

H U G O B O S S

SUSTAINABILITY REPORT 2017

1

CONTENTS

FOREWORD BY THE MANAGING BOARD	2
REPORT PROFILE	3
COMPANY PROFILE	5
WE CREATING VALUES TOGETHER	7
ENVIRONMENT PRESERVING NATURAL RESOURCES	23
EMPLOYEES FOSTERING A FAIR AND RESPONSIBLE CULTURE	35
PARTNERS ACHIEVING JOINT RESPONSIBILITY	47
PRODUCTS IDEAS FOR TOMORROW	63
SOCIETY PROMOTING PERSPECTIVES	77
APPENDIX	83
Sustainability program	84
Further KPIs	91
Topics of the materiality analysis	94
Index of the non-financial report	95
Material sustainability topics and GRI aspects	96
GRI Content Index	97
Independent auditor's limited assurance report	103
List of abbreviations	106
IMPRINT	107

FOREWORD BY THE MANAGING BOARD

Dear Readers,

Over the last few years, we have continued along our chosen path towards implementing a consistent sustainability management. In doing so, we focus upon what distinguishes us: quality, innovation and responsibility. We saw extensive consolidation in 2017 and our efforts paid off. Thus we were able to improve our financial results, enhance our environmental and social performance and strengthen our sustainability organization. We achieved this through combined efforts and new strengths.

Above all, the fact that we are on the right path was impressively confirmed. In September 2017, HUGO BOSS was incorporated for the very first time into the Dow Jones Sustainability Index (DJSI), one of the most renowned sustainability indices in the world. Furthermore, in recognition of our outstanding performance and improvements in the rating, we received the RobecoSAM Industry Mover award and were classified as a Silver Class member.

However, the challenges are growing at a fast pace, be it in relation to the increased transparency requirements in the supply chain or reducing the environmental impact of our products. Knowing that strong alliances are required to overcome these challenges, we consistently developed cooperation with our stakeholders over the last year by associating ourselves with further initiatives. Through our association with the 2020 Circular Fashion System Commitment of the Global Fashion Agenda, we are also committed to creating fashion through the sustainable management of resources and by promoting closed material cycles in the textile industry.

What I am particularly pleased about and encouraged by is the fact that so many employees take part in our internal events along the topic of sustainability – solidarity is essential for overcoming the major challenges in this area. At HUGO BOSS, sustainability is not a current status, it is a constant effort. I am truly convinced that this approach is leading us towards a long and successful future. Therefore, I would like to take this opportunity to thank all our employees, partners and everyone else who is committed to sustainability at HUGO BOSS, who continue to challenge us and with whom we are engaged in dialogs. This is the only way we can fulfill our claim of developing high-quality products through innovative solutions and responsible production.

I hope you find this report about our sustainability activities in 2017 of interest and I look forward to receiving your suggestions and constructive criticism.

Metzingen, April 2018



Mark Langer

Chairman of the Managing Board

3

REPORT PROFILE

HUGO BOSS AG hereby presents its fifth Sustainability Report. It is aimed at employees, customers, business partners, private shareholders, investors and non-governmental organizations (NGOs) as well as representatives from economy, science, politics and society, among others. The report is published on an annual basis and provides information about the Group's existing and planned sustainability goals and activities. It was written in line with the G4 guidelines of the Global Reporting Initiative (GRI) in accordance with the core option. In order to determine and prioritize the report contents, the Company conducted a comprehensive materiality analysis in 2017, which was confirmed during the Stakeholder Dialog.

The report focuses upon the HUGO BOSS Group. Unless stated otherwise, all the quantitative disclosures relate to production, logistics and administration locations and the Group's own retail stores in Europe, North America and Asia/Pacific. The Group companies included in the report correspond with those from the year 2014.

→ **Sustainability Report 2014**

Thus as at December 31, 2017, the report covers 84% of the HUGO BOSS Group employees. Environmental data for the Group's retail stores has also been collected and reported on since 2016. Slight adjustments were made to a few key figures from the 2016 reporting year in this Sustainability Report. This is primarily due to the improved quality of the data, and has no impact upon the trend developments.



The combined, separate non-financial report (NFR) of the HUGO BOSS Group and HUGO BOSS AG is integrated in this Sustainability Report in accordance with the CSR Directive Implementation Act (CSR-RUG). The NFR is partly oriented towards the G4 guidelines of the GRI. The information related to the non-financial report is highlighted separately by a symbol ¹. An overview of the information from the non-financial report is included in the appendix. The key figures included in the NFR are indicated separately, where appropriate, for HUGO BOSS AG and the HUGO BOSS Group.

→ **Index of the non-financial report**

¹ This symbol and the line mark the content of the non-financial report, which has been integrated in this Sustainability Report.

EDITORIAL NOTES

The report relates to the fiscal year 2017, corresponding with the calendar year 2017. The Sustainability Report has been approved by the Managing Board of HUGO BOSS AG. Additionally, the integrated NFR has been approved by the Supervisory Board of HUGO BOSS AG.

Wherever the masculine form is used in this report for the purpose of readability, this of course applies equally to the feminine form as well. The editorial deadline was April 4, 2018. The report is available in German and English.



COMPANY PROFILE

The HUGO BOSS Group is headquartered in Metzingen (Germany) and is one of the leading companies in the premium segment of the global apparel market. The Company offers a comprehensive range of high-quality fashion as well as accessories in the womenswear and menswear segments under the **BOSS and HUGO brands**. The portfolio consists of classic yet modern tailoring, elegant evening wear and casualwear, shoes, leather accessories as well as licensed products such as fragrances, eyewear, watches and children's fashion.

00|01 GROUP AT A GLANCE



As an internationally operating company, the Group sells its collections in 127 countries around the world (2016: 127 countries), with Europe as the largest market accounting for 62% of sales. Further important markets are in the Americas (21% of sales) and Asia/Pacific (14% of sales). The licensing business accounts for 3% of sales. The Group's own retail business represents the most important sales channel. The Group is increasingly linking its physical retail stores with its e-commerce business and is further developing omnichannel services.

The textile supply chain is typically characterized by complex processes that take part to a large extent beyond the Company's boundaries. In the course of this, sourcing activities play a fundamental role. To ensure the excellent craftsmanship and optimum availability of its products, HUGO BOSS works with a stable network of experienced and specialized suppliers. Further information on the sourcing activities at HUGO BOSS is included in the Partners chapter.

→ **Partners**

Further detailed information on the Company can be found in the Group profile of the Annual Report. → **Annual Report**

00|02 CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)



THE SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS

In 2015, the United Nations published the SDGs consisting of 17 goals with 169 targets regarding social, environmental and economic aspects. They address states, civil society and the private sector. HUGO BOSS is responding to this call for more responsibility by carrying out projects and introducing measures that explicitly contribute to five goals the Company has identified for itself.



QUALITY EDUCATION

> **1,000 women** have been supported in getting back into the world of work at the production site in Izmir since project start (status 2017)

Supporting the UNICEF initiative **Schools for Africa** and **education projects** in Bangladesh

Awarding **170 scholarships** to pupils and university students in Turkey by the HUGO BOSS Education Association (2017)

→ **Society**



DECENT WORK AND ECONOMIC GROWTH

The **protection of health and the prohibition of discrimination** for all ~ 14,000 employees is anchored in the HUGO BOSS Health & Safety Commitment and in the HUGO BOSS Code of Conduct

~ **143,000 employees** of active finished goods suppliers are covered by a comprehensive **Social Compliance Program**

Improving working conditions for women in Southern India by engaging in an initiative by the Partnership for Sustainable Textiles

→ **Employees, Partners**



RESPONSIBLE CONSUMPTION AND PRODUCTION

Use of at least **60% recycled materials in paddings** for all clothing lines and accessories

Use of **80% sustainable cotton** until 2025 (~ 5,300 t based on the quantities used in 2017)

Definition of **circular design principles** for all collection developments planned by 2020

Natural capital valuation based on LCAs for all product categories and development of sustainable product solutions

→ **Products**



CLIMATE ACTION

Saving **Ø 1,500 MWh** of electricity per year by introducing energy efficiency measures in own production sites and distribution centers (starting 2017)

Use of ~ **24,000 MWh** certified green electricity per year, thereby saving **10,000 t CO₂** (status 2017)

Creation of ~ **640,000 kWh** of electricity with Company-owned photovoltaic systems (2017)

→ **Environment**



PARTNERSHIPS FOR THE GOALS

Improving social and labor standards in the supply chain by cooperating with the Fair Labor Association (FLA) and the Partnership for Sustainable Textiles

Optimizing the environmental management in raw materials production, by cooperation with the Zero Discharge of Hazardous Chemicals (ZDHC), the Better Cotton Initiative (BCI) and the Leather Working Group (LWG)

→ **We, Partners, Products**

7 We

- 23 Environment
- 35 Employees
- 47 Partners
- 63 Products
- 77 Society
- 83 Appendix

CHAPTER WE / Pages 7–22

CREATING VALUES TOGETHER



WE

Sustainability is a fixed part of HUGO BOSS' mission statement, strategy and business processes. The aim is to ensure long-term success for the Company through continuous improvement and anticipatory management of opportunities and risks. When developing and implementing its sustainability strategy, HUGO BOSS relies upon dialog and collaboration with its stakeholders, and pursues the Sustainable Development Goals of the United Nations (SDGs).

HUGO BOSS is making a particular contribution towards implementing the following SDGs of the United Nations:



MANAGEMENT APPROACH

Sustainable business activity is viewed by HUGO BOSS as an opportunity for ensuring socially- and environmentally-friendly production alongside of the high quality expected by customers. Both elements are considered an essential prerequisite for customer loyalty and innovative capability, and therefore as key factors for the Company's long-term success. At the same time, sustainability is an important aspect for further developing the business model through a forward-looking approach, making efficient use of resources and optimizing processes throughout the entire value chain.

HUGO BOSS is clearly committed to its responsibility of contributing towards ensuring sustainable development. In this respect, the Company refers to the **Sustainable Development Goals (SDGs) of the United Nations**, which were published in September 2015. The 17 goals and their 169 targets cover social, environmental and economic topics and are aimed at states, civil society and the private sector. Through its strategy work, HUGO BOSS has identified five SDGs the Group can make a significant contribution to. It incorporates these SDGs in the planning and implementation of measures and projects.

→ **Graph: Contribution to the Sustainable Development Goals**

Facing the **expectations of its stakeholders**, identifying different requirements and holding joint talks over the challenges and possible solutions to them – all these aspects are viewed by HUGO BOSS as business necessities and as an opportunity to create additional value for both society and the Company. Under We, HUGO BOSS brings together the principles of sustainability management and the dialog with its stakeholders. In 2017, a comprehensive **materiality analysis** was carried out for the second time incorporating the most important stakeholder groups. It is taken as the basis for future strategy work. HUGO BOSS has summarized the foundations of its stakeholder management in a Stakeholder Engagement Commitment that can be viewed on the Group's website. → group.hugoboss.com



Strategic priority:
Stakeholder dialog

In light of the business activity in different regions and legal systems, the HUGO BOSS Code of Conduct and strict internal compliance regulations provide legal certainty among the employees regarding their professional conduct. **Corporate governance** at HUGO BOSS meets national and international standards and is an important factor for long-term business success. The HUGO BOSS Code of Conduct is publicly available on the Group's website.

→ group.hugoboss.com

STRATEGY AND MANAGEMENT

At HUGO BOSS, sustainability is one of the five attributes that are integrated in the Group strategy and firmly established in its operational departments. → **Annual Report**

The sustainability strategy is based on the **six fields of action** – We, Environment, Employees, Partners, Products and Society.

01|01 THE HUGO BOSS SUSTAINABILITY FIELDS OF ACTION



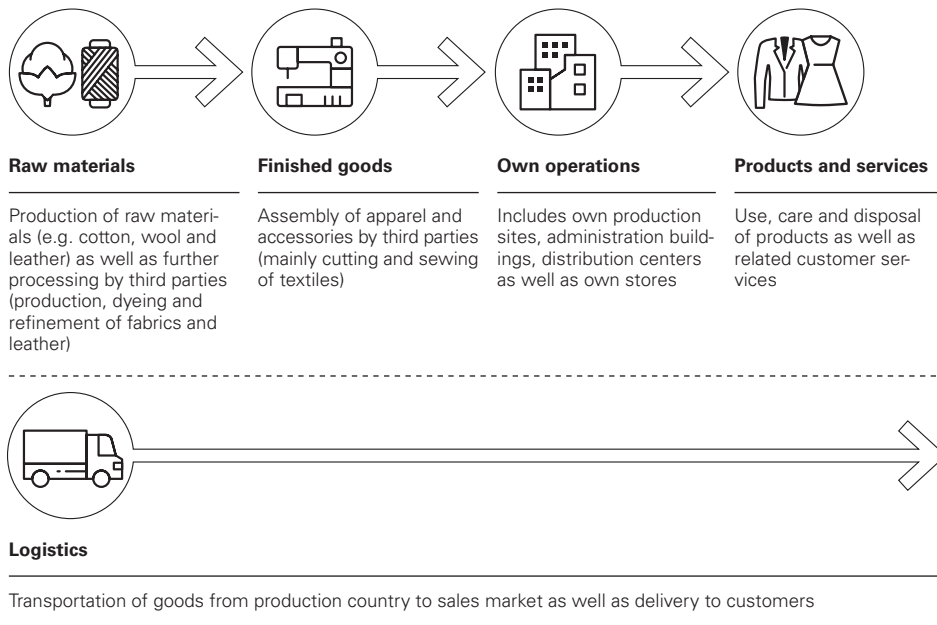
The content-related foundations were laid on the basis of the materiality analysis conducted for the first time in 2015. In this process, an extensive **sustainability program** was developed, which includes the targets, the current status of the targets as well as the achievements already made. The existing approaches, goals and strategic priorities of the sustainability strategy were refined during the following year. The first Stakeholder Dialog in 2016 also provided important stimuli in the process. → **Sustainability program**

MATERIALITY ANALYSIS

In 2017, HUGO BOSS updated its materiality analysis and identified the key topics for the Company through a multi-stage process. The starting point was the creation of a list of potentially-relevant topics along the Group's entire value chain. Internal and external experts were involved in this first step. The requirements of internationally-recognized sustainability standards and ratings were also taken into account.

To simplify the process, the value chain was divided into five stages:

01|02 VALUE CHAIN



The total 35 sustainability topics were evaluated in the materiality process based on the following three criteria, in order to comply with the reporting requirements of the Global Reporting Initiative (criteria 1 and 2) and the CSR Directive Implementation Act (CSR-RUG) (criteria 2 and 3):

1. **Importance** of the topics for internal and external **stakeholders**,
2. Economic, ecological and social **impacts of the Company** on the respective topics (impact analysis),
3. **Relevance** of the respective topics for **business success** (analysis of business relevance)

The importance of the topics for internal and external stakeholders was asserted as part of an **anonymous online survey**. All relevant stakeholder groups of HUGO BOSS were included in the survey.



The impact analysis and the analysis of business relevance were conducted in several workshops and with the participation of the HUGO BOSS Sustainability department as well as representatives from other relevant departments.

To objectify the results, the impact analysis also took into account the findings from the internal **analysis for evaluating natural capital**, which enables to carry out direct comparisons of the Group's environmental impact on the ecosystem and on human health at product category level. → **Natural capital evaluation**

Out of the 35 sustainability topics that were included in the materiality analysis, 13 were revealed as having a high impact and being highly relevant for the Company's business development. They are hence material in terms of the CSR-RUG and are explained in further detail in the present integrated non-financial report. With these 13 topics, the Company covers all aspects required by the reporting obligation (environmental concerns, employee concerns, social concerns, human rights and anti-corruption). Additional topics were summarized in a further aspect defined by the Company: customer. → **Index of the non-financial report**

01|03 MATERIAL TOPICS ACCORDING TO THE CSR-RUG

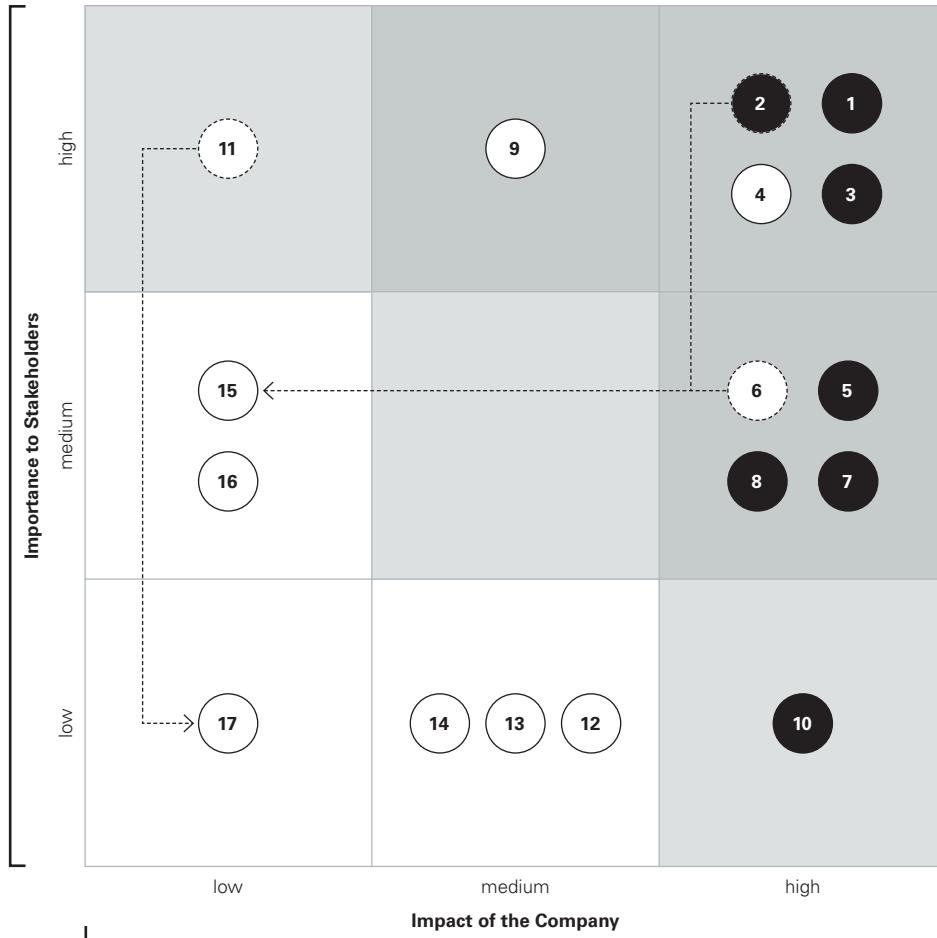
Material topic	Cluster	Stage in value chain
Pollution of water and air	–	Raw materials
Human rights and labor standards		
Fair remuneration	Social impacts	Finished goods
Occupational health and safety		
Employee engagement	–	Own operations
Fair remuneration		
Human rights and labor standards	Social impacts	Own operations
Occupational health and safety		
Anti-corruption, anti-bribery and antitrust		
Data protection	Governance	Own operations
Ethically-correct payment of corporate taxes		
Customer satisfaction	–	Products and services
Product safety	–	

A **risk assessment** was carried out for all identified topics within the scope of the internal risk management process. → **Risk management**

The results of the materiality analysis were approved by the Managing Board in the Sustainability Committee. Further validation took place in November 2017 as part of the international Stakeholder Dialog. → **Graph: HUGO BOSS sustainability organization**

The findings of the materiality analysis and the dialog with the stakeholders are incorporated in the Company's **ongoing strategy work** and are applied within the individual fields of action of its sustainability strategy. Further information on the activities and goals regarding the material topics is outlined in the individual chapters of this report and above all in the sustainability program. → **Sustainability program**

01|04 MATERIALITY MATRIX¹



● High business relevance - - - Outlier of a cluster

¹ Combined materiality matrix after GRI and CSR-RUG. In total, 35 sustainability topics were included in the analysis and sorted in 17 clusters within the matrix.

Cluster	Stage in value chain	Chapter
1 Social impacts	Finished goods	Partners
2 Pollution of water and air	Raw materials	Partners/Products
3 Product safety	Products and services	Products
4 Social impacts	Raw materials	Partners
5 Employee engagement	Own operations	Employees
6 Water consumption	Raw materials	Partners/Products
7 Customer satisfaction	Products and services	Products
8 Social impacts	Own operations	Employees
9 Environmental impacts	Logistics	Environment
10 Governance	Own operations	We
11 Pollution of water and air	Finished goods	Partners/Products
12 Social commitment	Own operations	Society
13 Animal welfare	Raw materials	Products
14 Environmental impacts	Own operations	Environment
15 Other environmental impacts	Raw materials	Products
16 Products and services	Products and services	Products
17 Other environmental impacts	Finished goods	Partners

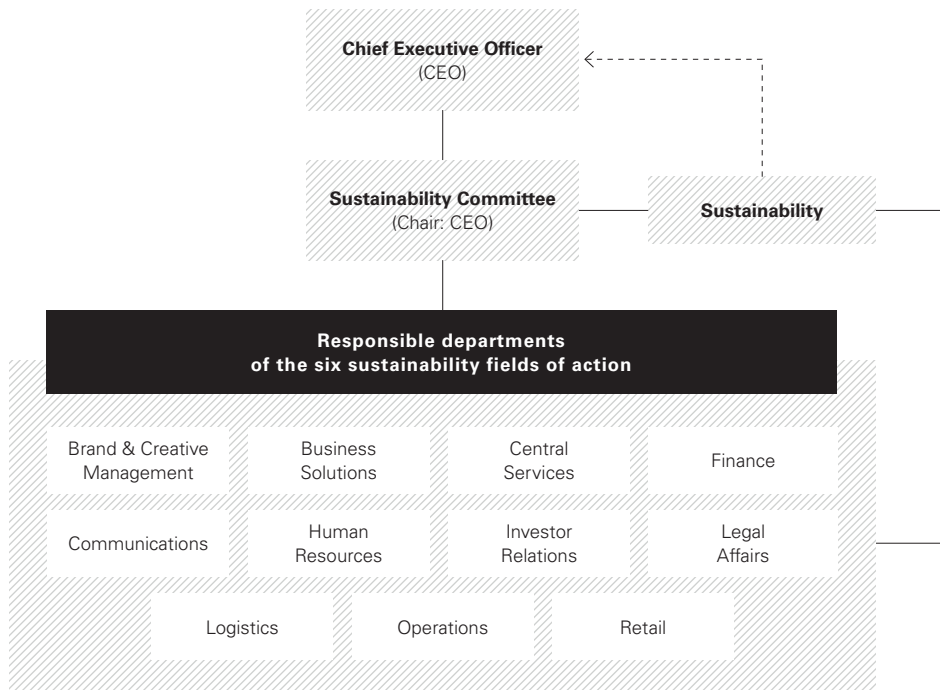
SUSTAINABILITY ORGANIZATION

The **Managing Board** of HUGO BOSS AG has the **overall responsibility** for sustainability. During its meetings, it regularly discusses the topics of occupational health and safety, personal development and stakeholder dialog, as well as environmental and social issues along the value chain. It also decides upon the Group-wide applicable standards and guidelines for sustainability. The Company has an appropriate sustainability management in place to ensure they are implemented consistently.

The central committee for **controlling the sustainability strategy** is the **Sustainability Committee**, chaired by the Chief Executive Officer. During the reporting year, it was composed of managers from all relevant central functions (Brand and Creative Management, Business Solutions, Central Services, Communications, Finance, Human Resources, Investor Relations, Legal Affairs, Logistics, Operations, Retail and Sustainability). The Sustainability Committee is currently composed of 15 members in total.

In 2017, the committee's work focused upon revising the materiality analysis, the requirements of the CSR-RUG, the second international Stakeholder Dialog, the expansion of the collaboration with third parties in cooperations and initiatives, the internal sustainability events and the development of measures in relation to sustainable and innovative products.

01|05 HUGO BOSS SUSTAINABILITY ORGANIZATION



----- Reporting line ——— Participation/cooperation

CORPORATE GOVERNANCE

HUGO BOSS is convinced that good and transparent corporate governance, which meets recognized standards, is a key factor in the Group's long-term success. To this end, the Company essentially follows the requirements of the **German Corporate Governance Code** (GCGC) and issues the required declaration of compliance every year. → **Annual Report**

Further details on the subject of corporate governance and information on the composition, the activities and the compensation of the management and supervisory bodies of HUGO BOSS can be found in the Annual Report. → **Annual Report**

RISK MANAGEMENT

Responsible handling of risks constitutes a key element of good corporate governance. **Systematic risk management** permits the Group to identify and assess risks at an early stage and to mitigate risk positions using appropriate measures. The **independent risk management function** at the HUGO BOSS AG headquarters is responsible for coordinating Group-wide risk management. It is dedicated to developing the tools of the **risk management system** further and ensuring that risks are identified Group-wide and recorded at regular, predefined intervals. The Supervisory Board is involved in risk management via its Audit Committee and regularly deals with relevant topics. The detection and bundling of global risks comply with a **Group-wide applicable risk catalog** that summarizes the individual risks into risk categories. A special tool is also used in supplier management to record and evaluate supplier and country-specific risks. Further information on the subject of risk management can be found in the Annual Report. → **Annual Report**

Throughout the course of the materiality analysis conducted during the reporting year, 13 sustainability topics were identified, which the Company must report on within the scope of its non-financial report. All 13 topics are already included in the Company's risk catalog and are regularly checked for their potential influence upon the Group's business activity. With the reversed approach, thus the evaluation of the potential negative impacts of the Company upon the non-financial aspects, no risks classified as material according to the definition of the CSR-RUG were identified.¹ This applies to both the net view and the gross view. → **Materiality analysis**



¹ According to the regulations of the CSR-RUG, the risks with a very high probability of occurrence and a very high damage potential must be specified in the non-financial report for the reported topics.

COMPLIANCE

At HUGO BOSS, a value-based corporate culture forms the basis for the collaboration and interaction with employees, business partners, shareholders and the general public. Compliance can make a significant contribution towards the creation and consolidation of values and auditing of the adherence to defined regulations.

By setting up a **compliance program**, HUGO BOSS aims to prevent the breach of legal regulations, which can give rise to criminal or administrative penalties, as well as infringements of the internal guidelines. A key element of the value-based corporate culture and corporate compliance at HUGO BOSS is the **Code of Conduct**. It governs relations within the Group as well as with customers, suppliers and service providers. It includes regulations for avoiding conflicts of interest, for data protection, occupational health and safety, fair competition and antitrust law, as well as bribery and corruption. HUGO BOSS does not tolerate misconduct or infringements of the Code of Conduct. The subjects of anti-corruption, anti-bribery and antitrust as well as data protection are dealt with separately in the following sections.



ANTI-CORRUPTION, ANTI-BRIBERY AND ANTITRUST

As a globally operating group, HUGO BOSS regularly consults with various companies and authorities in the different regions of the world. Besides the opportunities offered by international business activity, there is also an increased necessity to prohibit and prevent any illegal activity. Corruption, bribery, dishonest influencing of the competition and the formation of cartels result in unfair market conditions and are therefore highly regulated.

The **Code of Conduct**, which is binding for all employees, is the central document in the area of anti-corruption, anti-bribery and antitrust. The Code of Conduct is available in electronic form in more than ten languages for all employees, and is also provided to them together with the employment contract. The Code of Conduct and the anti-corruption and bribery clause form part of the employment contracts globally and must be accepted by the employees in writing. External parties can also view the Code of Conduct on the Group's website. The Code of Conduct is supplemented with internal guidelines on competition rules, as well as guidelines for anti-corruption and conflicts of interest. → group.hugoboss.com

Corporate compliance and its observance by the Group companies is seen as a major **responsibility of the Managing Board** at HUGO BOSS. Besides the antitrust and anti-corruption regulations, the regulations of capital market law also apply. The **Compliance Officer** reports directly to the Chief Executive Officer in his function as Chief Compliance Officer, and thus supports the Managing Board in the monitoring of effective compliance management. Furthermore, a Compliance Committee also meets four times a year in order to ensure continual exchange on compliance-related topics within the Group. The Supervisory Board's Audit Committee is regularly informed about the Compliance Office's activities.

Employees can obtain support and advice on issues concerning legally correct conduct from their superiors, the central Compliance Officer or the local responsible for compliance in the Group companies. HUGO BOSS has also established an independent global **ombudsman system** as a supplementary reporting channel. Employees as well as third parties can report violations of compliance guidelines, antitrust infringements or other offenses to an external, independent ombudsman on a confidential and anonymous basis. The ombudsman's contact details are publicly available on the Group's website. → group.hugoboss.com

HUGO BOSS regularly assesses its own locations for possible corruption risks. The aim of zero corruption, bribery and antitrust law violations was achieved across the whole Group in the reporting year, as well as in the prior years ✓. In order to also ensure an achievement of the goal in subsequent years, the employees are regularly familiarized with the content of the Code of Conduct and the regulations of additional Group guidelines, and they are made aware of the risks and consequences of violating the corruption, bribery and antitrust laws. HUGO BOSS has set up a global **e-learning program** (including learning success control) dedicated to general training on the subject of compliance, which employees with regular access to PCs must complete on a regular basis. The e-learning program is available for all subsidiaries globally. By the end of the reporting year, 5,303 employees across the entire Group had received online compliance training, of which 2,466 work at HUGO BOSS AG ✓. The online compliance training is carried out at intervals of 18 months. The Company's goal is for all employees with regular PC access to be trained by 2019. For this purpose, a new training concept has been developed and further languages have been added to the training in the reporting year.

→ Sustainability program

Besides the online training, face-to-face training also plays an important role. The activities in this area were therefore further developed during the reporting year. The Compliance Officer has delivered face-to-face compliance training to a total of 869 employees in 11 countries ✓. In addition, face-to-face training dedicated to the subject of antitrust is also delivered to the relevant central functions such as sales.

DATA PROTECTION

Rapidly advancing digitalization is giving rise to the increasing exchange of a wide range of data, some of which is confidential. Irrespective of whether this relates to customer, employee or financial data, data protection and data security are becoming increasingly important. Companies' increasing responsibility is also reflected in the amended data protection legislation in different regions where HUGO BOSS is active. At HUGO BOSS, **customer data** from its own online store and the customer loyalty program above all is of particular relevance to the Company, and must always be managed with the utmost care. By using secure methods and systems to manage confidential data, the Group can prevent the misuse and theft of data and protect the customers' privacy.



HUGO BOSS seeks to completely prevent violations of the applicable **data protection law**. The most important internal framework for this is the publicly available **Code of Conduct**, which also covers the subject of data protection. In addition, the Company has implemented an authorization concept for the exchange of data. The employees in the Group's retail stores also receive specific instructions on how to manage customer data. This is summarized in the Store Operations Manual. Detailed data protection provisions exist for the online presence and apps of HUGO BOSS.

The central **Data Protection Officer** and his team, which is assigned to the IT department, are responsible for data protection monitoring and compliance. The team is supported by the responsible for data protection in the subsidiaries. Preventive measures such as the early identification of risks and the removal of weaknesses are a focal point of their work. Through early integration in projects, processes and plans can be designed to be data-protection-compliant from the outset, violations of data protection provisions can be prevented and potential risks can be detected. The Data Protection Officer keeps the Managing Board regularly informed of this by means of a data protection report. Any violations are reported to the Data Protection Officer or via various channels and are processed by the Data Protection Officer, together with the Legal and IT departments where required. For infringements become known, the Company has implemented emergency concepts in order to be able to introduce effective countermeasures quickly.

In 2017, the Group's activities relating to data protection have been aligned comprehensively with the implementation of the legal amendments, which arose from the **General Data Protection Regulation** that will come into force in May 2018. In order to further increase awareness of data protection among the employees, the **online compliance training** includes an additional module on basic values of data protection and customer data protection. The relevant employees repeat the training every 18 months. It will be further developed in 2018 and will, for example, include data protection modules for employees who work in the Group's own retail business and in logistics. → **Anti-corruption, anti-bribery and antitrust**

Customer data from the online and offline customer loyalty programs is managed in central departments and at selected locations, in order to ensure maximum control of its usage and thus its security. The employees concerned receive **specific face-to-face training** from the Data Protection Officer.

During the reporting year, there were no violations relating to data protection provisions at the Company ✓. HUGO BOSS understands violations to mean official complaints or initiated proceedings.

ETHICALLY-CORRECT PAYMENT OF CORPORATE TAXES



HUGO BOSS is aware of the importance that the tax-related topics play in the development of economies. The options that are legally available to companies for the optimization of taxes can be ethically questionable, have negative impacts on the socio-economic development of local communities and may also lead to reputation damage. On the other hand, the **ethically-correct payment of corporate taxes** makes an important contribution towards the construction and maintenance of the infrastructure as well as social cohesion in the respective countries.

Therefore, in 2017 HUGO BOSS developed and adopted the principles of good tax practice as part of a **tax strategy**. It can be viewed on the Group's website. → group.hugoboss.com

HUGO BOSS accordingly pays tax on the profits generated in the countries in which they arise, and its disclosure follows internationally and nationally recognized standards. The tax authorities are informed of all the HUGO BOSS Group companies and their respective functions. The Group's basis of consolidation is illustrated transparently in the Annual Report 2017.

→ **Annual Report**

HUGO BOSS ensures **compliance with the applicable tax laws** through clearly-defined internal structures and processes. Being responsible for the Group Finance & Tax department, the Chief Financial Officer has overall responsibility for all tax-related topics within the Group. The **central tax function**, which regularly analyzes and evaluates tax-related issues, reports to him. Its evaluation forms a fixed element of Group-wide risk management, whereby HUGO BOSS also takes into account the estimation of external, local experts such as lawyers and tax advisors. The Managing Board is also provided with regular comprehensive updates on the tax position and current topics and developments in this area, at the very least with every half-year report and annual report. The Supervisory Board and in particular its Audit Committee, receive regular information on the relevant tax topics. → **Annual Report**

Available **guidelines, work instructions and regular training** support the achievement of good tax practice. To ensure tax compliance, regular reporting takes place at all subsidiaries, by means of an IT tool introduced specifically for this purpose. The Group tax department and, where necessary, local tax experts offer support to the Group companies that are located outside of Germany.

The Company's commitment to the ethically-correct payment of corporate taxes is also evident in the relatively **stable tax rate**¹, which was neither influenced significantly by extraordinary refunds nor by payments for earlier periods over the years. See also the publication of a transparent reconciliation from the expected corporate tax rate to the actual corporate tax rate.

→ **Annual Report**

¹ The tax rate describes the ratio of the tax expense to profit before tax.

DIALOG-BASED CORPORATE CULTURE

As a global company, HUGO BOSS stands at the crossroads of varying interests and opposing positions. For this reason, it is necessary to find ways of harmonizing business success with the required consideration of people and the environment, while creating added value for both sides.

The **dialog with relevant stakeholders** is recognized as an opportunity and maintained by HUGO BOSS. Dialog with stakeholders was further developed already in fiscal year 2014 on the basis of a stakeholder analysis in line with Standard AA 1000 SES, and was supplemented by standardized processes.

01|06 FORMATS AND APPROACHES FOR STAKEHOLDER COMMUNICATION

(Potential) employees	Intranet, cooperation with universities, HUGO BOSS website, social networks, trade fairs, employee newspaper, works council, works meeting, seminars
Customers	Customer service (phone or via email), customer surveys (including sustainability issues), HUGO BOSS website, customer brochures, social networks, personal discussions, points of sale, customer events and fashion shows
Business partners	Supplier development, workshops, audits, personal discussions
Shareholders and investors	Annual report, quarterly report, telephone conferences, annual general meeting, analysts' conference, Investor Day, personal discussions during company visits, roadshows and conferences
Society	Press releases, press conferences, information events, personal discussions, HUGO BOSS website
NGOs	Individual enquiries, personal discussions, topic specific discussions, participation in surveys

The Group maintains direct exchange with its external stakeholders throughout the year. Existing contacts, such as with academia, were strengthened and dialog with organizations for animal welfare and protection of biodiversity was intensified. In order to strengthen its ecological and social activities along the supply chain and drive them forward collectively, the Group associated itself with further **cooperations** in 2017, such as the Better Cotton Initiative (BCI), the Leather Working Group (LWG) and the Zero Discharge of Hazardous Chemicals (ZDHC) program.

Furthermore, Group representatives traveled to Southern India as part of the Systemic Improvement of Labour Conditions in the Tamil Nadu Textile and Garment Industry **initiative**. The initiative was set up by the German Partnership for Sustainable Textiles and is aimed at improving the working conditions at textile factories and spinning mills in the Southern Indian region of Tamil Nadu, as well as strengthening the rights of the women on site. The initiative is working towards increasing awareness of sustainability as well as the willingness to cooperate among the local stakeholders (including, for example, politics, textile companies, NGOs and trade unions). It is also working towards implementing training measures for the employees and management at the factories.

For the second time, HUGO BOSS held an **international Stakeholder Dialog** on sustainability topics in 2017. A total of 40 participants – including the Chief Executive Officer of HUGO BOSS, representatives from different NGOs, trade union representatives, supply chain experts, scientists and partners – met in Bad Urach (Germany) in order to discuss the status quo of the Group's sustainability activities. Various future-related issues such as circular economy and Industry 4.0 were also addressed during a number of workshops. The Group will use the findings from the two days to develop and implement potential measures and projects together with the responsible departments. Further information on stakeholder engagement at HUGO BOSS can be found on the Group's website. → group.hugoboss.com

HUGO BOSS stands for an open and constructive dialog culture – in particular with its **employees**. The continual exchange between the employees and the Managing Board is actively encouraged, for example. Employees have the opportunity to speak personally with the members of the Managing Board through different dialog formats such as the Managing Board breakfast. Additionally, the very first global employee satisfaction survey was conducted during the reporting year in line with the external, Group-wide applicable Great Place to Work® standard. → **Employee engagement**

In 2017, HUGO BOSS continued the Sustainability Days with a **series of internal events** at the Metzingen (Germany) site, in order to further develop the shared awareness of sustainability. External speakers and internal employees provided insights into innovative and sustainable product development technologies, they informed people about supplier management and invited the audience to join in discussions at a number of events. Another Sustainability Day was organized in 2017 at the Ticino (Switzerland) site.

The annual **staff meeting** for employees at the headquarters in Metzingen (Germany) is a further component of regular dialog within the Company, during which discussions are held between the Works Council, the Managing Board and the responsible for Human Resources. Employees can submit their questions and suggestions in writing in advance or raise them during the meeting. Staff meetings are also held at the Ticino (Switzerland) and Izmir (Turkey) sites. In Izmir (Turkey), the Communication group that was elected by the employees also acts as a link between the interests of the employees and the management team.

HUGO BOSS respects the rights of its employees to join a trade union. Also at its most important location in Turkey the Company has maintained an intensive dialog with the **local trade unions** and their umbrella organizations. This exchange is set to continue during the current year and will be developed further into a regular dialog format. With the signing of a joint declaration with the biggest Turkish trade unions in 2017, HUGO BOSS has emphasized the importance it attaches to the commitment to freedom of association – both within and outside of the Company.

AWARDS DURING THE REPORTING PERIOD

- Inclusion in the Dow Jones Sustainability Index World in the sector TEX (Textiles, Apparel & Luxury Goods)
- Confirmed as a member of FTSE4Good Index
- Confirmed as a member of STOXX Global ESG Leaders Index
- Top 10 position in the Forbes ranking of the most trustworthy companies in Germany
- DGNB Platinum-certificate for the sustainable operation of the D15 building in Metzingen (Germany)
- 4th position Working in Fashion (TextilWirtschaft)
- Position under the top 100 of the most attractive employers (Institute Universum and trendence)
- Position under the top 200 Gender Equality Global Report and Ranking (Equileap)
- Vegan Fashion Award 2017 (PETA Germany)

MEMBERSHIPS IN ASSOCIATIONS AND INTEREST GROUPS

HUGO BOSS is amongst others committed to the following organizations and initiatives:

- Accord on Fire and Building Safety in Bangladesh (ACCORD)
bangladeshaccord.org
- Apparel and Footwear International RSL¹ Management (AFIRM) Group
afirm-group.com
- Association for Real Estate and Facility Managers e.V. (RealFM)
realfm.de
- Better Cotton Initiative (BCI)
bettercotton.org
- Cotton LEADS™
cottonleads.org
- German Partnership for Sustainable Textiles (Textilbündnis)
textilbuendnis.com
- Deutsche Gesellschaft für Nachhaltiges Bauen e.V. (DGNB)
dgnb.de
- German Association for Human Resources (DGFP)
dgfp.de
- German Investor Relations Association (DIRK)
dirk.org
- Dialog Textil-Bekleidung e.V. (DTB)
dialog-dtb.de
- Fair Labor Association (FLA)
fairlabor.org
- Global Apparel, Footwear and Textile Initiative (GAFTI)
gafti.org

¹ Restricted Substances List.

- German Fashion Association
germanfashion.net
- Leather Working Group (LWG)
leatherworkinggroup.com
- Natural Capital Coalition (NCC)
naturalcapitalcoalition.org/protocol
- Südwesttextil e.V.
suedwesttextil.de
- The Consumer Goods Forum (CGF) (application of the Global Social Compliance Programme)
theconsumergoodsforum.com
- TicinoModa (committee member)
ticinomoda.ch
- Verein Deutscher Textilveredlungsfachleute e. V. (VDTF) (supporting member)
vdtf.de
- Yarn Ethically & Sustainably Sourced (YESS)
sourcingnetwork.org/yess
- Zero Discharge of Hazardous Chemicals (ZDHC)
roadmaptozero.com

EXTERNAL STANDARDS AND AGREEMENTS

- Signatory of the Diversity Charter
charta-der-vielfalt.de
- Global Social Compliance Programme (GSCP) standard for environmental audits of the CGF
gscpequivalenceprocess.com
- ISO 9001, ISO 14001, ISO 14041 und ISO 50001¹

¹ All ISO certifications mentioned in the text refer to the DIN EN ISO norms.

7 We
23 Environment
35 Employees
47 Partners
63 Products
77 Society
83 Appendix

CHAPTER ENVIRONMENT / Pages 23–34

PRESERVING NATURAL RESOURCES



ENVIRONMENT

HUGO BOSS sets itself challenging goals in terms of environmental protection. These goals relate to the Group's administration sites and production facilities, planning and operation of the Group's retail stores, and logistics.



Through its environmental activities, the Company contributes towards achieving SDG 13 of the United Nations: Climate Action

MANAGEMENT APPROACH

Environmental protection is given high priority at HUGO BOSS. The aim of environmental management is to continually reduce the environmental impact of the Company's activities. In this context, the adherence to environmental laws forms an integral part of the Group-wide environmental management.

The **fundamentals of environmental protection** in all relevant business areas at HUGO BOSS are described in detail in the **Environmental Commitment** published in 2015. These fundamentals also apply to all partners from which the Group directly purchases goods. The HUGO BOSS Environmental Commitment is supplemented by specific requirements in the area of transportation and logistics. With the **new store concept**, the Company takes sustainability criteria into account also for the planning and operation of its own retail stores. The concept has already been implemented in the first pilot stores. → **Sustainability in the stores**

Environmental aspects are taken into account as much as possible when making business decisions. The **Managing Board is responsible** for Group-wide environmental protection at HUGO BOSS. In various committees, the members of the Managing Board are regularly informed about the progress and measures towards achieving the environmental goals.

Important aspects of the Group's environmental management include **climate protection** and the responsible use of **natural resources**. In 2016, the Group set itself global reduction targets with regard to energy consumption, emissions and water consumption, which are to be achieved by 2025 and also take into account the Group's retail stores. Energy consumption shall hence be reduced by 30%, CO₂ emissions (Scope 1 and 2) and water consumption by 40% each, in relation to Group sales (base year 2016). → **Sustainability program**

The implemented measures and progress are regularly reported on. In order to achieve its environmental goals, HUGO BOSS operates **environmental and energy management systems** in accordance with ISO 14001 and ISO 50001, as well as further measures to increase energy efficiency. The Company recognizes the huge opportunity of harmonizing economic and environmental interests in this respect. Wherever possible, HUGO BOSS also uses energy from renewable sources at its locations. → **Energy**



Strategic priorities:
- Climate protection
- Sustainable stores

02|01 LOCATIONS WITH ISO CERTIFICATIONS (Environment and Energy)



DIN EN ISO 14001

HUGO BOSS Textile Industries Ltd.
(since 2014)
HUGO BOSS Shoes and Accessories Italia S.p.A.
(since 2015)
HUGO BOSS Shoes & Accessories Poland Sp. z o.o.
(since 2017)



DIN EN ISO 50001

HUGO BOSS AG (since 2012)
HUGO BOSS Textile Industries Ltd. (since 2014)
HUGO BOSS Ticino SA (since 2015)
HUGO BOSS AG – own operated retail stores
in Germany and Austria (since 2016)
All own operated retail stores
in Europe (since 2017)

For information on the activities to reduce environmental impacts in the **supply chain**, please refer to the Partners and Products chapter.

→ **Environmentally-friendly processes / Natural capital evaluation**

The following environmental key indicators include the categories electricity, heating energy, CO₂ emissions, water, wastewater and waste. Reporting also includes the Group's own retail stores. In 2017, the portfolio comprised 369 own stores (not including shop-in-shops) and outlets. The available data in the retail business is partially supplemented by extrapolations or estimations.

SUSTAINABILITY IN THE STORES

When developing the **new store concept** for the own retail stores, key sustainability criteria were also considered. They shall be taken into account when **building or renovating the stores**. Some of the already defined measures from the new concept have been implemented at the first pilot stores in Europe. During the first stage, particular focus was given to the modular construction of the furniture elements, the use of a defined share of FSC®-certified wood and recycled materials. The ventilation and air conditioning concept includes heat recovery systems as well as more energy-efficient components with modern control units. With the new store concept, LED lighting is not only used in the sales area, but also in all staff and storage rooms. For the latter, it has been supplemented by the use of presence sensors. The new store concept will be rolled-out to all own stores by 2025.

ENERGY

Within the scope of energy management, continuous efforts are being made across the entire Group to reduce energy consumption. The energy management system that was introduced at some non-retail locations in accordance with ISO 50001 was additionally rolled out to the Group's own retail stores across all of Europe in 2017 and was successfully certified.

HUGO BOSS regularly reviews the potential to increase the **energy efficiency** of its buildings. When **renovating, planning and constructing new buildings**, the Company always considers possibilities to reduce energy consumption and related emissions by means of its own energy supply systems and energy-efficient technologies from the outset. Essentially, HUGO BOSS seeks to obtain **sustainability certifications** for all newly built properties. For instance, the administration building D15 in Metzingen (Germany) and the flat-packed goods distribution center in Filderstadt (Germany) were awarded DGNB Platinum certificates for their sustainable construction. Building D15 was also honored with a Platinum certificate for sustainable operation. For the existing properties, a crucial lever is the technical and organizational optimization that is ensured through the energy management systems introduced at specific locations.

During the reporting year, HUGO BOSS implemented various energy efficiency measures. At two distribution centers in Germany and Australia, the lighting was converted to energy-efficient LED lamps. The lighting at the Group's largest production facility in Izmir (Turkey) was also gradually converted to LED over the last few years. Additional energy efficiency measures that were also implemented internationally include the optimization of operating hours and organizational processes as well as the use of timers. As a result of these measures, HUGO BOSS saves around 1,500 MWh of electricity at the respective locations each year.

At its headquarters in Metzingen (Germany), the Company sourced 100% certified green electricity in 2017. Moreover, the photovoltaic systems on the roofs of the flat-packed goods distribution center in Filderstadt and two administration buildings on the Metzingen Campus generated 638,965 kWh of electricity during the last fiscal year. Around a third, that is 24,258 MWh, of the electricity consumed within the Group (including retail) in 2017 came from renewable energies.

In the reporting year, energy consumption at the analyzed locations (including retail) was 119,211 MWh. This equates to an increase of 2% compared with the year 2016.

02|02 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY TYPE INCL. RETAIL¹ (in MWh)

	2017	2016 ²
Direct energy consumption	41,807	39,382
Indirect energy consumption	77,404	77,124
Total energy consumption	119,211	116,506

¹ Energy data for retail is generally based on data queries at stores and outlets. 37% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m²) for all other stores and outlets.

² The values of the year 2016 were adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores was extrapolated and added for the year 2016 retrospectively.

02|03 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY REGION AND BY ENERGY SOURCE INCL. RETAIL¹ (in MWh) ✓

Direct energy consumption	Europe	Americas	Asia/Pacific	Total
Heating oil	901	0	0	901
Liquified petroleum gas (LPG)	15	0	9	24
Natural gas	34,753	4,854	23	39,630
Photovoltaic	512	0	0	512
Other energy sources	740	0	0	740
Total direct energy consumption	36,921	4,854	32	41,807

Indirect energy consumption				
Certified green electricity	23,399	0	347	23,746
Electricity	25,317	15,724	12,617	53,658
Total indirect energy consumption	48,716	15,724	12,964	77,404

¹ Energy data for retail is generally based on data queries at stores and outlets. 37% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m²) for all other stores and outlets.

02|04 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY ENERGY TYPE EXCL. RETAIL
(in MWh)

	2017	2016	2015	2014
Direct energy consumption	36,301	36,216	36,683	34,726
Indirect energy consumption	40,054	40,485	41,211	41,229
Total energy consumption	76,355	76,701	77,894	75,955

02|05 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY ENERGY SOURCE EXCL. RETAIL
(in MWh)

Direct energy consumption	2017	2016	2015	2014
Heating oil	901	306	338	1,917
Liquified petroleum gas (LPG)	24	420	26	21
Natural gas	34,673	34,934	35,728	32,277
Photovoltaic	512	547	591	511
Other energy sources	191	9	0	0
Total direct energy consumption	36,301	36,216	36,683	34,726
Indirect energy consumption				
Certified green electricity	20,177	18,451	19,009	19,173
Electricity	19,877	22,034	22,202	22,056
Total indirect energy consumption	40,054	40,485	41,211	41,229
Total	76,355	76,701	77,894	75,955

In 2017, energy consumption (including retail) increased by 1% in relation to Group sales.

02|06 ENERGY INTENSITY INCL. RETAIL¹: HUGO BOSS TARGET 2025 – 30% (in MWh/EUR million sales)
(base year 2016)

	✔ 2017	2016 ²
Actual value	43.6	43.3
Accumulated change (actual value) in %	+1	

¹ Ratio of energy consumption to Group sales. Energy data for retail is generally based on data queries at stores and outlets. 37% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m²) for all other stores and outlets.

² The values of the year 2016 were adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores was extrapolated and added for the year 2016 retrospectively.

EMISSIONS

Within the scope of **energy management**, continuous efforts are being made to **reduce energy consumption**, thus also reducing greenhouse gas emissions. → **Energy**

For the reporting year 2017, HUGO BOSS (including retail) caused greenhouse gas emissions of 71,001 t CO₂. This includes emissions from electricity, the Group's primary energy consumption, logistics and business travel (see Scope 1 to 3 of the Greenhouse Gas Protocol). Compared with the prior year, this equates to a 9% increase in greenhouse gas emissions, which is mainly due to an increase in Scope 3 emissions as a result of the rise in air freight in logistics.

→ **Logistics**

02|07 DIRECT, INDIRECT AND OTHER GREENHOUSE GAS EMISSIONS INCL. RETAIL¹ (in t CO₂)

	✓ 2017	2016 ²
Scope 1		
Own vehicles	2,721	2,832
Direct energy consumption	8,991	8,587
Total Scope 1	11,712	11,419
Scope 2		
Indirect energy consumption	27,935	29,144
Total Scope 2	27,935	29,144
Scope 3		
Air travel ³	6,311	4,278
Transport	25,043	20,049
Total Scope 3	31,354	24,327
Total Scope 1 + 2 + 3	71,001	64,873

¹ Energy data for retail is generally based on data queries at stores and outlets. 37% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m²) for all other stores and outlets. For the calculation of scope 2 emissions, the market-based approach was used, i.e. the emissions were calculated based on the real energy mix of the respective energy provider. In cases, where these data were not available, average country-specific emission factors were used.

² The values of the year 2016 were adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores were extrapolated and added for the year 2016 retrospectively.

³ The increase is partly due to changes in data collection method.

The representation of Scope 2 emissions in accordance with the location-based approach is shown in the appendix. The calculation relies on average emission factors of the individual markets. → **Further KPIs**

02|08 DIRECT, INDIRECT AND OTHER GREENHOUSE GAS EMISSIONS¹ EXCL. RETAIL (in t CO₂)

	2017	2016	2015	2014
Scope 1				
Own vehicles	2,721	2,559	2,570	2,762
Direct energy consumption	7,900	7,795	7,688	7,382
Total Scope 1	10,621	10,354	10,258	10,143
Scope 2				
Indirect energy consumption	9,298	10,015	11,423	11,101
Total Scope 2	9,298	10,015	11,423	11,101
Scope 3				
Air travel ²	6,311	3,608	4,210	4,587
Transport	25,043	20,049	25,754	28,694
Total Scope 3	31,354	23,657	29,964	33,281
Total Scope 1 + 2 + 3	51,273	44,026	51,645	54,525

¹ The Greenhouse Gas Protocol is used to calculate greenhouse gas emissions. For the calculation of scope 2 emissions, the market-based approach was used, i.e. the emissions were calculated based on the real energy mix of the respective energy provider. In cases, where these data were not available, average country-specific emission factors were used.

² The increase is partly due to changes in data collection method.

During the reporting year, the greenhouse gas emissions (Scope 1 and 2) were reduced in relation to Group sales by 4%.

02|09 INTENSITY OF GHG EMISSIONS INCL. RETAIL¹: HUGO BOSS TARGET 2025 -40%
(in t CO₂/EUR million sales) (base year 2016)

	2017	2016 ²
Actual value (Scope 1 + 2)	14.5	15.1
Accumulated change (actual value) in %	-4	

¹ Ratio of GHG emissions (Scope1+2) to Group sales. The Greenhouse Gas Protocol is used to calculate greenhouse gas emissions. For the calculation of scope 2 emissions, the market-based approach was used, i.e. the emissions were calculated based on the real energy mix of the respective energy provider. In cases, where these data were not available, average country-specific emission factors were used.

² The values of the year 2016 were adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores were extrapolated and added for the year 2016 retrospectively.

WATER

HUGO BOSS continually reviews different measures to **reduce water consumption** – first and foremost where the Group sees the greatest potential for minimizing consumption at its own production locations. In spring 2017, two groundwater tanks were installed at the location in Izmir (Turkey). The 16,000 m³ of water collected in 2017 were mainly used to water the local green areas.

The increase in water consumption in 2017 (including retail) is partly due to a water damage at a building in Metzingen (Germany) that is currently not in use.

02|10 WATER CONSUMPTION BY REGION INCL. RETAIL¹ (in m³)

Region	✓ 2017	2016 ²
Europe	160,289	149,915
Americas	19,148	22,413
Asia/Pacific	16,395	15,226
Total	195,832	187,554

¹ Water consumption data for retail is generally based on data queries at stores and outlets. 10% of stores and outlets were able to report water consumption data. For all other stores and outlets an average value of 0.22 [m³/m²] was used. This average value is derived from a clothing retail benchmark (2013) by the real estate investment management company Redevco (redevco.com).

² The values of the year 2016 were adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores was extrapolated and added for the year 2016 retrospectively. In the region Europe, an increase in data quality in France in 2017 made a more correct extrapolation possible for the year 2016 retrospectively.

02|11 WATER CONSUMPTION BY REGION EXCL. RETAIL (in m³)

Region	2017	2016	2015	2014
Europe	144,437	134,425	123,575	117,218
Americas	8,744	10,800	8,899	11,295
Asia/Pacific	7,979	6,699	3,834	4,135
Total	161,160	151,924	136,308	132,648

In relation to Group sales, water consumption increased by 3% compared with the prior year.

02|12 WATER INTENSITY INCL. RETAIL¹: HUGO BOSS TRAGET 2025 – 40% (in m³/EUR million sales) (base year 2016)

	2017	2016 ²
Actual value	71.7	69.7
Accumulated change (actual value) in %	+3	

¹ Ratio of total water consumption to Group sales. Water consumption data for retail is generally based on data queries at stores and outlets. 10% of stores and outlets were able to report water consumption data. For all other stores and outlets an average value of 0.22 [m³/m²] was used. This average value is derived from a clothing retail benchmark (2013) by the real estate investment management company Redevco (redevco.com).

² The values of the year 2016 were adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores was extrapolated and added for the year 2016 retrospectively. In the region Europe, an increase in data quality in France in 2017 made a more correct extrapolation possible for the year 2016 retrospectively.

WASTEWATER AND WASTE

During the reporting year, HUGO BOSS discharged a total of 146,464 m³ of wastewater into the communal wastewater systems at the locations (2016: 135,693 m³). The total waste volume (including retail) was 5,637 t. Compared with the prior year, this equates to a reduction of 8% (2016: 6,150 t). Among other things, the decline in waste volume is attributable to the fact that the larger refurbishment that was carried out at the production facility in Izmir (Turkey) in 2016 was already completed in 2017. Once again, in 2017 no hazardous wastewater or waste was incorrectly discharged into the environment.

02|13 WASTEWATER DISCHARGES BY REGION INCL. RETAIL¹ (in m³)

	✔ 2017	2016 ²
Europe	113,249	102,061
Americas	16,820	18,702
Asia/Pacific	16,395	14,930
Total	146,464	135,693

¹ It is assumed that the amount of water consumption is equal to the amount of wastewater discharges for all retail stores in scope (stores and outlets).

² The values of the year 2016 was adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores were extrapolated and added for the year 2016 retrospectively. In the region Europe, an increase in data quality in France in 2017 made a more correct extrapolation possible for the year 2016 retrospectively.

02|14 WASTEWATER DISCHARGES BY REGION AND DESTINATION INCL. RETAIL¹ (in m³)

	Europe	Americas	Asia/Pacific	✔ Total
Municipal wastewater disposal	112,020	16,820	16,395	145,235
Surface water	1,229	0	0	1,229
Sea	0	0	0	0
Land	0	0	0	0
Treated water (third party)	0	0	0	0
Total	113,249	16,820	16,395	146,464

¹ It is assumed that the amount of water consumption is equal to the amount of wastewater discharges for all retail stores in scope (stores and outlets). Furthermore, it is assumed that wastewater for stores and outlets is discharged into municipal sewage.

02|15 WASTEWATER DISCHARGES BY REGION EXCL. RETAIL (in m³)

	2017	2016	2015	2014
Europe	97,398	86,570	82,102	87,036
Americas	6,416	7,089	8,899	11,295
Asia/Pacific	7,979	6,403	3,834	4,135
Total	111,793	100,062	94,835	102,466

02|16 WASTE VOLUMES BY TYPE INCL. RETAIL¹ (in t)

	✓ 2017	2016 ²
Hazardous waste	44	47
Nonhazardous waste	5,593	6,103
Total	5,637	6,150

¹ Sold products at the stores and outlets in scope as well as transports carried out (consideration of respective product and transport packaging) form the basis for the calculation of retail waste data.

² The values of the year 2016 were adjusted due to an internal re-classification of about 80 stores in the region Asia/Pacific. The environmental data of these stores was extrapolated and added for the year 2016 retrospectively.

02|17 WASTE VOLUMES BY TYPE AND REGION INCL. RETAIL¹ (in t) ✓

	Europe	Americas	Asia/Pacific	Total
Hazardous waste	43	1	0	44
Nonhazardous waste	4,368	731	494	5,593
Total	4,411	732	494	5,637

¹ Sold products at the stores and outlets in scope as well as transports carried out (consideration of respective product and transport packaging) form the basis for the calculation of retail waste data.

During the reporting year, the total recycling rate within the Group, including retail, was 65%.

02|18 WASTE VOLUMES BY TYPE AND DISPOSAL METHOD INCL. RETAIL¹ (in t) ✓

	Hazardous waste	Nonhazardous waste	Total	in %
Recycling	11	3,646	3,657	65
Disposal (landfill)	27	817	844	15
Incineration	6	194	200	4
Reuse	0	6	6	0
Unknown	0	930	930	16
Total	44	5,593	5,637	100

¹ Sold products at the stores and outlets in scope as well as transports carried out (consideration of respective product and transport packaging) form the basis for the calculation of retail waste data. Retail waste data is classified as "unknown".

02|19 WASTE VOLUMES BY TYPE EXCL. RETAIL (in t)

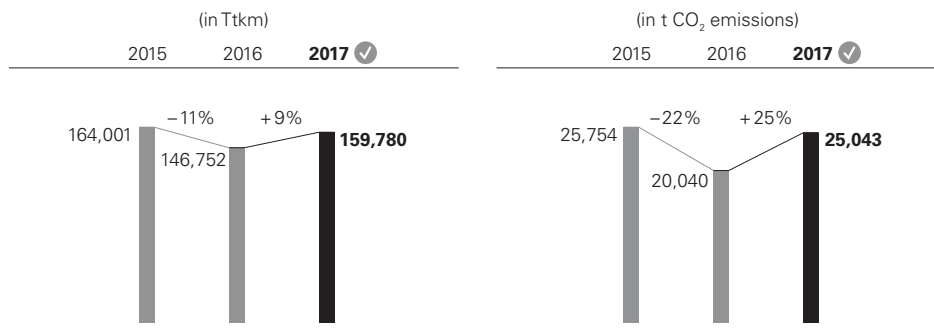
	2017	2016	2015	2014
Hazardous waste	44	47	35	28
Nonhazardous waste	4,677	5,228	4,842	4,303
Total	4,721	5,275	4,877	4,331

LOGISTICS

HUGO BOSS continually reviews opportunities to optimize its logistics and transport processes from the producers through to the Group's own logistics centers, in order to reduce CO₂ emissions in the long term and contribute towards the consumption of fewer resources.

The increased use of **environmentally-friendly transport carriers** marks a further step towards reducing CO₂ emissions. In principle, several means of transport are available to import goods from overseas, which have different impacts upon the environment: sea freight, air freight, combined traffic (sea and air freight) as well as rail traffic.

02|20 ENVIRONMENTAL IMPACTS FROM TRANSPORTATION¹



¹ All flows of incoming goods to the HUGO BOSS logistics centers in Germany, the U.S. and Canada, as well as the raw materials shipments from HUGO BOSS to its producers are taken into account.

During the reporting year 2017, both tonne-kilometers (tkm), that is freight traffic per tonne transported and kilometer, as well as CO₂ emissions of incoming flows of goods have increased. In 2017, an increase in short-term demand and changed delivery requirements for goods occurred in the American market. In this context, the Group had to increasingly make use of air freight. Compared with the prior year, the increase in CO₂ emission per kilogram shipped weight equated to 12%. It is the Company's goal to increasingly use different means of transport as an alternative to air freight. → **Sustainability program**

The reuse and sourcing of FSC®-certified transport packaging play a central role in sustainable logistics. Every year, around 850,000 cardboard boxes that were used for the delivery of finished goods are reused for shipping from German distribution centers. The switch to FSC®-certified cardboard boxes for transport packaging began in 2016 and has been continued also in the reporting year. Today, all cardboard boxes which are leaving the German distribution centers and which are newly sourced are FSC®-certified. → **Sustainability program**

7 We
23 Environment
35 Employees
47 Partners
63 Products
77 Society
83 Appendix

CHAPTER EMPLOYEES / Pages 35 – 46

FOSTERING A FAIR AND RESPONSIBLE CULTURE



EMPLOYEES

HUGO BOSS relies upon qualified employees who are willing to perform and demonstrate commitment in their day-to-day work. Inspiring and responsible tasks, optimal development paths, modern forms of working and offers for a good work-life balance enable each and every individual to make a contribution towards the Group's success.



In the area of Employees, HUGO BOSS makes a special contribution towards achieving SDG 8 of the United Nations: Decent Work and Economic Growth

MANAGEMENT APPROACH

The basis of human resources management at HUGO BOSS forms an open and value-based **corporate culture**. By living the HUGO BOSS values of quality, respect, innovation, passion and cooperation, an atmosphere is created where there is team spirit and a willingness to perform. This also includes recognizing diversity and equal opportunities for all employees. These and other prerequisites for the day-to-day collaboration within the Group and interacting with customers and suppliers are defined more closely in the HUGO BOSS Code of Conduct.

The Company attaches importance to a constructive dialog culture. Therefore, employees and employee representatives are also involved in the analysis and discussion of material employee-related topics. Employee engagement and social impacts were identified as highly material topics. → **Materiality analysis**

Employee engagement is closely linked to employee satisfaction. An attractive work environment, open and transparent communication, an appreciative leadership culture, diversity and equal opportunities, as well as individual professional development opportunities are important elements of employee-centric human resources management. These elements encourage engagement and the assumption of responsibility, and retain talents at the Company in the long term.

Social impacts include human rights and labor standards, fair remuneration as well as occupational health and safety in relation to the Group's business activity. HUGO BOSS is striving towards the adherence to human rights and labor norms on the basis of internationally-recognized standards, for all employees around the world. Special focus at the Group's locations is given to granting freedom of association and the prohibition of discrimination. A fair and well-structured compensation system is an important aspect of the respect for workers' rights and strengthens employee motivation and retention. HUGO BOSS creates a healthy and motivating work environment through various occupational safety measures as well as sport and health activities.



Strategic priorities:
- Employee satisfaction
- Health and safety
- Human rights

EMPLOYMENT

At the end of the fiscal year 2017, 13,966 members of staff were employed at the locations under review (2016: 13,545). Compared with the prior year, the number of employees has risen by 3%.

The working conditions were regulated during the reporting year for 43% of the workforce through collective agreements with trade unions or operational employee agreements (2016: 41%).

03|01 TOTAL WORKFORCE BY REGION (headcount)

	✓ 2017	2016	2015
Europe	10,322	10,141	10,068
thereof Germany	3,924	3,698	3,592
Americas	1,991	1,791	1,808
Asia/Pacific	1,653	1,613	1,653
Total	13,966	13,545	13,529

In 2017, the percentage ratio of men and women remained constant with the prior year: The share of female workers was 59% (2016: 59%), and the share of male employees was 41% (2016: 41%).

03|02 EMPLOYEES BY GENDER AND REGION (in %)

	✓ 2017		2016		2015	
	Women	Men	Women	Men	Women	Men
Europe	59	41	60	40	60	40
Americas	46	54	44	56	44	56
Asia/Pacific	71	29	71	29	73	27
Total	59	41	59	41	60	40

In 2017, 2,993 new employees were hired (2016: 2,880). In 2017, 2,895 people left the Company, 2,156 of whom left due to employee-related reasons. In total, the fluctuation rate in the reporting year equated to 24%, remaining constant with the prior year ✓ (2016: 24%).

03|03 NEW HIRES BY REGION¹ (headcount)

	✓ 2017	2016	2015	2014
Europe	1,680	1,598	2,112	1,730
Americas	775	792	523	565
Asia/Pacific	538	490	800	807
Total	2,993	2,880	3,435	3,102

¹ Data without apprentices, interns, diploma students, agency staff.

03 04 TERMINATION BY REASON AND REGION ¹ (in %)				
	Europe	Americas	Asia/Pacific	Total
Employee-specific	13	32	29	18
Employer-specific	4	8	5	5
Redundancy	0	0	2	0
Retirement	1	0	0	1
Death, emigration	0	0	0	0
Termination (total)	18	40	36	24

¹ Data without apprentices, interns, diploma students, agency staff.

Further KPIs on the employee structure can be found in the appendix. → **Further KPIs**

EMPLOYEE ENGAGEMENT

HUGO BOSS relies upon a corporate culture that encourages its employees to **actively participate**. Employee engagement is an important prerequisite for increasing employee satisfaction and performance, as well as for retaining them at the Company. HUGO BOSS is convinced of the positive impacts upon its attractiveness as an employer and upon the acquisition of new employees.

HUGO BOSS aims to inspire its employees, to offer them the best possible support and to reinforce the assumption of responsibility. Thus various **communication and transparency measures** are implemented within the Group that encourage exchange between the employees and empower them to take decisions independently. One example is the strategic Group project **New ways of working**, which is managed by self-organized teams and tests new, agile working methods in practice. A further component is that of training programs to empower managers and employees with regard to agile working methods and attitudes, self-reflection and a feedback culture.

HUGO BOSS runs regular satisfaction surveys, which are an important tool for employee engagement. The results deliver insights into the needs of employees and are an incentive to do even more to fulfill them. HUGO BOSS has conducted local surveys in the past. During the reporting year, the employee survey that is standardized in line with Great Place to Work® Germany was rolled out entirely or in random samples to all subsidiaries. With a participation rate of 66%, overall satisfaction came to 70%. Overall satisfaction of 77% was recorded at HUGO BOSS AG (2016: 72%).

The measures listed for employee engagement are aimed primarily at increasing employee retention across the whole Group. The Group has defined concrete goals for this purpose. The Group's managers and Human Resources department in particular are responsible for implementing the goals in practice. → **Sustainability program**

The continual optimization of global employee retention is also measured on the basis of the reduction of employee-specific, i.e. voluntary, fluctuation. The Group's goal is to lower the employee-related fluctuation by 25% until 2020 (base year: 2014).



At 18%, the rate for employee-related terminations of companies included in this report was slightly higher than that of the prior year ✓.

Acting in a dynamic market environment, HUGO BOSS is faced with the challenge of finding the best talents and retaining them at the Company in the long term. It has therefore set up an international project group dedicated to employee retention, taking into account best practice examples of the Company.

03|05 EMPLOYEE-SPECIFIC TERMINATION BY REGION¹

	✓ 2017		2016		2015	
	headcounts	in %	headcounts	in %	headcounts	in %
Europe	1,201	13	967	11	1,187	13
Americas	520	32	539	35	414	27
Asia/Pacific	435	29	434	29	602	38
Total	2,156	18	1,940	16	2,203	18

¹ Data refer to the companies in the scope of the Sustainability Report. Data without apprentices, interns, diploma students, agency staff.

The rate for the total 2,955 employee-specific terminations across the whole Group equated to 20%, and is thus higher than the rate of 5% at HUGO BOSS AG which recorded 172 terminations ✓.

DIVERSITY

The **diversity of the employees** at HUGO BOSS is a **natural component of the international Company's corporate culture** and is a living reality. This also means observing a non-discriminatory work environment and equal opportunities for all employees – irrespective of their nationality, gender, religious and political convictions, sexual orientation, age or disability. Back in 2008, the Group underlined the importance it attaches to diversity by becoming a signatory to the Charter of Diversity. In the Gender Equality Global Report and Ranking by the organization Equileap, which was published in 2017 for the first time in collaboration with the University of Maastricht, HUGO BOSS finished in the Top 200 global ranking (out of more than 3,000 companies analyzed) and in the Top 10 national ranking.

There are various options for **achieving a work-life balance between family and career** in Germany and at other international locations. Further information on the subject of diversity and equal opportunities is available on the Group's website. → group.hugoboss.com

At 59%, women account for the majority of the workforce (2016: 59%). At the four management levels, 47% of the positions were held by women in 2017 (2016: 44%). In 2017, as in the prior year, 3 of the 12 members of the Supervisory Board were women ✓.

03|06 MANAGEMENT LEVEL BY GENDER (headcount)

	✓ 2017		2016		2015	
	Women	Men	Women	Men	Women	Men
Managing board	0	4	0	3	0	3
Top management	9	37	9	33	12	39
Middle management	93	122	88	130	87	119
Management	635	680	700	850	736	803
Total	737	843	797	1,016	835	964

03|07 MANAGEMENT LEVEL BY GENDER (in %)

	✓ 2017		2016		2015	
	Women	Men	Women	Men	Women	Men
Managing Board	0	100	0	100	0	100
Top management	20	80	21	79	24	76
Middle management	43	57	40	60	42	58
Management	48	52	45	55	48	52
Total	47	53	44	56	46	54

03|08 COMPOSITION OF THE SUPERVISORY BOARD BY GENDER (headcount)

✓ 2017		2016		2015	
Women	Men	Women	Men	Women	Men
3	9	3	9	4	8

03|09 COMPOSITION OF THE SUPERVISORY BOARD BY AGE (headcount) ✓

<30	30≤x<40	40≤x<50	x≥50
0	1	3	8

HUMAN RIGHTS AND LABOR STANDARDS

Companies have a major responsibility to ensure decent work and thus improve the wellbeing of employees and their families, particularly in comparatively less developed countries. HUGO BOSS recognizes the influence it has as an employer and considers it a matter of course that the employees' human rights must be respected and that the labor standards must be adhered to in all regions of its business activities – in administration, own production sites, logistics and own retail.

With the **HUGO BOSS Social Standards**, the Group strives for all employees and his partners around the world to adhere to this, on the basis of the recognized standards of the United Nations and the International Labour Organization (ILO). In matters relating to the prohibition



of discrimination and the freedom of association, these are supplemented by the Group's Code of Conduct and the internal social compliance guidelines. A transparent grievance mechanism is also ensured through the internal guidelines. → group.hugoboss.com

Due to already high standards at the Group's locations, HUGO BOSS focuses its commitment to human rights and labor standards here on the granting of **freedom of association** and the **prohibition of all forms of discrimination**. At HUGO BOSS, granting of the freedom of association means respecting the employees' right to join trade unions, in accordance with the conventions of the ILO. This also includes rate negotiations within the framework of the respective national law. A non-discriminatory working environment is also a matter of course at HUGO BOSS, as is the promotion of diversity and equal opportunities. → **Diversity**

Acknowledgment of the HUGO BOSS Social Standards is regularly asked from the local human resources departments at the Group companies, and collective measures are introduced in the event of any deviations. The Company also offers training to employees on respecting human rights and adhering to fair working conditions. As such, the **compliance e-learning program**, which is available globally, includes a module on human rights and social standards, which must be completed by employees with regular access to PCs. More information on the training program, the number of participants and the defined goals can be found in chapter We. → **Anti-corruption, anti-bribery and antitrust**

The conducting of social audits is a further component for ensuring that the Social Standards are complied with at the Group's production facilities. In 2017, the three production facilities in Izmir (Turkey), Morrovalle (Italy) and Radom (Poland) were audited for adherence to human rights. Thus all four of the Group's production facilities have valid audits¹ ✓. → **Social impacts in the supply chain**

A core principle at HUGO BOSS is the strict global adherence with legal and internal regulations on **human rights and working norms**. In the event of violations, the Compliance Officer undertakes steps to investigate, impose sanctions and introduce measures, where appropriate, together with the local human resources departments and line managers. Anonymous complaint cases are first submitted to the ombudsman who forwards them to the Compliance Officer to be processed.

During the 2017 reporting year, ten cases of discrimination were reported within the Group, none of which occurred at HUGO BOSS AG ✓. The Company is committed to ensuring the complete clarification of each individual case and taking suitable measures where required. In the reporting year, measures were implemented in all reported cases, out of which eight have been concluded already in 2017.

¹ This means that a (follow-up) audit has been carried out in the last 18 months.

FAIR COMPENSATION SYSTEM

A **well-structured and traceable compensation policy** focuses upon equal opportunities and freedom from discrimination, and enhances the Company's competitiveness. It contributes towards employee motivation and the observation of employee rights. HUGO BOSS also sees fair compensation as an opportunity to support employee retention and provide incentives to implement the corporate strategy.

The **heads of department** are responsible for reviewing compensation, in collaboration with the **central Human Resources department**. The aim of HUGO BOSS is to ensure fair and competitive compensation globally. Operational benefits are centered around a **fair and transparent compensation system** that observes the contractual and collective agreements. It is based upon the role-dependent required qualification and performance, regardless of gender or other diversity factors. This principle is also defined in the HUGO BOSS **Code of Conduct**.

The compensation system at HUGO BOSS incorporates fixed and variable salary components, additional allowances, benefits in kind and other immaterial benefits. **Clearly documented job profiles** as well as national and international comparison benchmarks form the basis of the compensation. There are operational agreements in place for HUGO BOSS AG in Germany, which also regulate compensation components such as the employee performance bonus. They can be viewed by all employees via an internal portal.

An annual global **data query** records the average basic pay and total compensation by gender and employee category. An existing system is also being further developed that focuses upon the value of positions that is determined via defined criteria through the direct exchange with the respective heads of department. In parallel, external salary benchmarks are carried out in order to guarantee **competitiveness**.

Employees who do not have collectively negotiated wage agreements receive a basic salary plus a **bonus**, of which half is linked to Group targets and half to the achievement of qualitative and quantitative personal goals. All other employees share in the Group's success through an annual performance bonus that is linked to the achievement of internally defined Group targets. In order to enhance awareness of social and environmental topics, in particular at upper management level, sustainability aspects and employee satisfaction form fixed components of the medium-term management compensation. → **Annual Report**

HUGO BOSS also makes an important contribution towards the **company pension** of its employees, the scope and conditions of which differ from country to country. Additional benefits include health protection, accident and incapacity to work insurance, maternity leave and other offers for parents such as parental leave.





OCCUPATIONAL HEALTH AND SAFETY

As a Group that operates administration and production locations as well as its own retail stores, HUGO BOSS pays particular attention to the occupational health and safety (OHS) of its employees. This is expressed through the high standards for occupational health and safety. Through its **Health & Safety Commitment**, the Group underpins the importance of this topic and defines the responsibilities of the employees and the management. The Commitment can be viewed on the Group's website. → group.hugoboss.com

At senior management level and at operational level, there are a number of committees at the headquarters in Metzingen (Germany) that focus upon driving forward strategic and operational topics. There are similar committees at the locations in Australia, Canada, France, Great Britain, Italy, Switzerland, Turkey and the U.S. In order to ensure a high level of occupational safety, the employees' workplaces and new or changed processes are regularly assessed with regard to risks. Local managers, OHS specialists and, where required, external specialists are involved in the **health and safety inspections and hazard assessments**.

In order to ensure the goal of **safe working conditions** in the long term, the global OHS strategy is to be revised by the year 2020, and the processes and structures, particularly in the Group's own retail business, are to be aligned globally. Last year, a corresponding concept for retail was therefore developed and implemented as a pilot project, covering all stores in Germany and Austria with inspections and hazard assessments. This procedure is to be rolled out to the Group's own retail stores in other countries in future. → **Sustainability program**

The Company's employees are trained regularly on protection and safety in the workplace. **Face-to-face training or workplace instructions** in the commercial area are a fixed component of the induction events for new employees. The existing **OHS online training** that is obligatory for administrative employees at the head office in Metzingen (Germany) was redesigned in 2017 and expanded to cover warehouse and logistics locations in Germany. It is available in German and English, and is due to be introduced in 2018. Mandatory OHS online training especially for the retail area was launched globally in August 2016 and is available in six languages including Spanish, Japanese and Mandarin. The strengthening of the OHS culture and an expansion of all activities in this regard is a strategic focus area within the Group's own retail business. → **Sustainability program**

Despite the high standards for occupational safety and the observation of the duty of care, there were 154 accidents (2016: 160) in 2017, each of which resulted in absence of more than one working day. The total number of accident-related lost working days was 1,920 (2016: 2,080) and therefore the absentee days rate 0.1% (2016: 0.1%).

03|10 ACCIDENTS AND CORRESPONDING ABSENTEE DAYS BY REGION¹ (working day is equivalent to 8 hours)

	Accidents > 1 lost day			Absentee days		
	✓ 2017	2016 ²	2015	✓ 2017	2016 ²	2015
Europe	134	143	159	1,447	1,873	1,888
Americas	15	14	5	410	131	579
Asia/Pacific	5	3	4	63	76	9
Total	154	160	168	1,920	2,080	2,476

¹ Data refer to the companies in the scope of the Sustainability Report. If commuting and event accidents (accidents occurred at company events) are recorded as occupational accidents pursuant to local framework conditions, these are included in the data capture.

² 2016 is the first year with data for HUGO BOSS Canada Inc. For HUGO BOSS Textile Industries Ltd. (Turkey), a requirement for corrections of accidents and absentee days in 2016 compared to the previous year's report arose.

At HUGO BOSS AG there were 49 accidents in 2017 (2016: 63) and 560 (2016: 779) lost working days. Extrapolated to the Group¹, the values for the year 2017 were 183 accidents and 2,312 lost working days. In both cases, the absentee rate was 0.1%.

In the reporting period, 85,657 sickness days (2016: 84,231) resulted in a slightly increased sickness rate of 2.9% (2016: 2.8%).

03|11 SICKNESS DAYS AND SICKNESS RATE BY REGION¹ (working day is equivalent to 8 hours)

	Sickness days (by number)			Sickness rate (in %)		
	✓ 2017	2016 ²	2015	✓ 2017	2016 ²	2015
Europe	73,895	72,169	71,234	3.2	3.1	3.1
Americas	4,909	5,004	4,605	1.6	1.6	1.7
Asia/Pacific	6,853	7,058	7,901	1.9	2.0	2.2
Total	85,657	84,231	83,741	2.9	2.8	2.9

¹ Data refer to the companies in the scope of the Sustainability Report.

² 2016 is the first year with data for HUGO BOSS Canada Inc.

At HUGO BOSS AG there were 45,619 sickness days in 2017 (2016: 44,506) and thus a sickness rate of 5.8% (2016: 5.8%). Extrapolated to the Group¹, the values for the year 2017 were 101,437 sickness days and thus a sickness rate of 2.9%.

The number of work-related illnesses among employees at HUGO BOSS in 2017 was zero, as was also the case in the prior years.

¹ The basis for the extrapolation is the average number of man years (active employment relationships) at the companies included in the scope of the Sustainability Report, as well as the average number of man years at the Group companies not yet included, which were proportionally extrapolated to the regions.

HUGO BOSS aims to continuously strengthen the physical and mental health of its employees. Operational **health management** is anchored in the organization at many locations and is coordinated locally by the responsible employees. There is a wide range of options, which differ at the international locations. These options include, for example, physical and mental fitness, nutrition and workstation ergonomics. Specifically in Germany, these options are also supported by an advice hotline and a preventive program to manage stress. Health initiatives focusing upon the management of stress were also organized in all German retail stores in the reporting year. Occupational medical care is available in Metzingen (Germany) and at other international locations. Regular Health Days take place at the locations in Germany, Great Britain and Switzerland with the aim to making employees more aware about health. Further information on this subject is available on the Group's website. → group.hugoboss.com

VOCATIONAL TRAINING AND EMPLOYEE DEVELOPMENT

The systematic vocational training and employee development of talents is an important part of human resources work at HUGO BOSS. In collaboration with regional, national and international universities and vocational training institutes, the Group offers a wide range of industrial/technical and commercial **vocational training professions and dual courses of study**. In order to identify and acquire talent outside of the Company at an early stage, HUGO BOSS implements various measures at its locations and works together with external partners. Examples include the HBTU Ambassador Program at the Ticino (Switzerland) site, whereby employees are committed to expanding cooperations with universities. At the Metzingen (Germany) location, the I.N.S.I.D.E. events offer students the chance to get to know HUGO BOSS as an employer and to make initial contact with representatives from different departments.

A systematic **personnel training and development program** helps the employees to continuously broaden their knowledge and skills. HUGO BOSS has already extended the existing comprehensive offers for individual development through an Employee Development Program. All future specialists and team leaders pass through this specific development plan. HUGO BOSS offers individual development programs for managers with special training courses both at its headquarters and its subsidiary companies. The Excellence Program is used in this context, which makes discipline-specific training content available to employees in IT, Purchasing and Project Management, for example.

The individual development plans are based upon the employee performance reviews, which are held at least once a year. In 2017, 76% of the employees had an employee performance review (2016: 81%).

03|12 PERFORMANCE APPRAISALS BY REGION (in %)

	2017	2016	2015
Europe	83	85	86
Americas	31	58	34
Asia/Pacific	89	81	87
Total	76	81	79

HUGO BOSS promotes life-long learning and, besides a wide range of **face-to-face training**, it offers **e-learning** to support formal learning. During the last fiscal year, 2,353 classroom-based training courses were carried out at the considered locations (2016: 2,517). In May 2017, an integrated learning management system was introduced that contributes towards a new learning culture and promotes continual, self-managed learning. As a result of the implementation of the new learning management system, it was not possible to access the online training offering over quite a long period of time. This led to a reduction in the number of certificates acquired, which was 22,381 and below the number of the prior year (2016: 39,101).

03|13 TRAINING BY TYPE¹

	2017	2016	2015
Face-to-face trainings ²	2,353	2,517	2,563
Number of employees participating in online training	3,905	4,746	4,743
Number of certificates obtained by online training	22,381	39,101	39,500

¹ Without OHS and compliance trainings.

² Until 2016 including OHS trainings.

Generally, **career and development opportunities** are also encouraged through internal job transfers and international postings. HUGO BOSS offers a support program in Germany for employees who are planning to retire, in order to help with the transition. Further information is available on the Group's website. → group.hugoboss.com

7 We
23 Environment
35 Employees
47 Partners
63 Products
77 Society
83 Appendix

CHAPTER PARTNERS / Pages 47–62

ACHIEVING JOINT RESPONSIBILITY



PARTNERS

In the global supply chain at HUGO BOSS, compliance with environmental and social standards plays a fundamental role. The focus is upon adherence to and joint further development of international standards. In this context, HUGO BOSS relies upon open dialog and relations with its suppliers that are based on partnership. The Group plays a leading role in shaping sustainable textile supply chains, also as part of external cooperations.



Through its activities in the field of Partners, the Group is contributing towards SDGs 8 and 12 of the United Nations: Decent Work and Economic Growth as well as Responsible Consumption and Production

MANAGEMENT APPROACH

As a company with international production activities and business operations, the sustainable design of **sourcing and production processes** is of fundamental importance at HUGO BOSS. The Company manufactures roughly 20% of its products, in terms of overall sourcing volume, at its own production facilities. They cover a large part of its classic tailored menswear and womenswear segment. As a result, the Company maintains important know-how for the further development of production technologies and quality standards that can also be transferred to its production partners.

Beyond own production, around 80% of the sourcing volume, thus the majority, is manufactured by independent suppliers through contract manufacturing, or is purchased as full merchandise. The production facilities for own production as well as partners in the area of contract manufacturing and full merchandise are referred to as **finished goods suppliers** at HUGO BOSS. The Company also sources raw materials including fabrics and trimmings such as buttons and yarns from **raw materials suppliers**. → Graph: **Supplier factsheet**

HUGO BOSS follows the principle that responsibility is assumed together with its partners. The Company obliges itself and its suppliers to adhere to human rights as well as fair working conditions and environmental protection. The Group attaches particular importance to the **management of social impacts** in the supply chain (human rights and labor standards, health and safety and fair remuneration), as well as the protection of water quality in raw materials production as part of its **overall approach to environmental protection**.

At the very start of the **supplier selection process**, information with regard to social, environmental and compliance topics is collected and assessed by means of a survey that is completed by the potential suppliers. Acknowledgment of and adherence to the **HUGO BOSS Social Standards** is one of the fixed and mandatory components of the contractual agreement.

→ Graph: **Supplier factsheet**



Strategic priorities:

- Social standards
- Transparency
- Environmental protection

To assess adherence to social and environmental requirements as well as for the further development of the suppliers' management systems, the Group implements the **HUGO BOSS Social Compliance Program** and the **GSCP Environmental Program**. The **established grievance mechanisms**, which the suppliers' employees can use in the event of violations or for hints, are also part of the management systems. In 2017, the **Sustainability Scorecards** were introduced for all strategic finished goods suppliers as an additional element in the HUGO BOSS supplier management. They are also used to create transparency of the suppliers' economic, environmental and social performances.

In order to be able to better assess and manage social and environmental risks in the supply chain in general, HUGO BOSS creates special **country scorecards** in its supplier management. This **risk analysis** includes social and environmental risks as well as financial and country risks. Depending on the risk assessment, counter-measures are defined. The result of the risk analysis is also considered for the integration of potential partners into the Group's supplier portfolio.

In order to achieve continual improvements, the **strengthening of long-term supplier relationships** is important at HUGO BOSS. The Group invests in the quality, efficiency and technological progress of its strategic partners, for instance through on-site training or supported introduction of new technologies. To ensure the development of competences and the establishment of a common understanding, the Group works with its suppliers on social and environmental topics, for instance at its **HUGO BOSS Supplier Days**.

Ensuring **transparency** is a major challenge when defining sustainable supply chains. In this respect, **cooperations** with other companies and organizations play an important role. By exchanging information, experience and knowledge, common standards can be developed and established for the industry. Examples of cooperations at HUGO BOSS in the area of Partners include the German Partnership for Sustainable Textiles, the Fair Labor Association and the Accord on Fire and Building Safety in Bangladesh. HUGO BOSS also considers the increasing digitalization of supply chains to be an important factor for achieving complete transparency. For this reason, the Group is working with other organizations on the potential application of blockchain technology for the entire value chain, which, for example, enables the availability of certificates or audit results for all participating partners in the program along the entire value chain in digital form.

Last year, the Company made an important step to enhance transparency by publishing the list of its active finished goods suppliers. → group.hugoboss.com

04|01 PARTNER-RELATED COOPERATIONS

	Fair Labor Association (FLA)	Partnership for Sustainable Textiles	Accord on Fire and Building Safety in Bangladesh (ACCORD)	Initiative of the Partnership for Sustainable Textiles for Tamil Nadu
	(Member since 2014, accreditation in 2018)	(Member since 2015)	(Member since 2016)	(Engagement in initiative since 2017)
PURPOSE OF THE COOPERATION	Promotion and protection of workers' rights and improvement of working conditions globally	Social, environmental and economical improvements along the textile supply chain through exchange and cooperation of members	Ensurance of a safe working environment by implementing health and safety measures in Bangladeshi ready-made garment industry	Promotion of social standards in spinning mills and textile factories in the Southern Indian region Tamil Nadu with particular focus on strengthening women's rights
ACTIVITIES OF THE COOPERATION AND HUGO BOSS CONTRIBUTION	<p>Increase external transparency by publishing the results of independent audits carried out by the FLA on selected suppliers</p> <p>Accreditation of the HUGO BOSS Social Compliance Program and continuous feedback for improvements by the FLA</p> <p>Cooperation of HUGO BOSS with different stakeholders in FLA initiatives such as the Fair Compensation Project to achieve joint progress</p>	<p>Contribution of HUGO BOSS to an industry-wide exchange and setting of targets by participation in various working groups such as chemical management</p> <p>Commitment to an annual publication of sustainability targets in the supply chain (Sustainability Roadmap) and a progress report by HUGO BOSS</p>	<p>Standardization of fire and building safety requirements for involved suppliers and regular review of these by skilled ACCORD employees</p> <p>Support for own suppliers in the implementation of their action plans as well as monitoring of progress by HUGO BOSS</p>	<p>Implementation of training programs on social standards for workers and managers in spinning mills and textile factories through the initiative</p> <p>Support by HUGO BOSS in promoting a political dialog between local government, brands, suppliers and civil organizations to build trust between stakeholders and to discuss the challenges of the sector</p>

SOCIAL IMPACTS IN THE SUPPLY CHAIN

In the materiality analysis¹, three **main topics** were identified for the finished goods area, which relate to the **social impacts** of HUGO BOSS in its supply chain: human rights and labor standards, occupational health and safety, as well as fair remuneration of the workers. The following section reports in-depth on these three subject areas, as they are all part of the HUGO BOSS Social Compliance Program and are therefore closely interconnected. Further details on the subject of fair compensation can be found in the following section.

→ Fair compensation in the supply chain

In the global supply chain of textile companies, compliance with human rights and internationally-recognized social standards is a fundamental requirement. A major part of the sourcing volume at HUGO BOSS is constituted by products that are finished by independent suppliers also in economically less developed regions. In some of these regions, the political and social protection mechanisms for employees are underrepresented. HUGO BOSS therefore has a **joint responsibility towards the people** in its supply chain.

By specifying and monitoring higher standards, the Group can contribute towards improving the social conditions of many employees in the supply chain. The implementation of the **HUGO BOSS Social Compliance Program** aims for safe workplaces as well as decent living conditions. This is also beneficial to the workers' families, who depend on the income.



¹ According to GRI and CSR-RUG.

Furthermore, a fair compensation promotes the employees' wellbeing and supports a long-term economic development in the sourcing country. A responsible supply chain management at HUGO BOSS also has a positive impact upon the mutual business development, which is a prerequisite for reliable and long-term relationships with suppliers.

The social issues in the supply chain are monitored by the central **Vendor Sustainability team** led by the Director Global Sustainability. The suppliers' development with regard to social aspects is also supported by the operational sourcing units. An internal quarterly report informs all employees concerned as well as the management and the Managing Board of the current status of the suppliers' compliance with regulations and standards.

In countries where the national legislation is inadequate, the minimum standard is set by the **HUGO BOSS Social Standards**, which are the Group's most important framework for compliance and improvements of social issues in the supply chain. These standards apply to all employees in the Group's own production facilities and the suppliers' employees. The HUGO BOSS Social Standards are based on internationally-recognized standards such as the core conventions of the International Labour Organization (ILO) and are available in the 26 languages of the most important sourcing countries. They can be viewed on the Group's website. → group.hugoboss.com

In 2017, HUGO BOSS had an active business relationship with 202 external finished goods production facilities in a total of 28 countries and additionally sourced finished goods from its own production sites in Germany, Italy and Turkey. The Social Standards and their validity were acknowledged by all suppliers for all of their production facilities ✓.

Sustainability-related criteria are taken into account when selecting new business partners. In this context, the written acceptance of and compliance with the HUGO BOSS Social Standards is an absolute prerequisite and is also validated during on-site audits at the finished goods suppliers. During the assessment process of potential finished goods suppliers, there were three cases in the 2017 reporting year where a collaboration was declined due to inadequate working conditions or the non-acceptance of the contractual elements ✓.

In order to ensure that the suppliers also comply with the obligatory HUGO BOSS standards during the business relationships, **social audits are regularly conducted**, either by HUGO BOSS staff or external auditors. Relevant employee groups at HUGO BOSS are also regularly trained on the content of the social audit. Ahead of the audits, the business partners are provided with detailed information on the requirements for safe and fair working conditions. Afterwards, all the audited suppliers receive a detailed audit report. **Corrective action plans** are developed with the suppliers in the event of violations of the HUGO BOSS Social Standards. HUGO BOSS reviews the implementation of these action plans in follow-up audits, and as part of the monitoring process it uses detailed documentation to monitor the measures. In the event of violations, HUGO BOSS may withdraw from the supplier relationship as a last step, if no adequate improvement can be shown after several assessments.

During the last fiscal year, a total of 185 audits were conducted at existing and potential finished goods production facilities (including own production facilities). In doing so, 158 production facilities were audited ✓.

In the event of incidents or claims, in general, the suppliers' employees have the opportunity to contact the responsible person at HUGO BOSS directly via a defined **grievance mechanism** or to contact an external, independent ombudsman. The contact data is made available via communication cards that are distributed within the companies. Information on the ombudsman is also available on the Group's website. → group.hugoboss.com

To prevent violations of the Social Standards, HUGO BOSS gives the utmost priority to the **further development of its suppliers' management systems**. For example, a handbook on the HUGO BOSS Social Standards supports the suppliers with the implementation at their production facilities. Special **face-to-face trainings** for finished goods suppliers were also introduced for the first time in 2017 and are to be expanded upon in the future. Relevant content includes adherence to human rights, ensuring occupational health and safety standards as well as the procedure for the grievance mechanism. At the end of 2017, 32% of all finished goods suppliers (including own production facilities) took part in supplier training of this nature ✓. This figure shall be 100% by 2018. The Group regularly seeks opportunities to exchange and collaborate with its suppliers, such as at the HUGO BOSS Supplier Days.

The violations of the HUGO BOSS Social Standards that were exposed during the social audits related primarily to the areas of working hours and compensation as well as social compliance management, which assesses the consequence of implementing the social aspects at the production facilities. Throughout the course of the HUGO BOSS training program, establishing management systems is one of the focus topics. In general, there is a **corrective action plan** for all violations.

Furthermore, as part of a pre-sourcing audit (an audit that takes place prior to commencing a business relationship) one case of child labor was identified. The person was immediately exempted and all necessary compensation was paid. The collaboration with the supplier was strictly rejected.

The case of forced labor in India that was detected in 2016, was resolved in 2017 and long-term improvement measures were introduced. HUGO BOSS has also affiliated itself with the Systemic Improvement of Labour Conditions in the Tamil Nadu Textile and Garment Industry initiative run by the German Partnership for Sustainable Textiles. Its goal is to improve the working conditions in the spinning mills and textile factories in the Southern Indian region of Tamil Nadu, as well as strengthen the rights of the women there. → **Graph: Partner-related cooperations**

04|02 VIOLATIONS OF HUGO BOSS SOCIAL STANDARDS¹ (active und potential finished goods suppliers) ✓

	Risky	Insufficient	Total
Social compliance management	13	2	15
Child labor and young laborers	0	1	1
Forced labor	0	0	0
Worker treatment	0	0	0
Discrimination	0	0	0
Hours of work	1	6	7
Compensation and benefits	0	5	5
Health and safety	3	1	4
Freedom of association and collective bargaining	1	0	1
Supplier control	0	0	0
Total	18	15	33

¹ Listed violations refer to 185 conducted audits of finished goods suppliers (including own production facilities) in 2017.

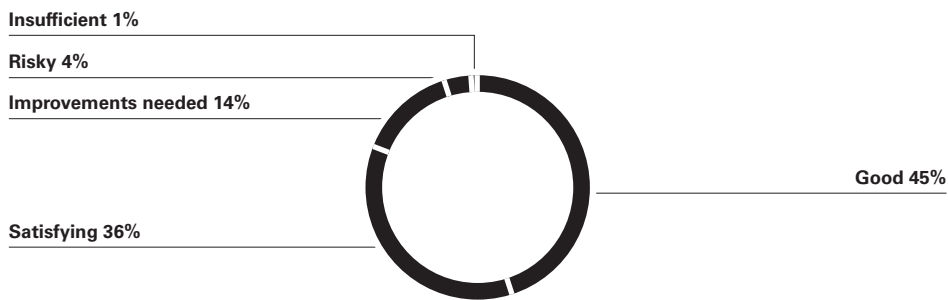


SOCIAL COMPLIANCE OVERVIEW

Valid audits exist for 84% of the production facilities that the Company cooperated with in the area of finished goods in 2017 (including own production facilities) ✓.¹ This means that a (follow-up) audit has been carried out in the last 18 months. The following graph indicates the current status of performance in relation to social compliance for the HUGO BOSS finished goods supplier facilities. It relates to all valid audits. These were partly conducted before January 1, 2017.

The percentage of suppliers that achieved a good to satisfying performance level increased from 79% to 81% compared with the prior year ✓.

04|03 STATUS SOCIAL COMPLIANCE PERFORMANCE (portfolio of active finished goods suppliers¹) ✓



¹ The graph refers to valid audits of all production facilities (inclusive own production facilities).
 Good = The supplier establishes the necessary activities for safe and fair working conditions in its management and takes its own social responsibility very seriously.
 Satisfying = The supplier recognizes the necessary activities for safe and fair working conditions and establishes processes and activities to implement them.
 Improvements needed = The supplier is aware of the need for safe working conditions, however fails to implement the relevant activities consistently in daily implementation and amongst employees.
 Risky = The supplier is aware of the requirements with regard to social compliance. However, the management team places no importance to implementing them, therefore resulting in non-compliances.
 Insufficient = The management team is not aware or not willing to deal with social compliance, respectively not willing to improve obvious shortcomings in management.


HUGO BOSS has set itself the goal of procuring 90% of its sourcing volume by 2020 from finished goods suppliers (including own production facilities) that have been assigned to the good to satisfying performance levels in their last audit. This figure currently stands at 84% ✓ (2016: 86%). The reduction in the rate is due primarily to the fact that a strategic finished goods supplier was no longer complying with the standards of HUGO BOSS. Therefore the Company will not continue the business relationship in 2018. → **Sustainability program**

¹ The 16% that are not covered relate to suppliers who have an active business relationship with HUGO BOSS but have not achieved a minimum turnover of EUR 30,000 per half year, to suppliers with whom the cooperation is not continued in the following year, or to suppliers with whom the cooperation was resumed in the fiscal year after a previous interruption, and for whom an audit from the old business relationship exists. In addition, the audit service provider in Italy was unable to carry out any audits in 2017 due to a lack of resources. One supplier from whom non-textile advertising material was purchased once in 2017 was also not covered by an audit.

SOCIAL COMPLIANCE IN RAW MATERIALS PRODUCTION

On the basis of the materiality analysis in accordance with GRI, the subject of social impacts is of high relevance, not only in the area of finished goods but also in the area of raw materials.

The above-mentioned details on the **HUGO BOSS Social Compliance Program** for the supplier selection process and the course of the business relationship are also applicable to the Group's direct raw materials suppliers. Adherence to the HUGO BOSS Social Standards is an absolute prerequisite for the collaboration. The evaluation – unlike for finished goods suppliers – is mainly carried out by means of self-assessments rather than audits.

In 2017, HUGO BOSS had an active working relationship with 371 raw materials production facilities in a total of 24 countries. All suppliers have acknowledged the Social Standards and their validity at their production facilities. In 2017, 117 raw materials suppliers were evaluated by means of a self-assessment. This included both potential and existing suppliers. As part of the evaluation of potential raw materials suppliers, there were six instances during the reporting year where a collaboration was rejected on the basis of inadequate working conditions (such as non-adherence to working hours and rest periods) or non-acceptance of the contract components such as the HUGO BOSS Social Standards .

The Company has developed a **governance model** in order to strengthen the individual responsibility of its raw materials suppliers. The framework stipulated for the suppliers includes different elements such as the development of their own Code of Conduct, the implementation of systematic risk management and the raising of awareness within their own supply chain. The direct raw materials suppliers are to be made increasingly aware of the governance model over the next few years. In this respect, the Company is constantly working on increasing **transparency** with regard to social, environmental and economic aspects at its raw materials suppliers.

Besides the direct raw materials suppliers, through its business activity HUGO BOSS also has an impact upon the companies that supply its finished goods suppliers. The Company considers it the duty also of its finished goods suppliers to assume responsibility for their own supply chains, and by means of the governance model it is providing them with a tool to fulfill this duty in future. → **Sustainability program**

For HUGO BOSS, a key element in the management of social impacts both at direct and indirect raw materials suppliers is the **commitment to cooperations** such as the initiative run by the German Partnership for Sustainable Textiles in Tamil Nadu or the BCI.

→ **Graphs: Partner- and Product-related cooperations**

FAIR COMPENSATION IN THE SUPPLY CHAIN



HUGO BOSS is convinced that a fair compensation system operated by its partners is not only the basis for a long-term cooperative partnership, but is also the prerequisite for the workers to live independent lives. Therefore, HUGO BOSS contributes towards the establishment of industry-wide standards and is working on a compensation strategy for its suppliers' employees. This is based upon the principles of the internationally-recognized standards such as those of the Fair Labor Association (FLA) and the German Partnership for Sustainable Textiles.

In accordance with the HUGO BOSS Social Standards, each supplier must pay its employees compensation in the form of money or other benefits of its choice. The compensation should ensure an acceptable minimum standard of living, provide a secure income and be regularly adjusted to changing basic conditions. As a result, HUGO BOSS requires that its suppliers pay at least the legal minimum wage or an appropriate and adequate industry wage, whichever is higher. The fundamental **principles of fair compensation** include the regulated payment of wages, the compensation of the actual hours worked, information on individual salaries (for example, through detailed salary statements), the right to collective bargaining and the avoidance of unequal compensation.

The **HUGO BOSS Social Standards** also regulate topics such as compensation for all the Group's suppliers. Adherence with the regulations is regularly checked and followed up by means of **social audits**. Detailed information on the internal responsibilities, the HUGO BOSS Social Standards, the conducted social audits and the key figure with regard to violations in the area of compensation and additional benefits, is included in the previous section of this chapter. → **Social impacts in the supply chain**

In addition to the social audits that assess the adherence to at least the minimum wage and the working hours, HUGO BOSS is also working on a **system to collect wage data** from its finished goods suppliers. As part of a multi-stage process, detailed wage data collection takes place with the suppliers by means of a database (Wage Data Collection Tool), which also includes aspects such as the querying of bonus programs, paid overtime hours and support services. This system provides an overview of the wage structure implemented by all suppliers. HUGO BOSS has set itself the goal of completing the wage data collection with all finished goods suppliers by 2019. A **wage strategy** for the finished goods suppliers is to be developed on the basis of the collected data until then.

A key factor for being able to exert maximum influence is the collaboration with other stakeholders in different organizations such as the FLA and the German Partnership for Sustainable Textiles. The intensive exchange and knowledge transfer among companies in the textile industry form a fundamental basis for being able to develop targeted **measures and strategies** collaboratively. Following the successful accreditation as an affiliated member of the FLA at the start of 2018, HUGO BOSS is committed to initiatives such as the FLA's Fair Compensation Project as part of this membership.

ENVIRONMENTALLY-FRIENDLY PROCESSES

The introduction and further development of environmentally-friendly processes at its suppliers is just as important to HUGO BOSS as environmental protection at its own production locations. Adherence to all legal environmental regulations is therefore a component of the framework agreements that HUGO BOSS concludes with its suppliers. These include, for instance, the HUGO BOSS **Environmental Commitment** that was published in 2015 and outline the principles of environmental protection for partner companies. These can be viewed on the Group's website. → group.hugoboss.com


The environmental requirements in the supply chain are controlled by a **central team in the Global Sustainability department**, which monitors the requirements of the obligatory environmental standards on a continual basis and adapts them in line with the latest developments. The operational sourcing units implement the regulations in their collaboration with suppliers. Regular reports inform all internal HUGO BOSS employees concerned as well as the management and the Managing Board of the current status of the suppliers' compliance with regulations and standards.

The **open source environmental program of the GSCP** that was rolled out in 2015, was further optimized in 2016 by integrating surveys on the subject of wastewater management. The tool provides the basis for HUGO BOSS to **record and improve the environmental conditions** in its supply chain and at its own production facilities. The Group requests the suppliers participating at the GSCP program to provide environment-related information for at least six of the core areas of the GSCP framework. This includes key figures in relation to management systems, energy consumption, greenhouse gases and transport, water consumption, wastewater, waste and the prevention of pollutants. A very important component of the GSCP is the raising of awareness when dealing with environmental protection topics. The aim is for all strategic finished goods suppliers (including own production sites) to achieve GSCP performance level 1 by 2020 (this equates to evaluation level satisfying). In 2017, the degree to which the objective was achieved was 17% ✓. → **Sustainability program**

In 2017, HUGO BOSS used this approach to audit six strategic finished goods suppliers ✓ (2016: 9). On the basis of the results, HUGO BOSS is working together with the suppliers to further improve their environmental performance. For the environmental monitoring of agreed improvement measures with the audited suppliers, the Group has introduced a continual monitoring system. This system documents the agreed activities along with corresponding timelines, and enables the suppliers to be reclassified.

As is the case with the social audits, the Group is also supporting its suppliers in the area of environmental management with the correct implementation of the requirements. The suppliers have a contact person and, where required, HUGO BOSS establishes contact with experts in the respective regions. Through this engagement, HUGO BOSS supports the GSCP's objective to ensure consistent minimum requirements in the area of environmental protection in the supply chain and to further develop existing standards.

Throughout the environmental audits in 2017, two violations were identified at a finished goods supplier in Italy and categorized as risky. During the on-site assessment, it was found that the supplier was neither able to provide a permit for the water extraction (not for production purposes) nor a chemical and microbiological water analysis for own wastewaters for the period in question. The finished goods supplier was asked to implement the necessary improvement measures. These measures will be verified during the follow-up audit by HUGO BOSS.

04 04 VIOLATIONS OF HUGO BOSS GSCP ENVIRONMENT STANDARDS¹ 			
(active strategic finish goods suppliers)			
	Risky	Insufficient	Total
Management systems	0	0	0
Energy consumption, transport and greenhouse gas emissions	0	0	0
Water consumption	1	0	1
Wastewater	0	0	0
Waste	0	0	0
Avoidance of harmful substances	1	0	1
Total	2	0	2

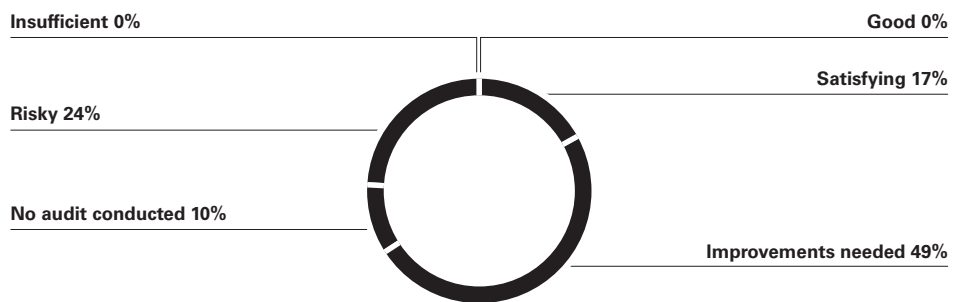
¹ The violations refer to six conducted audits of active strategic finished goods suppliers (including own production facilities) in 2017.

ENVIRONMENTAL COMPLIANCE OVERVIEW

With the audits carried out in 2017, there are valid environmental audits for 90% of the active strategic finished goods suppliers. The following graph indicates the current status of performance in relation to environmental compliance for the Group's strategic finished goods suppliers. It also relates to audits that were conducted before January 1, 2017.

04|05 STATUS ENVIRONMENTAL COMPLIANCE PERFORMANCE

(portfolio of active strategic finished goods suppliers¹)



¹ The graph refers to the 29 strategic finished goods suppliers (including own production facilities).

Good = Regular review of relevant consumption and emissions, processes and structures to improve the Company's environmental performance are established.

Satisfying = Basic structures and processes are established, however relevant documentation is not available.

Improvements needed = Potential risks relate in particular to a lack of awareness and non-existence of relevant data.

Risky = Relevant licenses are not available, existing practices represent an immediate risk and can lead to significant environmental impacts and violations of legal obligations.

Insufficient = Existing practices lead to significant environmental impacts.

WATER QUALITY PROTECTION IN RAW MATERIALS PRODUCTION



In textile and leather production, chemicals are used in particular in certain wet processes, such as dyeing, washing, bleaching and tanning. The same is true for the manufacturing of fibers such as cotton and for synthetic or recycled fibers. If chemicals are released during the production processes, this can lead to a deterioration in the water quality and water supply. This mainly affects the local communities surrounding a production facility. HUGO BOSS is conscious of these hazards and makes its suppliers aware of how to manage chemicals in a responsible manner in order to contribute towards protecting the environment.

The analyses conducted by the Group over the last few years within the context of the evaluation of natural resources show that the **environmental impacts of wet processes** are particularly high. Therefore, the focus in this report is on the subject of water pollution rather than air pollution in the production of raw materials. In order to address the impacts in a targeted manner, HUGO BOSS has started to include suppliers that use wet processes in the **GSCP environmental program**, regardless of their vertical integration (i.e. pure raw materials suppliers or vertically-integrated finished goods suppliers with their own raw materials production facilities). The largest suppliers that use wet processes and that are most relevant in terms of this subject were included in the program, with a focus upon dyeing, washing or tanning. The specific sections of the GSCP that focus upon preserving water quality are wastewater treatment and water pollution prevention, as well as a successfully implemented environmental management system at the production facilities. For further information on the internal responsibilities, guidelines and the GSCP auditing process, see previous section in this chapter.

→ Environmentally-friendly processes

In 2017, environmental audits were conducted for the first time by external auditors at 17 production facilities that use wet processes, with one of them having achieved good to satisfying results ✓. The audit results and the improvement activities to be derived from these results are discussed with the supplier according to the standard GSCP process.

In 2017, five violations categorized as insufficient were identified at suppliers that use wet processes, throughout the course of the audits commissioned by HUGO BOSS. A leak in a chemical tank was discovered at an Italian tanning facility. Two dyeing facilities in Peru had unacceptable levels in terms of the pH value, temperature and color of wastewater. At the end of 2017, a further infringement was discovered in India where there was a case of dyed wastewater. Furthermore, at a supplier in Vietnam, inadequate domestic wastewater disposal was identified. HUGO BOSS has defined measures for all the specified cases and is monitoring the implementation of these measures and reserves the right to conduct a follow-up audit.

04|06 VIOLATIONS OF HUGO BOSS GSCP ENVIRONMENT STANDARDS¹



(suppliers with wet processes)

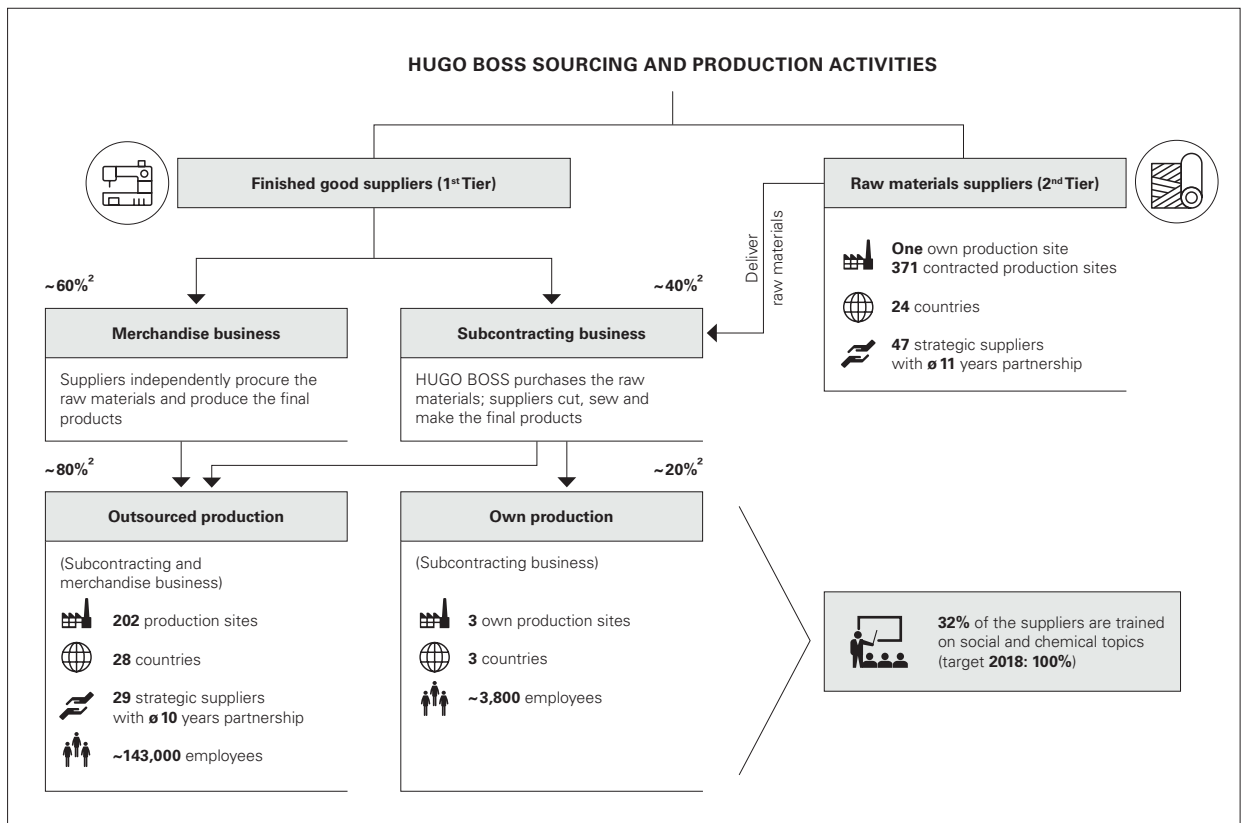
	Risky	Insufficient	Total
Management systems	4	0	4
Energy consumption, transport and greenhouse gas emissions	1	0	1
Water consumption	5	0	5
Wastewater	7	4	11
Waste	8	1	9
Avoidance of harmful substances	3	0	3
Total	28	5	33

¹ The violations refer to 17 conducted audits of suppliers with wet processes in 2017. Depending on their vertical integration, these can be of raw materials or finished goods suppliers. One of them is a strategic finished goods supplier.

Through its association with the Zero Discharge of Hazardous Chemicals (ZDHC) program in 2017, the subject of wastewater management was reflected to a greater extent in the Group's existing GSCP environmental program. Additionally, through its Leather Working Group (LWG) membership, HUGO BOSS is supporting the high environmental regulations for the tanning facilities certified according to the LWG standard, in order to minimize environmental impact in the production of leather. For its collaboration with the LWG, the Company set itself the goal of sourcing 25% of its leather from tanning facilities certified according to the LWG standard by 2019. In 2017, this value came to 23%. → **Graph: Product-related cooperations**

For more information on general chemical management at HUGO BOSS, see the sustainability program. → **Sustainability program**

04|07 SUPPLIER FACTSHEET¹



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 (1st Tier suppliers)
 - Social compliance self-assessment (2nd Tier suppliers)
 - Customs audit
 - Financial check
 - Evaluation of country risk

▶ 29 new 1st Tier suppliers

▶ 30 new 2nd Tier suppliers

SOCIAL AUDITS AND SELF-ASSESSMENTS

Social compliance audits (on site)
Relevant for all potential and active 1st Tier suppliers (>30.000€ turnover per half year)

- 185 conducted audits
- All new 1st Tier suppliers audited
- 84% of existing active 1st 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

Audit cycle 2017
(Depending on last result):

Result	Frequency in months
Good to satisfying	12-18
Improvements needed	6
Risky and insufficient	3

Social compliance self-assessments
Relevant for all potential and active 2nd Tier suppliers

- 117 completed self-assessments
- All new 2nd Tier suppliers covered

¹ Unless otherwise stated, all figures refer to the year 2017.
² Related to the total sourcing volume.

7 We
23 Environment
35 Employees
47 Partners
63 Products
77 Society
83 Appendix

CHAPTER PRODUCTS / Pages 63 – 76

IDEAS FOR TOMORROW



PRODUCTS

HUGO BOSS takes its responsibility very seriously to develop collections that not only meet its customers' high standards in terms of design, quality, longevity and innovation, but pose no health or environmental risks while at the same time being socially acceptable. Moreover, the Company works together with its suppliers and other stakeholders to find innovative solutions for environmental protection and animal welfare.



Through its activities in the Products area, the Group is contributing towards SDG 12 of the United Nations:
Responsible Consumption and Production

MANAGEMENT APPROACH

The products of HUGO BOSS combine premium quality and sophisticated design with ethical standards and the implementation of environmental and health requirements. The top priority is to develop innovative and sustainable product solutions that capitalize on the brands' full potential. HUGO BOSS assesses the success of its measures through customer satisfaction and other criteria. Regular cultivation of contacts and the measurement of customer satisfaction are essential for detecting changes in the requirements and integrating them into the design of products and services.

Clear guidelines, in-depth knowledge and dialog with partners enable the Company to integrate sustainability aspects into the product development process from the beginning. **Sustainable product development** begins at the design stage. The use of 3D virtualization in the design process enables a reduction in the number of prototypes and the amount of materials used. With the creation of a collection, attention is paid – if this is possible under quality considerations – to the selection of sustainable materials, including natural and recycled materials.

To further entrench environmental protection into product development, HUGO BOSS, within its membership of the Natural Capital Coalition (NCC), collaborated in 2016 on the development of a way to enable direct comparisons of the different environmental factors of product groups. Thus the environmental factors of all product groups that are relevant to HUGO BOSS were recorded and converted into monetary values. The extensive results of the **natural capital evaluation** were published during the last fiscal year on the Group's website. They form the basis of the comprehensive sourcing strategy for sustainable materials. Concrete goals for the use of sustainable cotton were published last year. Targets for leather, wool and synthetic fibers will be implemented over the next few years.

→ **Natural capital evaluation / Sustainability program**



- Strategic priorities:**
- **Sustainable materials strategies**
 - **Sustainable innovation**
 - **Circular design strategy**

With the development and implementation of sustainable sourcing strategies, HUGO BOSS relies upon **collaboration and cooperation with its stakeholders**. The cotton goals will be pursued together with the organizations Better Cotton Initiative (BCI), Yarn Ethically & Sustainably Sourced (YESS) and Cotton LEADS™. In order to promote sustainable management within the leather industry together with other companies, last year HUGO BOSS also became member of the LWG.

When using materials of animal origin, such as leather, wool and down, the Company complies strictly with recognized **animal welfare and biodiversity protection** regulations such as the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). HUGO BOSS opposes animal testing and inappropriate animal breeding and rearing methods. The Group has for many years cooperated with animal welfare and consumer protection groups and is in close contact with People for the Ethical Treatment of Animals (PETA) and other organizations to improve animal protection. HUGO BOSS was awarded the Vegan Fashion Award 2017 by PETA Germany in recognition of its efforts to replace the use of animal materials with substitute materials wherever possible. The Company received the award for the Merat parka from the HUGO brand's Fall/Winter collection.

→ **Graph: Product responsibility**

Innovation and sustainability go hand in hand at HUGO BOSS. Interdisciplinary teams are working together with partners, creatives and start-ups on exceptional materials and processing technologies. The goal is to bring these developments to market as quickly as possible in order to meet the customers' future demands. With the knowledge that the generally rather fast-moving cycles in the fashion industry represent a major challenge with regard to sustainability, the **2020 Circular Fashion System Commitment** was initiated at the Copenhagen Fashion Summit 2017. As a signatory of this commitment, HUGO BOSS is committed to using resources sparingly and promoting closed material cycles. The use of alternative and recyclable materials plays a major role in this respect.

Product safety is monitored at several levels at HUGO BOSS. The focus is upon avoiding chemical substances that can be detrimental to the well-being of the customers as well as to the environment and health of the employees who work with such substances during textile production and processing. To this end, the Company demands that its suppliers guarantee, among other things, that they comply with the Restricted Substances List (RSL), and it actively conducts extensive tests of harmful substances. By associating itself with the ZDHC program in 2017, HUGO BOSS is also working towards further optimizing the use of chemicals in the entire supply chain.

To minimize the environmental impacts in the area of **product packaging** as well, the Group is gradually increasing the percentage of recycled and FSC®-certified materials.

05|01 PRODUCT-RELATED COOPERATIONS

	Apparel and Footwear International RSL Management (AFIRM) (Member since 2009)	Zero Discharge of Hazardous Chemicals (ZDHC) (Member since 2017)	Better Cotton Initiative (BCI) (Member since 2017)	Leather Working Group (LWG) (Member since 2017)
PURPOSE OF THE COOPERATION	Reduction of the use and impact of harmful substances in apparel and footwear products	Zero discharge of hazardous chemicals in the whole textile supply chain	Holistic approach to sustainable cotton production, which covers environmental, social and economic aspects	Development and maintenance of a protocol to assess the environmental performance of leather manufacturers and to promote sustainable business practices
ACTIVITIES OF THE COOPERATION AND HUGO BOSS CONTRIBUTION	Cooperation in the establishment and further development of an industry-wide Restricted Substances List (RSL) in a continuous cooperation with brands and international test laboratories Complete compliance of the HUGO BOSS RSL (as a contractual requirement for all suppliers) with the AFIRM RSL standards starting in 2018	Provision of an information platform on chemicals (ZDHC Gateway) and ZDHC training sessions on chemical management for HUGO BOSS and its suppliers Support by HUGO BOSS in the further development of tools and methods by testing new developments of the ZDHC Commitment to the long-term implementation of ZDHC tools, including strict guidelines for the use of chemicals and waste water management, at HUGO BOSS suppliers	Delivery of farmer training sessions and professional advice on the cultivation of Better Cotton by BCI's partners financed through a volume-based fee from members Organization of a training session from BCI for HUGO BOSS employees on the procurement of cotton as Better Cotton Increase the proportion of cotton sourced from more sustainable sources in HUGO BOSS products up to 80% by 2025 with the majority being sourced as Better Cotton	Promotion of tanneries to get certified according to LWG specifications and support in the process by HUGO BOSS Provision of information tools, training sessions and further support for tanneries by the LWG Participation of HUGO BOSS in regular exchanges between affiliated brands, product manufacturers, tanneries and chemical suppliers to achieve joint progress Procurement of 25% of the used leather in HUGO BOSS products from LWG-certified tanneries until 2019

CUSTOMER SATISFACTION

The customer and its needs sit at the heart of HUGO BOSS' commercial activities. Through its offering of high-quality and contemporary premium fashion, HUGO BOSS inspires people globally and enables its customers to express their individuality while always being suitably dressed for every occasion. **Customer centricity** is thus a central part of the Group's strategy and the goal of the business activities. Value to the customer is the standard and goal of decisions that is made in the Group. This means maximizing customer satisfaction and loyalty and thus increasing the business value on long-term.

An essential element in this respect is the fulfillment of **individual customer wishes and needs**. Besides excellent product quality, customers are increasingly attaching importance to purchasing clothes that are produced in line with the relevant environmental and social standards. In order to identify these changing requirements and integrate them into the business model, maintaining regular contact with the customers is extremely important.

Many factors contribute towards customer satisfaction, such as product quality, the in-store purchasing experience, the perceived service quality and responsible marketing as well as customer data protection. Customer satisfaction is measured at HUGO BOSS by different departments that act as an interface with customers, such as customer service, purchasing advice and the implementation of personalized marketing activities.



In this context, HUGO BOSS relies upon different formats such as worldwide and region-specific surveys, interviews and focus groups. For instance, trained test shoppers from an external service provider ask for advice in the Group's own stores as part of a **mystery shopping** exercise. After making a purchase, they evaluate the purchasing experience, customer service, atmosphere and product offering on the basis of a detailed questionnaire. The Managing Board is also actively involved in the specific dialog formats for dialog with the customers. Independently of this, HUGO BOSS offers its customers various ways of being able to contact the Company directly.

The regular evaluation of the data collected in the surveys and other programs forms the basis for the measures to increase customer satisfaction. At the center of this is the **Net Promoter Score (NPS)**, which is determined for all channels that the Group uses to connect with the customer (such as the online store, customer service or own brick and mortar retail). The goal is to continue to maintain and further improve the consistently high NPS in relation to the competition. For reasons of confidentiality, the results cannot be published. The results of the mystery shopping exercises that are conducted globally, also provide important information for increasing customer satisfaction. They are therefore incorporated directly in the targeted and **systematic training sessions** for sales staff at the Group's own retail stores.

DESIGN

Product sustainability begins with the creative idea of **designing the collection**. The three stages design, pattern design and technical product development of the product development process are closely interlinked at HUGO BOSS and are summarized under the term research and development. Sustainability aspects are taken into account during all stages.

05|02 PRODUCT DEVELOPMENT PROCESS AT HUGO BOSS



Creative management marks the beginning of the product creation process. The work of the design teams includes the development and implementation of the creative idea in the collection contents. Important principles in this respect include quality and longevity, for example, which directly contribute towards the product's useful life for the customers. To support their work, the design teams can access environmentally-relevant facts on the World Apparel & Footwear Life Cycle Database (WALDB), which contains the environmental aspects of **materials**.

As part of the **circular design strategy** that was formulated as a component of the Group's commitment to the 2020 Circular Fashion System Commitment, the employees in the design, development and sourcing process will be trained on fabric cycles, recycling and usage of sustainable materials in future. Cycle-oriented design principles will also be integrated into the product development process from the very outset in future. Additionally, a digital media library will be created for suitable materials and processes. → **Natural capital evaluation**

The design teams' creative ideas are tailored in the **pattern design** phase. **Technical product development** then turns the models into prototypes and tests their suitability for the industrial production process. The use of digital prototypes is shortening development times. The high degree of detail provided by **3D virtualization** allows colors, contours and the way the outer material drapes the wearer's body to be realistically simulated. In 2017, the Company fully digitized product development for ties, shirts and knitwear of the HUGO brand. Since then, the diverse possibilities of virtualization have also been extended beyond the design phase and used in a pilot in the sale of products to wholesale partners. A digital showroom was developed in this context for the HUGO Menswear collection: The entire collection is presented on a table-sized touch screen, doing away with the need for a physical sample collection.

RESPONSIBLE USE OF MATERIALS

HUGO BOSS products are made exclusively from high-quality materials that meet its customers' high expectations in terms of comfort, longevity, fit and colorfastness. In addition to these quality factors, social and environmental aspects – from design and material selection through to the purchase of raw materials as well as environmentally-friendly finishing and packaging – also play a significant role.

Cotton by far constitutes the largest percentage of total material usage at HUGO BOSS, followed by wool, synthetic fibers and leather. The majority of the woven fabrics sourced by the Company come from Europe, with many materials being supplied by long-established partners in Italy.

05|03 MATERIALS USED (in t)

	2017	share in %
Cotton	6,623	48
Wool	2,255	16
Synthetic fibers	2,029	15
Leather	1,409	10
Rubber	500	4
Regenerated fibers	465	3
Polyurethane	281	2
Silk	102	1
Linen	52	0
Cashmere	33	0
Other	87	1
Total	13,836	100

As cotton is the most used material, HUGO BOSS has defined specific goals for sourcing sustainable cotton. By the year 2020, 50% of the cotton will come from sustainable sources, in accordance with the criteria defined in the Group's Cotton Commitment. By 2025 this percentage will increase to 80%.

The Signature line from BOSS Men Bodywear already exclusively uses high-quality certified Egyptian **organic cotton**, known as Egyptian White Gold, in association with the Cottonforlife initiative. In 2017, a **sustainable capsule collection** was also created under the BOSS Men's Casualwear, where sustainable raw materials, recycled cotton and organic cotton are used exclusively, and where particular attention is paid to special environmentally-friendly finishing processes. The capsule collection will be available with the Fall/Winter collection 2018 in stores, online in Europe and also at selected stores in the Americas and Asia. Concrete goals for the sustainable sourcing of leather, wool and synthetic fibers will follow.

→ **Sustainability program**

The use of **recycled materials** plays an increasingly important role in closing the raw material cycle and reducing waste. In doing so, it is important for HUGO BOSS to meet its own quality requirements. This is already the case with the padding made of recycled materials. Since the Fall/Winter collection 2017, the Company has solely used padding made from minimum 60% recycled materials for all its clothing lines and accessories.

Through its association with the 2020 Circular Fashion System Commitment, HUGO BOSS has reinforced its efforts in the area of **recycling and closed material cycles**. The 2020 Circular Fashion System Commitment is an industry-wide initiative with the aim of promoting the transition to a closed material cycle in the textile industry. This means extending the life-cycle of products and returning them into a material cycle at the end of their period of use. The careful selection and composition of the materials plays a very important role here. HUGO BOSS has set itself concrete goals within the framework of the 2020 Circular Fashion System Commitment. → **Sustainability program**

The **Product Innovation Lab** goes a step further: An interdisciplinary team will develop ideas for advanced products, fabrics and techniques in future. The goal is to bring these developments to market as quickly as possible in order to meet our future customers' wishes. The Product Innovation Lab is also designed to expand cooperation with partners, creative minds and startups. A current example of a successful collaboration is the cooperation with an external partner that specializes in the manufacturing of innovative and sustainable textiles. An innovative production method enables an **alternative material to leather** to be manufactured out of pineapple leaves – the so called Piñatex®. In spring 2018, HUGO BOSS will offer a limited edition of shoes in selected stores as part of this collaboration. The leisure shoe consists exclusively of vegan materials.

Recycling of production waste can also contribute to the protection of resources. For selected leather styles the Company produces key rings or purses as giveaways out of cutting waste since its Fall/Winter 2017 collection.

05|04 RECYCLED PROPORTION OF SALES PACKAGING (in t) ✓

Packaging type (Shopping)	Material	Total weight	Recycled proportion	Certified proportion	Recycled rate (in %)
Boxes	Paper	131	97	97	74
	Metal	13	0	0	0
	Plastic	2	0	0	0
Shopping bags	Paper	912	650	807	71
	Plastic	49	0	0	0
	Textile	9	5	0	55
	Composite materials	1	0	0	0
Suit bags	Plastic	228	0	0	0
	Composite materials	11	0	0	0
Total (Shopping)		1,356	752	904	55

05|05 RECYCLED PROPORTION OF PRODUCT PACKAGING (in t) ✓

Packaging type (Product)	Material	Total weight	Recycled proportion	Certified proportion	Recycled rate (in %)
Boxes	Paper	970	0	96	0
	Plastic	34	0	0	0
	Composite materials	6	0	0	0
Bags	Plastic	385	0	0	0
	Textile	27	0	0	0
	Paper	23	0	0	0
Various packages	Paper	516	16	170	3
	Plastic	174	3	0	2
	Metal	9	0	0	0
	Other	9	0	0	0
	Textile	1	0	0	0
Clothes hangers	Plastic	334	0	0	0
Total (Product)		2,488	19	266	1

Underwear, socks and shoes account for a large proportion of the **packaging materials** used by HUGO BOSS. For the packaging of underwear and socks, the Group predominantly uses FSC®-certified paper. Also for the shoes packaging, more environmentally-friendly materials shall be used in future. **Point of sale packaging** (e.g. shopping bags and gift boxes) also makes up a large part of total material used. In this area, the Group almost exclusively uses FSC®-certified paper. With regard to FSC®-certified shopping bags and gift boxes, the Company has ceased using plastic lamination since 2017 so that they can be recycled after use. Post-consumer recycled materials are used for the shopping bags wherever possible. Furthermore, Logistics completely switched to FSC®-certified cardboard boxes for all goods shipped from Germany during the reporting year. → **Logistics**

Wherever possible without forfeiting quality, HUGO BOSS attempts to **reuse materials** (for instance for cardboard boxes or hang tags in logistics) or **recycle** them (for instance clothes hangers). In future, the hangers used at the Group's own retail stores shall mainly consist of so called Fasal® BIO, an innovative material coming from by-products of wood processing, which can also be recycled itself.

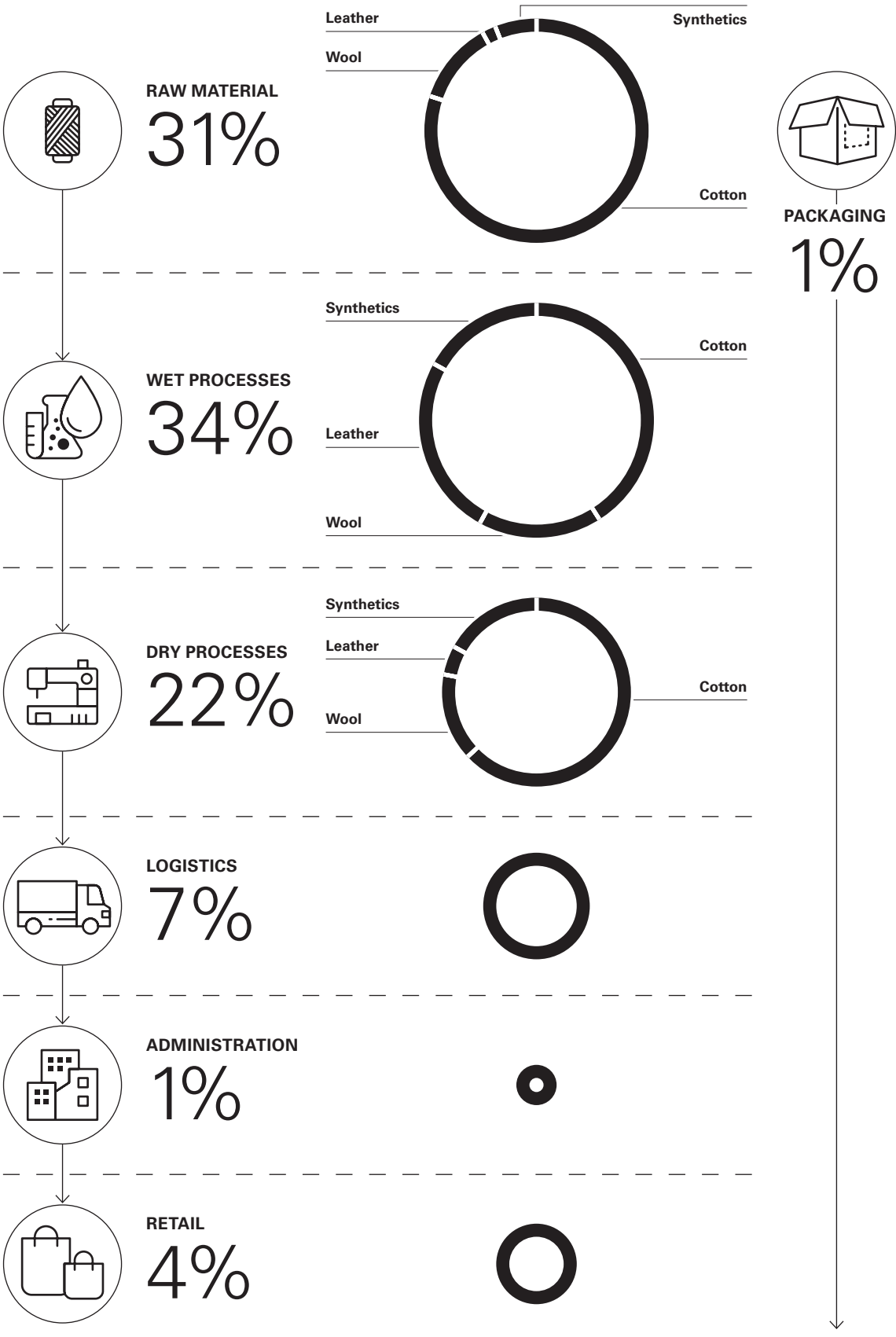
NATURAL CAPITAL EVALUATION

Back in 2009, HUGO BOSS began to measure and evaluate its own internal and external influences upon the eco-system. In order to determine its own impact upon the environment, **product lifecycle assessments** (LCAs) are carried out. These systematic analyses of the environmental impacts of products throughout their entire lifecycle and production stages were carried out for all the product categories, such as suits, t-shirts, jeans, shirts and leather shoes. The collected data is fed into the **WALDB database** that was developed in 2014 together with other stakeholders. Data from partners within the textile industry and data from scientific studies are also imported into the database. As the data relating to environmental influences, such as land usage or greenhouse gas emissions, cannot be compared due to the different units of measure, they are converted into monetary values with the assistance of the **Natural Capital Protocol** developed by the NCC. The standardized quantification that is created in this way enables the influences to be compared and thus prioritized – both form the basis for being able to implement the most effective environmental protection measures.

Within the product portfolio of HUGO BOSS, cotton and leather were identified as the materials with the greatest environmental impacts. **Water consumption** in cotton farming has a particularly high impact. On the basis of these findings, in the reporting year the Group published the HUGO BOSS Cotton Commitment for sourcing sustainable cotton, as well as relevant concrete goals. In order to promote more sustainable cotton production, the Group joined the BCI in 2017, which supports farmers with sustainable cotton farming, trains them and provides them with licenses, thus also improving their quality of life. Efficient water usage in cotton farming is one of the BCI's six core principles and is defined through optimized water consumption and the protection of groundwater and surface water, for example. Hence, the BCI links the success of its activities to factors such as the reduction in water consumption on cultivation fields.

In terms of leather, the greatest environmental impacts are associated with **water pollution** due to the inappropriate use and improper disposal of chemicals. Therefore, the GSCP environmental audits conducted last year were extended to suppliers that use wet processes, such as in tanning facilities. Within the scope of its comprehensive material strategy, the Group is developing a set of guidelines for the sustainable sourcing of leather. It is also a member of ZDHC and LWG to jointly work on the reduction of environmental impacts in the textile supply chain. → **Product safety**

05|06 ENVIRONMENTAL IMPACT¹ ALLOCATION OF THE VALUE CHAIN OF HUGO BOSS



¹ Includes water withdrawal, ecosystem quality (for instance land use, soil quality and biodiversity), human health and climate change. The graph is based on data collected in 2016.

CHEMICAL MANAGEMENT

The Company also considers chemical management to be a major lever in minimizing the **environmental impacts in the supply chain**. This applies to the activities at its own production locations, but also in particular to upstream production processes at the suppliers. For this reason, HUGO BOSS has for many years sought **industry-wide dialog** and collaboration with other stakeholders. The Company set itself the goal of creating complete transparency with regard to the use of harmful chemical substances along the value chain and continually reducing their use. This commitment is demonstrated through the cooperation with the German Partnership for Sustainable Textiles and its membership with ZDHC and LWG. Within the framework of these memberships, HUGO BOSS works together with its partners on initiatives including the optimization of methods for wet chemical processes, such as those used in dyeing or tanning, in order to continually reduce the environmental impacts and protect water quality. For denim styles, **alternative dyeing processes** are primarily used. These processes consume less water and less energy, and also use a considerably lower amount of chemicals, such as by avoiding the use of formaldehyde. More information on water quality protection can be found in the Partners chapter. → **Water quality protection in raw materials production**

Furthermore, through its membership in the Apparel & Footwear International RSL Management Working Group initiative (AFIRM), HUGO BOSS contributes towards establishing an industry-wide RSL, which is publicly available, and promotes the exchange of best practices.

→ Product safety

Besides minimizing the environmental impacts, the responsible handling of chemicals that are used in the production of textiles and leather is a prerequisite for creating maximum safety for the customers.

PRODUCT SAFETY

HUGO BOSS is aware of its responsibility towards the health and safety of the people who come into contact with its products during the manufacturing process or as customers. The Group takes this responsibility very seriously and develops collections that meet the **quality and safety standards**, and pose no health risks. Adherence with these standards is implemented and controlled through comprehensive guidelines and coordinated processes.

A central **team in the Global Sustainability department** manages product safety at HUGO BOSS in terms of the specification of the framework conditions and internal standards, as well as compliance with legal requirements. The operational implementation is carried out by the managers for quality and product safety in the respective sourcing units. If product tests are out of tolerances, a **defined escalation process** is initiated involving all relevant departments.

During the product development process, attention is given to the safety and compatibility of the chemical composition when selecting materials. The quality departments of the sourcing units carry out appropriate tests also during the creative development stage of the products. This contributes towards ensuring that the products meet the legal and Group's internal safety and quality standards before they are launched on the market. In the area of production processes and procedures, such as the dyeing of textiles and leather, increased emphasis is put on **new technologies and innovative processes** to avoid or substitute substances that may pose a risk to health or the environment.

The Group's overarching goal is to **reduce the use of chemicals** for better environmental sustainability and the guaranteed safety of the products. HUGO BOSS has developed an internal roadmap in this respect and has set itself medium-term goals. In collaboration with partners in the supply chain, in order to drive forward innovations for reducing the use of critical chemicals across the whole industry, HUGO BOSS is also committed to various working groups and alliances. → **Graph: Product-related cooperations**

For a long time, as a member of the AFIRM initiative, HUGO BOSS has been working with other companies on a **joint Restricted Substances List (RSL)**, which is regularly updated. A basic prerequisite for collaboration with a supplier is its written guarantee that it will observe the RSL of HUGO BOSS. On the one hand, it provides regulations for adhering to common national and international laws on the use of chemicals and other substances that present potential health risks. On the other hand, it also contains the Company's **internal policies**, which in many cases go above and beyond these minimum requirements. The specifications are applicable to all the materials used and to all the substances applied in the production process. In addition, HUGO BOSS requires that its suppliers use the tools provided by ZDHC in order to test alternative, environmentally-friendly chemicals and use them in production. A Manufacturing Restricted Substances List (MRSL) that will be implemented at HUGO BOSS in 2018 forms the basis of the tool's data.



05|07 PRODUCT RESPONSIBILITY

Materials from animal origin

Complete ban of exotic leathers and farmed furs	Sustainable down	Ban of angora wool	Mulesing-free wool	Guideline for use of sustainable leather	Guideline for use of sustainable wool
Exclusive use of cow, goat, sheep and buffalo leather	Exclusive use of down obtained without live plucking and force feeding	No use of angora wool	Proportion of mulesing-free wool is continuously increased in pure woolen knitwear (2017: 88%)	Guideline for the use of sustainable leather will be published by 2018	Guideline for the use of sustainable wool will be published by 2020

Natural fibres

Guideline for use of sustainable cotton	Increased use of sustainable cotton
Cotton Commitment publicly available since 2016	Until 2020: 50% of sustainable cotton Until 2025: 80% of sustainable cotton

Other sustainable materials

Use of recycled materials	2020 Circular Fashion System Commitment	Use of alternative materials	Guideline for use of synthetic materials
Use of padding made of recycled materials (60%) in all clothing lines and accessories	Principles to enable closed loops will be integrated in the product development process	For example vegan sneaker made of pineapple leaves as alternative to leather. Other materials to be tested in innovation lab	Guideline for the use of synthetic fibres will be published by 2020

Chemicals

Active chemical management	Joint efforts in the industry
HUGO BOSS Restricted Substance List (RSL) is compulsory for all suppliers. Compliance is controlled through regular product tests	In memberships (e.g. AFIRM, ZDHC) best practices are shared and common approaches in the industry are defined

7 We
23 Environment
35 Employees
47 Partners
63 Products
77 Society
83 Appendix

CHAPTER SOCIETY / Pages 77–82

PROMOTING PERSPECTIVES



SOCIETY

Making a contribution as a company and creating tangible added value for society is an integral part of corporate responsibility at HUGO BOSS. The Company encourages its employees to undertake voluntary work, and collaborates with external partners in this context. The aim is to inspire people to be successful outside the Company as well. To achieve this, HUGO BOSS has made education one of the focal points of its corporate citizenship strategy.



Through its activities in the Society area, the Group is contributing towards SDG 4 of the United Nations: Quality education

MANAGEMENT APPROACH

The **corporate citizenship strategy** of HUGO BOSS sets the framework for the Company's social commitment and future activities. It gives them a clear profile and builds on the Company's values, vision and mission. To better assess its activities and their success, HUGO BOSS developed a methodology back in 2015 to measure effectiveness. This was used in 2017 for three corporate citizenship projects. The methodology was optimized in the area of data acquisition, so that the success measurements carried out for projects in the future will be even more effective.

The overall aim of the HUGO BOSS corporate citizenship strategy is to foster individual potential for success. In so doing, the Company works with young people in particular, supporting them by ensuring access to educational opportunities. This is because HUGO BOSS considers access to education to be the basis for personal success and participation in society. The second pillar of the strategy consists of fostering career prospects and opportunities for lifelong learning. The strategy is therefore oriented toward the fourth goal of the United Nations' SDGs. Another focal point is the promotion of creativity and cultural diversity, which HUGO BOSS pursues through a wide-ranging program of cultural sponsorship. The Company also assumes responsibility for current social challenges and provides assistance in particular emergencies.



Strategic priorities:
- Access to education
- Professional training
- Fostering creativity

Through the HUGO BOSS Education Association program, the Company provides financial support for **training young people** at the production site in Izmir (Turkey): Relatives and close associates of employees who rely on financial aid can apply for a stipend. In 2017, 170 school-children and students received support from the HUGO BOSS Education Association.

PROFESSIONAL TRAINING

HUGO BOSS implements targeted career development measures in Izmir (Turkey), its largest production site. In collaboration with the local employment agency, the Company offers a program designed to help women **re-enter the labor market**. The project was continued during the last fiscal year for 63 women over three courses, one of which was completed in 2017. Out of the 21 participants who completed this first course, 19 were permanently employed by HUGO BOSS. The two other courses will be completed during 2018.

A special partnership was started in 2014 with The New School's Parsons School of Design in New York, which takes an interdisciplinary and practice-oriented approach to learning. HUGO BOSS is supporting selected students with a **stipend program** worth USD 250,000 over the course of five years. In 2017, the first joint sustainable fashion workshop was held in order to further enhance the dialog with the students on the subject of sustainability. Students could also complete internships at HUGO BOSS to gain initial work experience and contribute their passion to fashion. A group study seminar for the 2018 spring semester was also designed in 2017 under the title Circular Systems & Strategy. As part of the course, approaches to designing closed material cycles for clothing will be researched and developed. Special attention is given to the phase after the products have been used by the consumers. This is done in line with the Company's circular design strategy. → **Products**

FOSTERING CREATIVITY AND CULTURAL EDUCATION

HUGO BOSS considers its support for **contemporary art** to be a key element of its contribution to society. Contemporary art generates new stimuli and fosters tolerance and an innovative spirit. For this reason, it has been a fixed part of the social commitment for more than 20 years and it enriches the corporate culture. A great deal of passion and energy are injected into supporting selected exhibitions, projects and artists through the international cultural sponsoring program. In 2017, the HUGO BOSS ASIA ART Award was presented for the third time in collaboration with the Rockbund Art Museum in Shanghai. It is aimed at aspiring Asian artists and is linked to an exhibition of the nominees' works of art as well as a public educational program. The artist Li Ming was awarded the prize of RMB 300,000 (approx. EUR 38,500) in 2017.

Since 2016, the Company has sponsored the HUGO BOSS Creative Workshop at the Staatsgalerie Stuttgart, which is a place for artistic work and experimentation for children, youngsters and adults. The workshop forms a central part of the museum's educational services and offers many schoolchildren in the region with a space where they can discover creativity and art. A total of 2,197 children and adults took part in 166 events in 2017.

CORPORATE VOLUNTEERING

Within the framework of corporate volunteering, HUGO BOSS employees were also involved in helping **refugees integrate into society** in 2017. Among other things, staff helped with language and conversation courses or took care of children to enable mothers to take part in the courses. HUGO BOSS employees can also volunteer in other areas, for example by looking after their colleagues' children during school vacations, as part of the holiday care program. In order to promote volunteering, the time that the Company's employees spend on volunteering activities is fully or partially considered as working hours.

Further information about HUGO BOSS' social commitment can be found on the Group's website. → group.hugoboss.com

7	We
23	Environment
35	Employees
47	Partners
63	Products
77	Society
83	Appendix

Pages 83 – 106

APPENDIX

SUSTAINABILITY PROGRAM

Field of action	Target	Deadline	Status	Achievements
We	Integrating the principle of sustainability at the HUGO BOSS Group through various events	Ongoing	●	Implementation of an internal series of events with several events throughout the year; realization of a Sustainability Day in Ticino; sensitization of the local management to the topic of sustainability; further events are planned in 2018
We	Providing compliance training to 100% of staff with regular access to PCs	2019	◐	Design of a new training concept including the integration of new content and further languages
We	Implementation of a comprehensive Group-wide stakeholder management strategy	2020	◑	Establishing the Stakeholder Dialog as an annual dialog platform; extension of the cooperation in strategic alliances and multi-stakeholder initiatives
We	Enabling a structured exchange between stakeholders and the operative company management	Ongoing	◐	Organizing the second international Stakeholder Dialog; further development of cooperations with various stakeholders
We	Holding regular stakeholder dialog events	Ongoing	●	Realization of the second international Stakeholder Dialog in Bad Urach
We	Extending stakeholder management to include the most important subsidiaries	2018	◑	Inclusion of local management in the second Stakeholder Dialog; elaboration of internal analysis on this topic

Field of action	Target	Deadline	Status	Achievements
Environment	Implementation of a sustainable store concept for the construction and renovation of stores in all regions	2025	🕒	Analysis to identify the most important influencing factors and implementation in first pilot stores in Europe
Environment	Installation of LED lights or other efficient lighting in all new and renovated stores	2017	●	Successful global transition to LED lights in sales areas
Environment	Implementation of the energy management system in conformity with ISO 50001 at all own retail stores in Europe	2017	●	Implementation and successful certification of the energy management system in conformity with ISO 50001 at all own retail stores in Europe
Environment	Expansion of the certification of the environmental management system in conformity with ISO 14001 to all of the Group's production sites	2020	●	Implementation and successful certification of the environmental management system in conformity with ISO 14001 at all of the Group's production sites
Environment	Reduction of energy consumption in relation to Group sales by 30% compared with the base year 2016	2025	○	Energy consumption increased in relation to Group sales by 1%
Environment	Reduction of greenhouse gas emissions (scope 1 and 2) in relation to Group sales by 40% in comparison with the base year 2016	2025	🕒	Greenhouse gas emissions were reduced in relation to Group sales by 4%
Environment	Reduction of water consumption in relation to Group sales by 40% compared with the base year 2016	2025	○	Water consumption increased in relation to Group sales by 3%
Environment	Increase in more environmentally-friendly modes of transport (sea and rail freight) by 2% with a simultaneous 4% reduction in transport-related emissions (scope 3) in relation to shipped weight compared to the base year 2016 for all finished goods delivered to Germany ¹	2018	🕒	The more environmentally-friendly modes of transport sea and rail freight remained stable overall compared to the previous year's level; the emissions from transport increased by 12% in relation to shipped weight (in kg)
Environment	100% FSC®-certification for all self-purchased boxes leaving the HUGO BOSS distribution centers in Germany	2017	●	All self-purchased boxes leaving the HUGO BOSS distribution centers in Germany are FSC®-certified
Environment	Expanding the use of FSC®-certified boxes to all of the Company's own warehouses worldwide	2025	🕒	Using exclusively FSC®-certified boxes at own distribution centers in Germany
Environment	Standardizing logistics service contracts, including the HUGO BOSS Social Standards	2020	🕒	Standardizing the contracts with logistic service providers in Germany

¹ This meets the targets set by the COP21 agreements.

Field of action	Target	Deadline	Status	Achievements
Employees	Continually optimizing global employee retention measured on the basis of a 25% reduction in employee-specific fluctuation (base year: 2014)	2020		First implementation of the flexible working world New Work; use of agile working methods and introduction of the Employee Development Program for systematic training of specialists and management; Group-wide analysis of fluctuation data to define appropriate measures for individual situations in international markets
Employees	Regular implementation of employee surveys at all HUGO BOSS sites with the aim of improving employee satisfaction	2020		World-wide conducting of the Great Place to Work® survey by full-scope and sample surveys
Employees	Revising the global strategy on OHS with the aim of establishing a uniform, Group-wide standard evaluated and managed using a key performance indicator system	2020		Revision of the key performance indicator system; fine-tuning of the OHS targets; successful introduction of a new concept for inspections and risk assessments at logistic sites
Employees	Further developing the OHS culture and systematically adapting processes and structures in own retail worldwide	2020		Pilot project on store inspections in Germany and Austria by OHS experts and the company doctor; development of OHS concept for retail worldwide
Employees	Reinforcement of the physical and mental health of all employees	Ongoing		Organization of Health Days (information events) for the employees at various international locations; further extension of health offers for retail
Employees	Further development of the existing system for the assessment of positions to ensure a fair, market-oriented and function-based remuneration for all employees	2018		Project start in 2017; exchange with contact persons worldwide

Field of action	Target	Deadline	Status	Achievements
Partners	Full transparency is ensured for all strategic finished goods suppliers concerning social, environmental and economic performance factors	2017	●	Environmental and regular social audits are available for all finished goods suppliers; in 2017 a sustainability scorecard was introduced for all strategic finished goods suppliers
Partners	Achievement of complete transparency for all finished goods suppliers concerning social, environmental and economic performance factors as well as their digitally supported supply chains	2025	🕒	The requirements for the performance factors have been defined; introduction of feasibility studies concerning the digitalization of the supply chain
Partners	Definition of a framework (governance model) for suppliers concerning their own responsibility with regards to sustainability aspects in the entire supply chain	2017	●	Stocktaking and analyzing existing governance models in the HUGO BOSS supplier portfolio
Partners	Introduction of a governance model for the value chain (incl. an in-house code of conduct) for strategic finished goods suppliers and the assumption of responsibility for their own suppliers	2020	🕒	Pilot project for introduction of individual governance models at strategic finished goods suppliers
Partners	Implementation of sustainability training sessions for all finished goods suppliers	2018	🕒	Training at Western European suppliers and suppliers in China completed; training sessions e.g. in Turkey, India, Sri Lanka and Vietnam as well as Eastern Europe will follow in 2018
Partners	Sourcing of more than 90% of all goods from suppliers (incl. own production facilities) who achieve a result of satisfying or better in social audits	2020	●	In 2017, 84% of goods were sourced from suppliers (incl. own production facilities) who achieved a result of satisfying or better in social audits
Partners	Defining the required performance level with regard to the environment (on the basis of the GSCP) for all finished goods suppliers	2017	●	The following performance levels were defined in 2016: all suppliers must meet the local legal requirements. Strategic suppliers must also meet GSCP level 1; they must comply with the law and make employees aware of environmental issues
Partners	All strategic finished goods suppliers must meet GSCP level 1: they must comply with the law and make employees aware of environmental issues	2020	🕒	17% of the finished goods suppliers reached the GSCP level 1; a further 73% have well-defined corrective Action Plans (especially in the field of training and documentation) to reach level 1
Partners	The Zero Discharge of Hazardous Chemicals Manufacturing RSL (ZDHC MRSL) will be part of all contracts with suppliers and will be implemented in relevant manufacturing processes	2018	🕒	HUGO BOSS became a member of ZDHC in 2017

Field of action	Target	Deadline	Status	Achievements
Products	Coverage of all product categories with LCAs and integration of the results into the studies of the natural capital evaluation	2017	●	Implementation of the missing product categories polo shirts, jeans, pants and shoes as well as suits and silk ties; integration of the results into the studies of the Group-wide natural capital evaluation; the results form the basis for sustainable material strategies, e.g. concerning cotton, leather and wool
Products	Publication of a mandatory guideline concerning the use of sustainable cotton as well as quantitative targets in this area	2017	●	Publication of the HUGO BOSS Cotton Commitment on the Group's website; start of collaboration with Cotton LEADS™ and YESS as well as the BCI; publication of concrete targets concerning the use of sustainable cotton until 2025
Products	Use of 50% of sustainable cotton in accordance with the criteria of the Cotton Commitment	2020	◐	Definition and publication of the target on the Group's website; 30% of the cotton used already conform to the criteria defined in the Cotton Commitment
Products	Use of 80% sustainable cotton in accordance with the criteria of the Cotton Commitment	2025	◑	Definition and publication of the target on the Group's website; 30% of the cotton used already conform to the criteria defined in the Cotton Commitment
Products	Publication of a mandatory guideline concerning the use of sustainable leather as well as quantitative targets in this area in accordance with the requirements of the LWG	2018	◐	Publication of the results of the natural capital evaluation on the Group's website; initiation of a study concerning the tanning processes in cooperation with the Italian Tannery Association (UNIC); accession to the LWG in 2017
Products	25% of the leather used comes from tanneries certified by the LWG	2019	◑	In 2017, 23% of the leather used came from tanneries certified by the LWG
Products	Development and implementation of a material strategy for wool and synthetic fibers	2020	◑	Development of an internal criteria catalog for the definition of sustainability characteristics
Products	Increase in the amount of mulesing-free wool in all pure woolen knitwear to 90%	2020	◑	Use of mulesing-free wool in 88% of all pure woolen knitwear since the Fall/Winter collection 2017
Products	Definition of circular design principles which form the basis of all product line developments starting with the Spring/Summer collection 2020	2020	◐	Drafting and publication of the HUGO BOSS circular design strategy including quantitative targets within the 2020 Circular Fashion System Commitment of the Global Fashion Agenda
Products	Regular training sessions concerning the topic of circularity, recycling and the use of sustainable materials for all employees in the design-, production- and procurement departments	2020	◐	Drafting and publication of the HUGO BOSS circular design strategy including quantitative targets within the 2020 Circular Fashion System Commitment of the Global Fashion Agenda

Field of action	Target	Deadline	Status	Achievements
Products	Setting up of an extensive digital media library for materials and textile fibers as well as dyeing, treatment and refinement processes, which facilitate recycling and circularity	2020	🕒	Drafting and publication of the HUGO BOSS circular design strategy including quantitative targets within the 2020 Circular Fashion System Commitment of the Global Fashion Agenda
Products	Provision of detailed information for customers to support adequate product care to ensure its longevity	2020	🕒	Drafting and publication of the HUGO BOSS circular design strategy including quantitative targets within the 2020 Circular Fashion System Commitment of the Global Fashion Agenda
Products	Market launch of innovative, sustainable HUGO BOSS products	2020	🕒	Creation of a marketable capsule collection in the BOSS Men's Casualwear (jeans and jersey products) as well as a BOSS Menswear shoe collection made out of Piñatex®, an innovative and sustainable material made from pineapple leaves; the products will be available for purchase in selected stores in 2018

Field of action	Target	Deadline	Status	Achievements
Society	Promoting education at HUGO BOSS sites and along the supply chain with the aim of training potential employees and strengthening society	Ongoing	●	Implementation of the ISKUR program for women returning to work in collaboration with the local employment agency at the site in Izmir
Society	1,250 women to be reached with the apprenticeship program ISKUR	2020	●	Since the beginning of the project in 2010, 1,130 participants have been supported
Society	Promotion of equal opportunities and supporting disadvantaged children	Ongoing	●	Partnerships with UNICEF on a global level and with the artschool in Filderstadt as a regional project
Society	Uncomplicated aid in emergency situations	Ongoing	●	Support for projects (language courses, swimming, childcare and internships) for integrating refugees at the Metzingen site under the auspices of the German integration initiative "Wir Zusammen"
Society	Reinforcement of the integration project for refugees in the Metzingen region	2017	●	Continuation of language courses, childcare and internships at the Metzingen site and initiation of new elements, for example trauma therapy
Society	Promoting knowledge transfer in society to facilitate first-class training for the new generation and increase knowledge in society	Ongoing	●	In collaboration with the fashion school in Stuttgart, HUGO BOSS regularly presents a fashion award to students in the field of fashion design
Society	Fostering young artists and creativity in general in HUGO BOSS core markets	Ongoing	●	Realization of the next HUGO BOSS ASIA Art Awards 2017; continuation of HUGO BOSS creative lab (Kreativwerkstatt) in Staatsgalerie Stuttgart
Society	Deepening the collaboration with students at The New School's Parsons School of Design	2018	●	Realization of a workshop on the topic of sustainable fashion and setting up a group study seminar for students on the topic of circular economy
Society	Defining the specific framework conditions for the HUGO BOSS corporate volunteering program	2018	●	Various measures were implemented in 2016 and 2017 at selected locations; a global concept is being developed
Society	Implementing a strategic flagship project with quantifiable community value added	2020	●	Assessing potential topics, initiatives and partners for a collaboration; selection of the Tamil Nadu initiative of the German Partnership for Sustainable Textiles to support female workers in India

FURTHER KPIs

EMISSIONS

INDIRECT GREENHOUSE GAS EMISSIONS INCL. RETAIL (in t CO₂) (location-based calculation)

	✓ 2017	2016
Scope 2		
Indirect energy consumption	39,469	38,382

PERSONNEL STRUCTURE

EMPLOYEES BY CATEGORY AND REGION (headcount) ✓

	Management	Commercial employees	Industrial employees	Apprentices	Temporary workers
Europe	977	4,037	4,127	125	1,056
Americas	327	1,178	120	0	366
Asia/Pacific	276	1,196	54	0	127
Total	1,580	6,411	4,301	125	1,549

EMPLOYEES BY EMPLOYMENT TYPE AND REGION (headcount) ✓

	Full time	Part time	Full time in %	Part time in %
Europe	8,600	1,722	83	17
Americas	1,277	714	64	36
Asia/Pacific	1,373	280	83	17
Total	11,250	2,716	81	19

EMPLOYEES BY GENDER AND EMPLOYEE CATEGORY (in %) ✓

	✓ 2017		2016		2015	
	Women	Men	Women	Men	Women	Men
Management	47	53	44	56	46	54
Commercial employees	60	40	61	39	62	38
Industrial employees	62	38	62	38	63	37
Apprentices	60	40	59	41	54	46
Temporary workers	58	42	59	41	59	41
Total	59	41	59	41	60	40

EMPLOYEES BY AGE AND EMPLOYEE CATEGORY (in %) ✓

	<30	30 ≤ x < 40	40 ≤ x < 50	≥ 50
Management	8	46	31	15
Commercial employees	40	35	15	10
Industrial employees	21	44	23	12
Apprentices	98	2	0	0
Temporary workers	74	12	6	8
Total	35	36	18	11

TERMINATION BY REASON AND REGION¹ (headcount) ✓

	Europe	Americas	Asia/Pacific	Total
Employee-specific	1,201	520	435	2,156
Employer-specific	365	136	81	582
Redundancy	2	0	30	32
Retirement	107	1	0	108
Death, emigration	11	5	1	17
Termination (total)	1,686	662	547	2,895

¹ Data without apprentices, interns, diploma students, agency staff.

TERMINATION BY CATEGORY AND REASON¹ (headcount) ✓

	Commercial employees (including management)	Industrial employees	Total
Employee-specific	1,875	281	2,156
Employer-specific	465	117	582
Redundancy	31	1	32
Retirement	16	92	108
Death, emigration	14	3	17
Termination (total)	2,401	494	2,895

¹ Data without apprentices, interns, diploma students, agency staff.

TERMINATION BY CATEGORY AND REASON¹ (in %) ✓

	Commercial employees (including management)	Industrial employees	Total
Employee-specific	23	7	18
Employer-specific	6	3	5
Redundancy	0	0	0
Retirement	0	2	1
Death, emigration	0	0	0
Termination (total)	29	12	24

¹ Data without apprentices, interns, diploma students, agency staff.

TERMINATION BY GENDER AND REGION¹ (headcount) ✓

	Women	Men	Women	Men
Europe	917	769	54	46
Americas	265	397	40	60
Asia/Pacific	371	176	68	32
Total	1,553	1,342	54	46

¹ Data without apprentices, interns, diploma students, agency staff.

TERMINATION BY AGE AND REGION¹ (headcount) ✓

	< 30	30 ≤ x < 40	40 ≤ x < 50	≥ 50
Europe	892	511	204	79
Americas	388	144	75	55
Asia/Pacific	270	222	41	14
Total	1,550	877	320	148

¹ Data without apprentices, interns, diploma students, agency staff.

TERMINATION BY AGE AND REGION¹ (in %)				
	< 30	30 ≤ x < 40	40 ≤ x < 50	≥ 50
Europe	53	30	12	5
Americas	59	22	11	8
Asia/Pacific	49	41	7	3
Total	54	30	11	5

¹ Data without apprentices, interns, diploma students, agency staff.

TOPICS OF THE MATERIALITY ANALYSIS

Stage in value chain	Cluster and individual topic	Relevant for non-financial report?
Raw materials	Social impacts	
	• Fair remuneration	
	• Human rights and labor standards	
	• Occupational health and safety	
	Environmental impacts	
	• Energy consumption and GHG emissions	
	• Water consumption ¹	
	• Pollution of water and air ²	§
	• Waste	
	• Impacts on soil and biodiversity	
Finished goods	Animal welfare	
	Social impacts	
	• Fair remuneration	§
	• Human rights and labor standards	§
	• Occupational health and safety	§
	Environmental impacts	
	• Energy consumption and GHG emissions	
	• Water consumption	
	• Pollution of water and air ³	
	• Waste	
• Impacts on soil and biodiversity		
Own operations	Social impacts	
	• Fair remuneration	§
	• Human rights and labor standards	§
	• Occupational health and safety	§
	Environmental impacts	
	• Energy consumption and GHG emissions	
	• Water consumption	
	• Pollution of water and air	
	• Waste	
	• Impacts on soil and biodiversity	
Own operations	Employee engagement	§
	Social commitment	
	Governance	
	• Anti-corruption, anti-bribery and antitrust	§
	• Data security	§
Logistics	• Ethically correct payment of corporate taxes	§
	Environmental impacts in logistics	
	Products and services	
Products and services	• Resource efficiency of products during use phase	
	• Resource efficiency of products at end of product life cycle	
	Product safety	§
	Customer satisfaction	§

¹ The topic water consumption (raw materials) is assigned to the environmental impact cluster (raw materials), but was considered separately due to its high strategic business relevance for HUGO BOSS.

² The topic water and air pollution (raw materials) is assigned to the environmental impact cluster (raw materials), but was considered separately due to its great importance for stakeholders and its high strategic business relevance for HUGO BOSS.

³ The topic water and air pollution (finished goods) is assigned to the environmental impact cluster (finished goods), but was considered separately due to its great importance for stakeholders.

INDEX OF THE NON-FINANCIAL REPORT

	Page
Description of business model	5
Description of process to define the relevant topics	10–11
Description of process to define the ESG risks	14
Framework	3

Aspect of non-financial report	Stage in value chain	Material topic for HUGO BOSS (according to business relevance and impact)	Page
Environmental concerns	Supply chain (raw materials)	Pollution of water and air	60–61
		Employee engagement	38–39
Employee concerns	Own operations	Human rights and labor standards	40–41
		Fair remuneration	42
		Occupational health and safety	43–44
Human rights	Supply chain (finished goods)	Human rights and labor standards	50–54
		Fair remuneration	56
		Occupational health and safety	50–54
Customer	Own operations	Customer satisfaction	66–67
		Product safety	74–75
		Data security	16–17
Social concerns	Own operations	Ethically correct payment of corporate taxes	18
Anti corruption	Own operations	Anti-corruption, anti-bribery and antitrust	15–16

MATERIAL SUSTAINABILITY TOPICS AND GRI ASPECTS


Strategic intensity	Sustainability topics	Allocated GRI aspects	Significant impact		
			Inside the Company	Outside the Company	Inside and outside the Company
High strategic intensity	Social impacts (finished goods)	Equal opportunities, Freedom of association and right to collective bargaining negotiations, investment, human rights and labor practices and grievance mechanisms, child labour, forced or compulsory labor, occupational health and safety, audit Supplier assessment for human rights, labor practices as well as impacts on society			HB ¹ , suppliers
	Pollution of water and air (raw materials)	Emissions, water, wastewater and waste Supplier environmental assessment		Suppliers	
	Product safety	Customer health and safety		Customers	
	Social impacts (raw materials)	Equal opportunities, Freedom of association and right to collective bargaining negotiations, investment, human rights and labor practices, grievance mechanisms, child labour, forced or compulsory labor, occupational health and safety, assessment			HB, suppliers
	Employee engagement	Freedom of association and right to collective bargaining	HB		
	Water consumption (raw materials)	Water		Suppliers	
	Customer satisfaction	Customer privacy, product and service labeling, customer health and safety		Customers	
	Social impacts (own operations)	Employment, diversity and equal opportunities, occupational health and safety, equal remuneration for women and men, education and training	HB		
	Environmental impacts in logistics	Transport, energy, emissions			HB, suppliers, customers
	Medium strategic intensity	Governance	Anti-competitive behavior, compliance (SO), compliance (EN), anti-corruption, customer privacy, economic performance		
Pollution of water and air (finished goods)		Energy, emissions, waste water and waste Supplier environmental assessment		Suppliers	HB, suppliers
Low strategic intensity	Social commitment	Indirect economic impacts, local communities			HB, suppliers, customers
	Animal welfare	Advertising		Suppliers	
	Environmental impacts (own operations)	Energy, emissions, materials, wastewater and waste, water	HB		
	Other environmental impacts (raw materials)	Water		Suppliers	
	Products and services	Compliance (PR), advertisement, product and service labeling, customer health and safety Advertising			HB, customers
				Customers, suppliers	
Other environmental impacts (finished goods)	Water, energy, emissions, wastewater and waste		Suppliers		

¹ HB = HUGO BOSS

GRI CONTENT INDEX

The HUGO BOSS Sustainability Report 2017 was prepared on the basis of the guidelines of the Global Reporting Initiative (GRI) in the Version G4 including the “GRI Apparel and Footwear Sector Supplement”. The selection of the General and Specific Standard Disclosures to be reported is made on the basis of a materiality analysis carried out in 2017. Selected disclosures were subject to an external audit.

GENERAL STANDARD DISCLOSURES

	Page	Omissions	External audit
STRATEGY AND ANALYSIS			
G4-1	Statement from the CEO	2	
G4-2	Description of key impacts, risks and opportunities	14	
ORGANIZATIONAL PROFILE			
G4-3	Name of the company	3	
G4-4	Primary brands, products and services	5	
G4-5	Location of headquarters	5	
G4-6	Countries with major operations	5	
G4-7	Nature of ownership and legal form	3, AR ¹ 26–27	
G4-8	Markets served	5	
G4-9	Scale of the reporting organization	5	
G4-10	Breakdown of workforce by employment, gender and regions	37, 91	Details about the employee structure by contract type are not available. 
G4-11	Percentage of total employees covered by collective bargaining agreements	37	
G4-12	Description of the supply chain	5, 10, 48, 62	
G4-13	Significant changes during the reporting period		In the reporting year, no significant changes occurred.
G4-14	Implementation of the precautionary principle	14	
G4-15	Support for external initiatives	21–22	
G4-16	Memberships in associations and advocacy organizations	21–22	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List of consolidated companies	3, SR ² 2014 3–4	
G4-18	Process for selecting the report content	3, 10–12	
G4-19	All material aspects identified	96	
G4-20	Material aspects within the company	96	
G4-21	Material aspects outside the company	96	
G4-22	Restatements of information provided in comparison with previous reports	3	
G4-23	Important change in the report scope and the aspect boundaries	3	
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups engaged by the organization	19	
G4-25	Identification and selection of stakeholders	19	
G4-26	Approach to stakeholder dialog and frequency of engagement	19–20	
G4-27	Key topics and concerns of stakeholders and response	12, 19–20, W ³	

¹ AR = Annual Report HUGO BOSS

² SR = Sustainability Report HUGO BOSS

³ W = Group's website HUGO BOSS

GENERAL STANDARD DISCLOSURES

	Page	Omissions	External audit
REPORT PROFILE			
G4-28	Reporting period	4	
G4-29	Date of the most recent previous report	3	
G4-30	Reporting cycle	3	
G4-31	Contact point for questions about the report	107	
G4-32	Option of compliance in accordance with GRI and selected index	3, 97	
G4-33	External assurance of the report	103–105	
GOVERNANCE			
G4-34	Governance structure incl. committees of the highest governance body	AR 6, 12	
G4-35	Delegation authorities for economic, environmental and social topics	13	
G4-36	Responsibility for economic, environmental and social topics	13	
G4-37	Consultation processes between stakeholders and the highest governance body	19–20	
G4-38	Composition of the highest governance body and its committees	AR 12	
G4-39	Independence of the chair of the highest governance body	14	
G4-40	Nomination and selection processes for the highest governance body	AR 16–18	
G4-41	Processes for avoidance of conflicts of interest	14	
G4-42	Role of the highest governance body with respect to strategy and goals	AR 15 ff	
G4-43	Measures concerning sustainability knowledge of the supervisory board	AR 7–8	
G4-44	Performance assessment of the highest governance body with respect to sustainability	AR 92–93	
G4-45	Role of the highest governance body with respect to sustainability risks and opportunities	14	
G4-46	Role of the highest governance body with respect to the effectiveness of the organization's risk management	14	
G4-47	Frequency of the review of sustainability risks and opportunities by the highest governance body	14	
G4-48	The highest committee for approval of the sustainability report	4	
G4-49	The process for communicating critical concerns to the highest governance body	14, AR 15 ff	
G4-50	Critical concerns that were communicated to the highest governance body	14, AR 15 ff	
G4-51	Remuneration policies for the highest governance body and senior executives	AR 90–91	
G4-52	Process for determining remuneration	AR 91 ff	
G4-53	Stakeholders' views regarding remuneration		HUGO BOSS did not receive any opinions expressed on management board compensation in the reporting year.
ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of behavior	15, 36	
G4-57	Processes for seeking advice on ethical and lawful behavior	15–16	
G4-58	Processes for reporting doubts about unethical or unlawful behavior	15–16	

SPECIFIC STANDARD DISCLOSURES

		Page	Omissions	External audit
ECONOMY				
	Aspect: Economic performance – Management approach	8, 18		
EC1	Economic value generated and distributed	5, AR 72 ff		
EC2	Financial implications, risks and opportunities due to climate change	8, AR 106 ff		
EC3	Obligations from the defined benefit pension plan	AR 96–97		
EC4	Financial assistance received from government		The Company has not received significant grants and subsidies from government during the reporting year.	
	Aspect: Indirect economic impacts – Management approach	78–79		
EC7	Infrastructure investments and services supported	79–80		✓
	Aspect: Procurement – Management approach	48–49		
EC9	Proportion of spending on local suppliers	48, 62	Data regarding the proportion of spending on local suppliers are not available. When comparable, HUGO BOSS gives preference to local sourcing offers.	
ENVIRONMENT				
	Aspect: Materials – Management approach	64–65		
EN1	Weight/volume of materials used	68		
EN2	Percentage of recycled input materials used	70		✓
	Aspect: Energy – Management approach	24–25		
EN3	Energy consumption within the company	26–28		✓
EN5	Energy intensity	28		✓
EN6	Reduction of energy consumption	26–28		
	Aspect: Water – Management approach	24–25		
EN8	Total water consumption by sources	31		✓
	Aspect: Emissions – Management approach	24–25		
EN15	Direct greenhouse gas emissions (Scope 1)	29–30		✓
EN16	Indirect energy greenhouse gas emissions (Scope 2)	29–30		✓
EN17	Other indirect greenhouse gas emissions (Scope 3)	29–30		✓
EN18	Intensity of the greenhouse gas emissions	30		✓
EN19	Initiatives to reduce greenhouse gas emissions	26, 29, 34		
	Aspect: Wastewater and waste – Management approach	24–25		
EN22	Wastewater discharge by quality and destination	32		✓
EN23	Waste by type and disposal method	33		✓
EN24	Significant spills		No significant spills in the reporting year.	
	Aspect: Products and services – Management approach	64–66		
EN27	Mitigation of environmental impacts of products and services	57, 67–68, 71–73		
	Aspect: Compliance – Management approach	15, 24–25		
EN29	Fines and sanctions for non-compliance with environmental laws and regulations		In the reporting year, the Group did not incur any penalties as a result of environmental violations.	
	Aspect: Transport – Management approach	24–25		
EN30	Significant environmental impacts of transport	34		✓

SPECIFIC STANDARD DISCLOSURES

	Page	Omissions	External audit
Aspect: Supplier environmental assessment in respect of environmental aspects – Management approach	48–50		
EN32 Percentage of new suppliers that were screened using environmental criteria	49, 57, 59–60		✓
EN33 Significant environmental impacts in the supply chain	57, 59–60		✓
Aspect: Environmental grievance mechanisms in respect of environmental aspects – Management approach	48–49		
EN34 Formal grievances in respect of environmental impacts		In the reporting year, no formal grievances were filed in respect of environmental impacts.	
LABOR PRACTICES AND DECENT WORK			
Aspect: Procurement – Management approach	36, 42		
LA1 New employee hires and employee turnover	37–38, 92–93		✓
LA2 Benefits provided only for the core workforce	42		
Aspect: Labor / management relations – Management approach	36		
LA4 Notice periods regarding significant operational changes		HUGO BOSS complies with all legal regulations on notice periods.	
Aspect: Occupational health and safety – Management approach	36, 43		
LA5 Percentage of the total workforce represented in health and safety committees that help monitor and advise on occupational health and safety programs	43	Figures on the percentage of the total represented workforce are currently not available.	
LA6 Absentee days, injuries and fatalities	44		✓
LA8 Health and safety topics covered in agreements with trade unions	43		
Aspect: Education and training – Management approach	36		
LA9 Basic training/Career development: hours by employee categories	46	Figures on average training hours per employee and split by gender and employee category are currently not available.	✓
LA10 Programs for knowledge management and life-long learning	45–46		
LA11 Percentage of employees receiving regular performance assessments and career development planning	46		
Aspect: Diversity and equal opportunities – Management approach	36		
LA12 Employee structure/Diversity of the management	37, 39–40, 91	Statements about minorities are for HUGO BOSS not applicable, because the Company does not consider anybody as such.	✓
Aspect: Equal remuneration for men and women – Management approach	36		
LA13 Equal remuneration by gender and employee category	42	HUGO BOSS pays women and men the equally. The remuneration is based on the performance and qualification of the employees.	
Aspect: Supplier assessment for labor practices – Management approach	48–51		
LA14 Percentage of new suppliers screened using labor practices criteria	48, 50–56		✓
LA15 Significant impacts for labor practices in the supply chain	50–55		✓
Aspect: Grievance mechanisms for labor practices – Management approach	49, 51–52		
LA16 Formal grievances filed about impacts of labor practices		In the reporting year, no formal grievances were filed about impacts of labor practices. One grievance was addressed through the FLA compliant channel, see: www.fairlabor.org/transparency	

SPECIFIC STANDARD DISCLOSURES

		Page	Omissions	External audit
HUMAN RIGHTS				
Aspect: Investment – Management approach		48–49		
HR1	Significant investment agreements with human rights clauses or that underwent human rights screening	51		
HR2	Employee training on human rights	41, 52	Data on average number of training hours per employee or per business unit are not yet available.	
Aspect: Non-discrimination – Management approach		36, 48–49		
HR3	Incidents of discrimination and corrective actions taken	41, 53		✓
Aspect: Freedom of association and right to collective bargaining negotiations – Management approach		40–41, 48–49		
HR4	Operations and suppliers in which the right to exercise freedom of association and collective bargaining is violated or at risk, and the measures taken to support these rights	53		✓
Aspect: Child labor – Management approach		48–50		
HR5	Operations and suppliers identified as having significant risk for incidents of child labor and measures taken	52–53		✓
Aspect: Forced or compulsory labor – Management approach		48–50		
HR6	Operations and suppliers with significant risk for incidents of forced or compulsory labor, and measures taken	52–53		✓
Aspect: Assessment – Management approach		36		
HR9	Operations subject to human rights reviews	41		✓
Aspect: Supplier assessment for human rights – Management approach		48–50		
HR10	Percentage of new suppliers that were screened using human rights criteria	48, 50–56		✓
HR11	Significant impacts on human rights in the supply chain	50–56		✓
Aspect: Human rights grievance mechanisms – Management approach		48–51		
HR12	Formal grievances filed about human rights infringements	52	In the reporting year, no formal grievances were filed about human rights infringements.	
SOCIETY				
Aspect: Local communities – Management approach		78–79		
SO1	Percentage of operations with measures for local community engagement, impact assessments, and development programs	79–81		
SO2	Operations which can exert significant negative impacts on local communities		No negative impacts known.	
Aspect: Anti-corruption – Management approach		8–9, 15–16		
SO3	Percentage of operations assessed for risks related to corruption and the risks identified	16		
SO4	Information and training on anti-corruption policies and procedures	15–16		
SO5	Confirmed incidents of corruption and actions taken	16		✓
Aspect: Public policy – Management approach		8–9		
SO6	Total value of political contributions		HUGO BOSS makes no donations to political parties.	

SPECIFIC STANDARD DISCLOSURES

	Page	Omissions	External audit
	Aspect: Anti-competitive behavior – Management approach	8–9, 15–16	
SO7	Legal actions for anti-competitive behavior for anti-trust practices	16	✓
	Aspect: Compliance – Management approach	8–9	
SO8	Significant fines and sanctions for non-compliance with laws and regulations	In the reporting year, no penalty payments were paid.	✓
	Aspect: Supplier assessment for impacts on society – Management approach	48–49	
SO10	Negative impacts on society in the supply chain and actions taken	53–55	
	Aspect: Grievance mechanisms for impacts on Society – Management approach	8–9, 48–49	
SO11	Formal grievances about impacts on society	In the reporting year, no formal grievances for impacts on society were filed.	

PRODUCT RESPONSIBILITY

	Aspect: Customer health and safety – Management approach	64–66	
PR1	Percentage of significant products and services which were assessed for health and safety	75	✓
PR2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	75	
	Aspect: Product and service labeling – Management approach	64–66	
PR3	Principles and procedures for product labeling and percentage of products and services subject to such requirements	75	
PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service labeling	75	
PR5	Results of surveys measuring customer satisfaction	66–67	
	Aspect: Advertising – Management approach	64–66	
PR6	Sale of banned or disputed products	76	
PR7	Incidents of non-compliance with marketing standards	HUGO BOSS complies with all relevant marketing standards.	
	Aspect: Customer privacy – Management approach	8–9, 16–17	
PR8	Breaches of customer privacy and losses of customer data	16–17	✓
	Aspect: Compliance – Management approach	64–66	
PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	In the reporting year, no penalty payments were incurred.	

**SECTOR-SPECIFIC DISCLOSURES FOR THE APPAREL AND FOOTWEAR SECTOR (PILOT VERSION)
SUPPLY CHAIN**

AF7	Workplaces and suppliers covered by the Code of Conduct	41, 51, 55	
AF8	Number of audits carried out and percentage of workplaces audited	41, 51, 57, 60	
AF 9–14	Number of incidents of non-compliance with the Code of Conduct	53, 58	
AF15	Analysis of data from audits	54, 59	
AF16	Remediation measures to address incidents of non-compliance	52, 58, 60	

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the Sustainability Report 2017 of HUGO BOSS AG. The following text is a translation of the original German Independent Assurance Report.

TO HUGO BOSS AG, METZINGEN

We have performed a limited assurance engagement on the disclosures marked with the symbol "✓" in the Sustainability Report of HUGO BOSS AG for the reporting period from 1 January 2017 to 31 December 2017 (hereafter "report").

Our engagement exclusively relates to the information marked with the symbol "✓" in the German PDF version of the report. Our engagement did not include any prospective disclosures or disclosures for prior years. The report is published as a PDF version at → http://group.hugoboss.com/files/user_upload/Nachhaltigkeit/Nachhaltigkeitsbericht/Sustainability_Report_2017.pdf

MANAGEMENT'S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the report in accordance with the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (hereafter "GRI criteria").

This responsibility includes the selection and application of appropriate methods to prepare the report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY CONTROL

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the disclosures marked with the symbol "✓" in the report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the disclosures marked with the symbol "✓"

in the Sustainability Report of the Company for the reporting period from 1 January 2017 to 31 December 2017 have been prepared, in all material respects, in accordance with the GRI criteria. We do not, however, issue a separate conclusion for each sustainability disclosure which is marked with the symbol "✔". In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2017 and April 2018, we performed amongst others the following assurance and other procedures:

- Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management of HUGO BOSS AG,
- Inquiries of employees responsible for the preparation of information marked with the symbol "✔" in the report in order to assess the sustainability reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement,
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing and aggregating sustainability data in the reporting period and testing such documentation on a sample of basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of sustainability data at the locations Metzingen, Izmir and UK,
- Analytical measures at group level and on the level of selected sites regarding the quality of the reported data,
- Critical review of the draft report to assess plausibility and consistency with the information marked with the symbol "✔".

ASSURANCE CONCLUSION

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures marked with the symbol "✔" in the Sustainability Report of the Company for the period from 1 January 2017 to 31 December 2017 have not been prepared, in all material respects, in accordance with the relevant GRI criteria.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with HUGO BOSS AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (→ **see attachment**). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

105

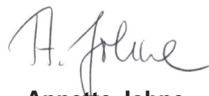
We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 5 April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft



Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)





Annette Johne
Wirtschaftsprüferin
(German Public Auditor)

LIST OF ABBREVIATIONS

Abbreviation

ACCORD	Accord on Fire and Building Safety in Bangladesh
AFIRM	Apparel and Footwear International RSL Management
BCI	Better Cotton Initiative
CGF	The Consumer Goods Forum
CSR	Corporate Social Responsibility
CSR-RUG	CSR-Richtlinie-Umsetzungsgesetz (German implementation of the CSR Directive on Non-financial Reporting)
DCGK	Deutscher Corporate Governance Kodex (German Corporate Governance Code)
DGFP	Deutsche Gesellschaft für Personalführung (German Association for Human Resources)
DGNB	Deutsche Gesellschaft für Nachhaltiges Bauen (German Sustainable Building Council)
DIRK	Deutscher Investor Relations Verband (German Investor Relations Association)
DJSI	Dow Jones Sustainability Index
DTB	Dialog Textil-Bekleidung (The Fashion and Textile Community)
ESG	Environment, Social, Governance
FLA	Fair Labor Association
FSC®	Forest Stewardship Council
GAFTI	Global Apparel, Footwear and Textile Initiative
GRI	Global Reporting Initiative
GSCP	Global Social Compliance Programme
HBTU	Harcourt Butler Technological University
ILO	International Labour Organization
ISO	International Organization for Standardization
LCA	Life Cycle Assessment
LWG	Leather Working Group
MRS�	Manufacturing Restricted Substances List
NCC	Natural Capital Coalition
NFR	Non-financial report
NGO	Non-governmental organization
NPS	Net Promoter Score
OHS	Occupational Health and Safety
PETA	People for the Ethical Treatment of Animals
RealFM	Association for Real Estate and Facility Managers
SDGs	Sustainable Development Goals
RSL	Restricted Substances List
TEX	Textiles, Apparel and Luxury Goods
UNIC	Unione Nazionale Industria Conciaria (Italian Tannery Association)
Textilbündnis	Deutsches Bündnis für nachhaltige Textilien (German Partnership for Sustainable Textiles)
UNICEF	The United Nations Children's Fund
VDTF	Verein Deutscher Textilveredelungsfachleute (Association of German Textile Finishing Experts)
WALDB	World Apparel & Footwear Life Cycle Database
YESS	Yarn Ethically & Sustainably Sourced
ZDHC	Zero Discharge of Hazardous Chemicals

Symbols

	Labelling of information included in the non-financial report
	Labelling of information which has been audited for limited assurance engagement

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