus, with another man in a suit partially visible on the left.

# PARTNERS

Social compliance and environmental protection are crucial points of commitment to sustainability in the global supply chain of HUGO BOSS. The focus is on ensuring compliance with and the advancement of international standards. HUGO BOSS is committed to successful cooperation with its partners and intends to play a leading role in giving the textiles supply chain a sustainable structure in the future.

## PARTNERS – ACHIEVING JOINT RESPONSIBILITY

A sustainable framework for procurement and production processes is absolutely essential for the Company given its international production and business operations. The Group produces a large proportion of its suits, jackets, and trousers, as well as women's apparel at its own production facility in Turkey. It uses this know-how to develop production technologies and quality standards which can also be transferred to the partners working for HUGO BOSS in the contract processing sector. HUGO BOSS pursues the highest standards in the areas of workplace safety and environmental protection (→ **"Employees" and "Products"**).

Apart from the Group's own production, a large proportion of the procurement volume is attributable to other products which were manufactured by independent suppliers in contract manufacturing or sourced as merchandise. Here, HUGO BOSS carries out a careful selection of suppliers, is committed to a trustful cooperation and pursues a policy of building up strategic supplier relationships for the long term.

HUGO BOSS and its suppliers are committed to upholding human rights and complying with internationally recognized labor and social welfare standards, in accordance with the conventions of the International Labour Organization (ILO) and the Universal Declaration of Human Rights of the United Nations. The HUGO BOSS social standards based on these benchmarks form a constituent element of the contractual provisions concluded with all suppliers. These social standards also commit them to complying with environmental laws and raising the awareness required to identify the environmental impacts of their business activities. HUGO BOSS advises its partners on these matters and facilitates a continual process of knowledge transfer. Regular audits safeguard compliance with HUGO BOSS social standards.

HUGO BOSS passes on its experience through partnerships and in collaboration with other companies and organizations in the areas of fair remuneration, environmental impacts, management of harmful substances, and in the development of sector-wide standards for a higher level of sustainability in the supply chain (see next page).

## PROTECTING HUMAN RIGHTS

HUGO BOSS social standards apply to all employees at the production facilities operated by HUGO BOSS and its suppliers, irrespective of whether they are permanent employees or are employed in some other way. HUGO BOSS social standards comprise the following:

- compliance with national laws and international conventions,
- prohibition of child labor and forced labor,
- definition of maximum working hours and ensuring humane and safe working conditions,
- prohibition on discrimination,
- payment of appropriate wages,
- right to freedom of association and collective wage bargaining, and
- rules to promote a conscientious and ethical approach to the environment.

In countries where national legislation only provides inadequate definition for working hours and appropriate wages, HUGO BOSS social standards then ensure the minimum standard. Compliance with social standards is an absolute prerequisite for the commencement of business relationships. Validation is carried out by self-assessment or local social compliance audits, which are also carried out continuously in the course of business relationships. (→ **HUGO BOSS Sustainability Report 2014, p. 64**).

The audit results are entered in a semiannual supplier evaluation carried out by HUGO BOSS. If any breaches occur, the Company works with the supplier to draw up a binding action plan with a supplementary implementation check. In exceptional cases, HUGO BOSS reserves the right to terminate a business relationship. Overall, the Company is committed to continuous improvement measures in the context of partnerships.

## FAIR REMUNERATION

HUGO BOSS believes that fair remuneration with suppliers not only improves the standard of living for employees, but is also the basis for a long-term business relationship based on partnership. Since 2014, HUGO BOSS has been a member of the Fair Labor Association (FLA), where it has collaborated to further develop sector-wide standards, such as a fair remuneration policy (→ **HUGO BOSS Sustainability Report 2015, p. 68**).

## MINIMIZING ENVIRONMENTAL IMPACTS

HUGO BOSS commits its business partners to maintaining environmental standards and supports them in the future development of their business practices. The Group developed a new environmental standard and implemented the first phase with selected partners for the effective management of environmental impacts in the supply chain. In the future, business partners will have to enter information on environmental aspects in the supplier database, in order to improve the analysis and monitoring of compliance with environmental objectives. The platform is provided by the methodology of the Global Social Compliance Programme (GSCP), a global corporate initiative to improve occupational and environmental conditions in the supply chain.

## AVOIDANCE OF HARMFUL SUBSTANCES

HUGO BOSS has been seeking sector-wide exchange and cooperation on pollutant management with other companies for some years now. As an active member in the company association AFIRM (apparel and Footwear International RSL Management), HUGO BOSS engages with a range of different working groups on the development of pollutant management. As part of this membership, HUGO BOSS offers its suppliers training sessions free of charge relating to the handling of chemical substances. Furthermore, HUGO BOSS is in active communication with companies from the premium and luxury segment and is working on drawing up a uniform RSL (→ **HUGO BOSS Sustainability Report 2015, p. 72**).

In collaboration with other companies, HUGO BOSS is working on drawing up a uniform list of prohibited and restricted substances (**Restricted Substances List, short: RSL**).

### KEY TARGETS

Our strategic partners  
join a **social  
compliance initiative** by

**2020**

as part of their sustainability  
strategy.

In 2015 we define  
the **environmental  
performance levels**  
according to GSCP  
for all our vendors and  
all strategic vendors  
will have achieved  
the defined performance  
level by 2020.

In order to improve  
the social standards  
in our supply chain,

**80%**

of our **procured volume**  
will be sourced  
from vendors who will  
achieve an overall  
scoring „satisfying“  
or better verified  
in **social compliance  
audits** until 2020.

Our strategic partners  
introduce a **control system**  
for their **supply chain** by

**2020**

and take responsibility  
for their partners, including  
an own code of conduct.



# PRODUCTS

**HUGO BOSS** stands for fashion in the premium and luxury segment that meets the highest quality requirements and complies with strict environmental standards. Continuously optimized processes ensure that products are manufactured in a way that strives to conserve resources and does not pose any risks to health and safety. Naturally, the Company respects the protection of animals and species and is committed to the objective of further developing this engagement.

## PRODUCTS – IDEAS FOR TOMORROW

As a matter of course, HUGO BOSS lives up to its responsibility to consumers. The Company defines the focuses along the entire life cycle of its products. The Group is committed to long-term expansion of its sustainability management in the categories of animal welfare and species protection, product safety, and environmentally friendly products.

HUGO BOSS respects animal and species protection and upholds the principles of biodiversity. The Company rejects any animal testing, inhumane treatment of animals, and non-species appropriate animal breeding and animal husbandry methods. Strict internal regulations govern the use of all animal materials throughout the Group. HUGO BOSS has been in dialog with several animal welfare and consumer protection organizations for many years.

HUGO BOSS aspires to create products that are free from hazards to the safety and health of its employees in production and for its customers. Product tests enable products to be tested for compliance with standards. These are summarized in a Restricted Substances List (RSL).

In 2014, HUGO BOSS conducted a survey on sustainability with 8,000 participants. Around 70% of consumers expect fashion companies to integrate sustainability criteria, such as animal welfare, environmental impacts, and working conditions in their business activities (→ **HUGO BOSS Sustainability Report, p. 76**).

### DESIGN

In the design phase, the use of high-quality renewable materials and long-life fabrics is playing an increasingly important role, as is the optimization of the use of materials during product planning and the avoidance of waste in production. The organizational structure of HUGO BOSS closely integrates product design, product development, and procurement processes, in order to integrate sustainability in all product development phases.

## MATERIALS

HUGO BOSS exclusively uses high-quality materials which meet customers' expectations for high levels of wearing comfort, long life, excellent fit, and color fastness. Sustainability criteria, such as manufacturing conditions, are already taken into consideration during the procurement process.

HUGO BOSS sees recycling as a lever to reduce the volume of materials used and to utilize closed loop processes. For example, using recyclates in the manufacturing of coat hangers offers great potential for reducing material use. Since 2012, HUGO BOSS has been able to increase the proportion of coat hangers sourced from a closed loop process by more than 300%.

## ANIMAL WELFARE

Animal and species protection are key principles of product responsibility at HUGO BOSS. In 2014, various standards were optimized and concrete measures defined for the upcoming years. HUGO BOSS is now concentrating on furs that are byproducts of the food industry. Beginning with the Fall/Winter 2016 Collection, HUGO BOSS has set concrete goals in the phasing out of pelts and furs from farm animals, to cease the use of angora wool and down sourced from live-plucked birds.

Like many other textile manufacturers, HUGO BOSS faces a major challenge when purchasing merino wool. The practice of mulesing often used in the primary source markets of Australia and New Zealand with the intention to prevent deadly flystrike infestations is a painful process for sheep. Today, HUGO BOSS is already giving preference to suppliers of knitwear who do not use wool from sheep subjected to mulesing. In the future, suppliers of knitwear will have to provide transparency on operational procedures for animal husbandry and care.

## PRODUCT LIFE CYCLE

The standards of product responsibility apply worldwide for HUGO BOSS. The aim is to assess the products over the entire life cycle for health and safety impacts, as well as in light of potential opportunities for making environmental savings. Since the business year 2009, the Group has

carried out regular Life Cycle Assessments (LCA). HUGO BOSS created an innovative information platform for the LCA project “ecologtex” based on a research methodology for product design geared to sustainability.

The “ecoshoe” project carried out by HUGO BOSS in cooperation with Ancona Polytechnic (Italy) was successfully completed in 2014. It takes account of all environmental factors along the supply chain. HUGO BOSS is also involved in the Product Environmental Footprint (PEF), an initiative of the European Union for the ecological footprint of products. It has been part of the reference group for the “T-Shirt” pilot project since 2014.

## PRODUCT SAFETY

The collections of HUGO BOSS meet the highest quality and safety standards. Comprehensive guidelines and harmonized processes ensure that there are no potential health and safety risks for employees in the production phase or for customers while they are using the products. Suppliers and business partners must sign a warranty declaration on compliance with the Restricted Substances List (RSL).

In 2014, HUGO BOSS initiated a group-wide project to avoid hazardous substances for people and the environment. In an internal analysis, several substances relevant to textiles and leather were assessed for their application, their chemical structure, and the relevance for HUGO BOSS. The Group intends to derive a strategy from this, which will be applied at suppliers through a monitoring system.

In 2014, HUGO BOSS set up a database and a toolbox for sustainable products focused on lower environmental impacts from its products, in line with the EU initiative “Product Environmental Footprint”.

### KEY TARGETS

**100%**

use of European **down** not originating from live-plucked or force-fed sources from the Fall/Winter 2016 Collections.

**100%**

**cessation** of the use of angora wool from the Fall/Winter 2015 Collection.

Increase use of **mulesing-free wool** in all knitted-wool products to **90%** by 2020.

**100%**

**cessation** of the use of **farmed fur** such as raccoon dog, fox, or rex rabbit in all collections from 2016.



# SO CIE TY

**Our commitment to giving back to society is an integral component of our corporate responsibility at HUGO BOSS. In order to inspire people beyond the Company, HUGO BOSS promotes the community engagement of its employees and seeks collaboration with external partners.**

## **SOCIETY – PROMOTING PERSPECTIVES**

The basis for the success of HUGO BOSS is the trust that business partners place in the integrity and reliability of the Company. The starting point for this is credible commitment of the Company, compliance with binding legal standards and internal guidelines. HUGO BOSS attaches great importance to being a respected partner in its corporate environment and assumes social responsibility at its locations.

The Code of Conduct defines the framework for the community engagement of the Company. It prohibits donations to political parties and their representatives, as well as to organizations where conflicts of interest might arise. This includes trade unions, consumer protection and environmental organizations. Each donation by HUGO BOSS AG requires approval by the Chief Executive Officer of the Managing Board.

The community engagement of HUGO BOSS is directed toward empowering vulnerable children to achieve a better life, particularly through access to education. This is in alignment with the corporate vision of inspiring people towards success. The Company works to achieve this goal on the international level with selected child protection organizations. At national level, HUGO BOSS has a long track record of joint ventures in this area with educational institutions, hospitals, and aid organizations. It also provides emergency aid for specific situations in crisis zones.

Sponsorship of contemporary art is another pillar for social engagement. HUGO BOSS directs sponsoring activities toward promoting young artists and facilitating wider public access to contemporary art. This enables the Group to make a contribution to cultural education and promote creativity and tolerance within society.

Through donations, HUGO BOSS made it possible for over 11.000 children to receive a pre-school education in Bangladesh.

## GLOBAL COMMITMENT

HUGO BOSS promotes education projects to create the foundation for a self-determined and successful life. As a long-time partner of the international child protection organization UNICEF, HUGO BOSS supports educational institutions throughout the world, including the initiative “Schools for Africa” The grants made it possible to refurbish several educational institutions in Angola, Malawi, Ruanda, Mozambique, Zimbabwe and South Africa. In 2014, the initiative was supported by EUR 50,000.

HUGO BOSS also made a donation of EUR 70,000 to an education program in Bangladesh in the district of Satkhira. The project prepares pre-school children for elementary school and provides them with a safe and child-friendly learning environment. Since 2014, more than 11,000 children have benefited from one year of pre-school education at more than 400 participating learning centers.

Since 2011, HUGO BOSS has been a partner of the “Off Road Kids Foundation”. This is a nationwide aid organization for street children in Germany. The company sponsors child care workers with three full scholarships. They study education management at the Bad Durrheim Hochschulinstitut run by the Off Road Kids Foundation, while continuing their jobs.

Another component is the community engagement of the employees of HUGO BOSS. In different projects on a local level, they volunteer to assist in educating children and teenagers. Since 2014, a cooperation has existed with the Dreifurstensteinschule School in the Stuttgart metropolitan area. This is a state-approved supplementary school for children with physical disabilities. Apprentices and dual students combining a degree with in-service training at the Metzingen location supported the young people. Moreover, employees at the Metzingen location can also participate in various donation campaigns. The proceeds in 2014 were used for a number of good causes including the pediatric hospital at the University of Tübingen.

In the area of vocational training, HUGO BOSS has enjoyed close cooperation with the State School of Fashion Design in Stuttgart for more than 25 years. Each year, the HUGO BOSS Fashion Award salutes the best works by ambitious emerging designers and product developers at the fashion school. The winners receive financial support of EUR 3,000 and an internship at HUGO BOSS.

In 2014, HUGO BOSS launched a collaboration with Parsons The New School for Design in New York. This involves funding a newly established scholarship program with funding amounting to USD 250,000 over a period of five years. The objective is to promote talented young designers and make it easier for them to start a career in the fashion sector.

The Group donated a total of EUR 522,822 in 2014 and this represents around 18% more than in the previous year (2013: EUR 442,351).

## SPONSORS OF CONTEMPORARY ART

HUGO BOSS believes that contemporary art is an important element of cultural education. It motivates people to be inspired by new ideas, promotes tolerance, and fosters innovation. For nearly 20 years, HUGO BOSS has been sponsoring contemporary art with passion and energy through an international cultural sponsoring program. HUGO BOSS also enables young artists to exhibit their works to a wide public – for example as a long-time partner of the Berlin International Film Festival.

In 2014, HUGO BOSS collaborated with the Solomon R. Guggenheim Foundation to award Paul Chan the HUGO BOSS PRIZE 2014. The prize is worth USD 100,000 and is awarded every two years. It acknowledges emerging talent and contemporary artists, and ranks among the most prestigious prizes for contemporary art throughout the world.

HUGO BOSS also supports selected exhibitions through a range of sponsorship activities. Since 2014, the Company has been the sponsor of the exhibition “Konstantin Grcic – Panorama” at the Vitra Design Museum. As a partner of London’s National Portrait Gallery, HUGO BOSS participated in the exhibition entitled “Bailey’s Stardust” with approximately 250 portraits by British photographer David Bailey.

### KEY TARGETS

Implementation of a group-wide guideline for **corporate philanthropy** by

**2015.**

By

**2015,**

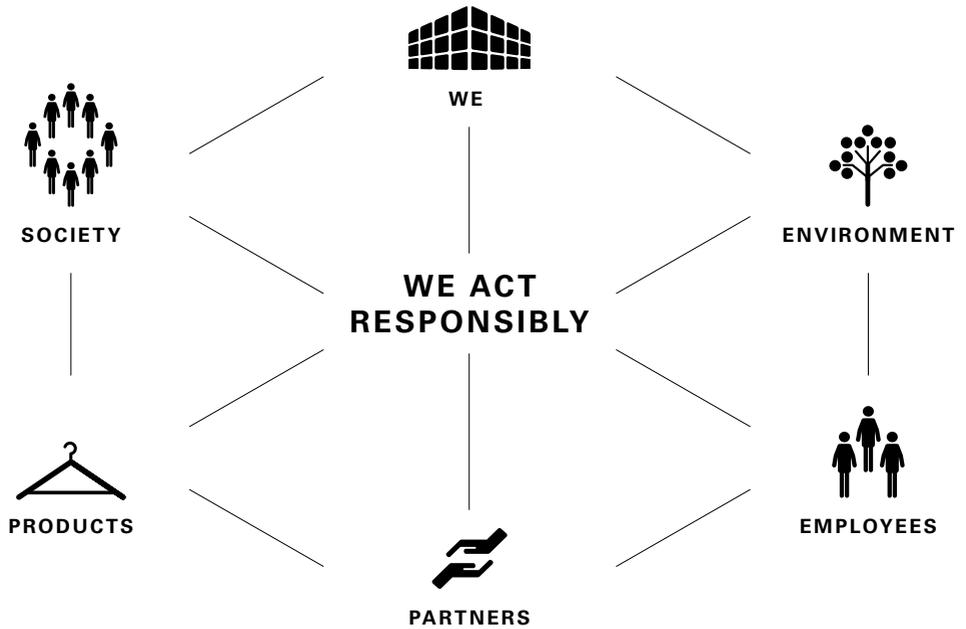
finalize a group-wide **corporate citizenship strategy**, defining strategic issues and linking them to business drivers.

Implementation of a strategic **flagship project** with quantifiable value added for society by

**2020.**



# AT A GLANCE – WE ACT RESPONSIBLY



## LEGAL NOTICE

### PUBLISHER

HUGO BOSS AG  
Dieselstrasse 12  
72555 Metzingen

**Phone** +49 (0) 7123 94 – 2375

**Fax** +49 (0) 7123 94 – 2051

**E-Mail** corporate\_responsibility@hugoboss.com  
www.hugoboss.com

### ONLINE SUSTAINABILITY REPORT 2014

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### CONTACT

Dr. Hjördis Kettenbach, Head of Corporate Communication  
hjoerdis\_kettenbach@hugoboss.com

### CONCEPT AND TEXT

akzente kommunikation und beratung gmbh, Munich

### ART DIRECTION

hw.design, Munich

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raff media group gmbh, Riederich



# GENERAL INFORMATION

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