

H U G O B O S S

SUSTAINABILITY REPORT  
2018

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## FOREWORD BY THE MANAGING BOARD

### Dear Readers,

We have made good progress on our journey towards more sustainability and can be proud of what we have achieved over the last year. Once again, we were incorporated in the most renowned sustainability indexes and ranked among the Top 10 of the most reputable companies in Germany as reported by Forbes. In addition, we are considered one of the Top 100 most attractive employers in Germany according to the surveys conducted by the Universum and trendence institutes.

As a leading, internationally operating fashion company in the premium segment, we know that a responsibly designed supply chain and products are the greatest contribution towards sustainability we can make. We are therefore delighted that, last year, we even achieved our target that we had set for 2020 earlier than planned, which was to procure at least 90% of our sourcing volume from finished goods suppliers that were rated good to satisfactory in their last social audit. Furthermore, I am particularly proud of last year's launch of our first responsible capsule collection and of a vegan sneaker made out of pineapple leaf fiber.

Nevertheless, the state of our world is still a source of great concern for me. Respect for human rights cannot be taken for granted, climate change continues to progress and the consequences of the marine pollution of plastic and plastic residues are becoming more and more apparent, while there is – among other things – also a lack of unity to combat shortcomings. This is why, together with nearly 100 other companies, we signed the Fashion Industry Charter for Climate Action in December 2018, which works towards the implementation of the climate goals defined in Paris in 2016. Through this charter, we are committed to the vision of a climate-neutral fashion industry by 2050.

We are striving to create a future where decent and healthy living conditions are available to everyone. A crucial success factor are cooperations with other companies, initiatives and organizations as well as a conjoint commitment by all of our employees. In this context, I would also like to thank especially all our employees for their great commitment to sustainability. Because sustainable development around the globe requires a joint effort.

I hope you find this report of interest and I look forward to receiving your suggestions.

Metzingen, April 2019



**Mark Langer**  
Chief Executive Officer

## REPORT PROFILE

HUGO BOSS AG hereby presents its sixth annual sustainability report. It is aimed primarily at business partners, customers, employees, investors, non-governmental organizations (NGOs), private shareholders and representatives from economy, politics, science and society. The report provides information about the HUGO BOSS Group's existing and planned sustainability goals and activities. It was written in line with the GRI Standards 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 reviewed for relevancy in 2018 and deemed to be still valid.

Unless stated otherwise, all the quantitative disclosures relate to all in-house production, logistics and administration locations and the Group's own retail stores. As of this reporting year, for the first time the key figures provide a full representation of the HUGO BOSS Group. Depending on the key figure area, the data has been collected in full or has been extrapolated on the basis of the companies included in the report, which cover 92% of the workforce as of December 31, 2018. The key companies are listed below. For the sake of comparability, the key figures for the last one or more years were determined retroactively. The extrapolation refers mainly to key figures in the field of environment and occupational safety.

In the **Europe** region

- HUGO BOSS AG
- HUGO BOSS (Schweiz) AG
- HUGO BOSS Benelux B.V. y CIA SC
- HUGO BOSS France SAS
- HUGO BOSS International Markets AG
- HUGO BOSS Ireland Ltd.
- HUGO BOSS Italia S.p.A.
- HUGO BOSS Portugal & Companhia
- HUGO BOSS Shoes & Acc. Italia S.p.A.
- HUGO BOSS Shoes & Acc. Poland Sp. z o.o.
- HUGO BOSS Textile Industry Ltd.
- HUGO BOSS Ticino S.A.
- HUGO BOSS UK Ltd.

In the **North America** region

- HUGO BOSS Canada Inc.
- HUGO BOSS Fashions Inc.
- HUGO BOSS México S.A. de C.V.
- HUGO BOSS Retail Inc.

In the **Asia/Pacific** region

- HUGO BOSS Australia Pty. Ltd.
- HUGO BOSS China Retail Co. Ltd.
- HUGO BOSS Guangdong Trading
- HUGO BOSS Hong Kong Ltd.
- HUGO BOSS Japan K.K.
- Lotus (Shenzhen) Commerce Ltd.
- HUGO BOSS (Macau) Company Ltd.

## **Editorial notes**

The report relates to fiscal year 2018, corresponding with the calendar year 2018. The editorial deadline was April 18, 2019. The sustainability report has been approved by the HUGO BOSS AG Managing Board. The report is available in German and English.

Wherever the masculine form is used in this report for the purpose of readability, this of course applies equally to all gender identities as well.

## COMPANY PROFILE

HUGO BOSS is one of the global leading companies in the premium segment of the apparel market. The Company, which is based in Metzingen (Germany) sells high-quality fashion as well as accessories in the womenswear and menswear segments under the **BOSS and HUGO brands**. Through its Group strategy, the Company aims to continually increase the brand desirability. In fiscal year 2018, the Group achieved sales of EUR 2.8 billion from the distribution of tailoring, evening wear, casualwear, shoes and accessories. This also includes royalty income that the Company generates with products such as fragrances, eyewear, watches and children's fashion.

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### 00 | 01 Group at a glance



**2.8**  
Sales (billion EUR)



**~17,600<sup>1</sup>**  
Employees



**129**  
Countries



**4**  
Own  
production facilities  
(in Germany, Italy,  
Poland and Turkey)

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Today, HUGO BOSS customers can purchase BOSS and HUGO products in **129 countries**. The Group's distribution activities are divided into three sales regions. With a share of 62%, Europe contributes the largest proportion of sales. America and Asia account for 20% and 15% of Group sales generated respectively. Within these sales regions, the **six core markets** – Germany, the United States, Great Britain, China, France and Benelux – contribute a total of around 63% of sales. 3% of Group sales is generated from the license business.

The **textile supply chain** is typically characterized by complex processes that take part to a large extent beyond the Company's boundaries. To ensure the excellent craftsmanship and optimum availability of its products, HUGO BOSS therefore 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 2018. → **Annual report 2018, group profile**

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<sup>1</sup> The reported figure relates to headcounts per December 31, 2018. Whereas the figure published in the annual report (14,685) is based on a full-time equivalent (FTE) calculation.

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CHAPTER WE / PAGES 7 – 16

# CREATING VALUES TOGETHER



# WE

**Sustainability is an integral part of business operations at HUGO BOSS. The aim is to ensure long-term success for the Company through continuous improvement and anticipatory management of opportunities and risks. With the development and implementation of its sustainability strategy, HUGO BOSS relies upon dialog and collaboration with its stakeholders.**

## Management approach

At HUGO BOSS, sustainability is defined as the interplay of **quality, innovation and responsibility**. Sustainable business activity is viewed by HUGO BOSS as an opportunity for ensuring socially- and environmentally-friendly production in addition to the high quality expected by customers. Both elements are considered an essential prerequisite for customer loyalty and innovative capability, and therefore as factors for long-term Company 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. This perceived understanding of sustainability supports HUGO BOSS' goal of being the most desirable premium fashion and lifestyle brand globally.

HUGO BOSS is committed to its responsibility of contributing towards ensuring the sustainable development of society. The Company takes the **Sustainable Development Goals (SDGs) of the United Nations** into account and reports about its contribution in this respect on the Group's website. → [group.hugoboss.com](http://group.hugoboss.com)

Addressing the **expectations of its stakeholders**, identifying different requirements and holding joint discussions with regard to 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 the We field of action, HUGO BOSS brings together the principles of sustainability management and the dialog with its stakeholders. The **materiality analysis** performed in 2017 incorporating the most important stakeholder groups is taken as the basis for 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](http://group.hugoboss.com)

In light of its business activities in different regions and legal systems, HUGO BOSS has created a consistent and obligatory framework for employees with regard to their professional conduct through its Code of Conduct and strict internal compliance regulations. **Corporate governance management** at HUGO BOSS complies with national and international standards.

As part of its corporate governance, the **ethically correct payment of corporate taxes** plays an important role for HUGO BOSS in its global economic and social relationships. The Tax Strategy of HUGO BOSS can be viewed on the Group's website. Further information on this subject can be found in the annual report 2018. → [Annual report 2018, combined non-financial statement, social matters](#)

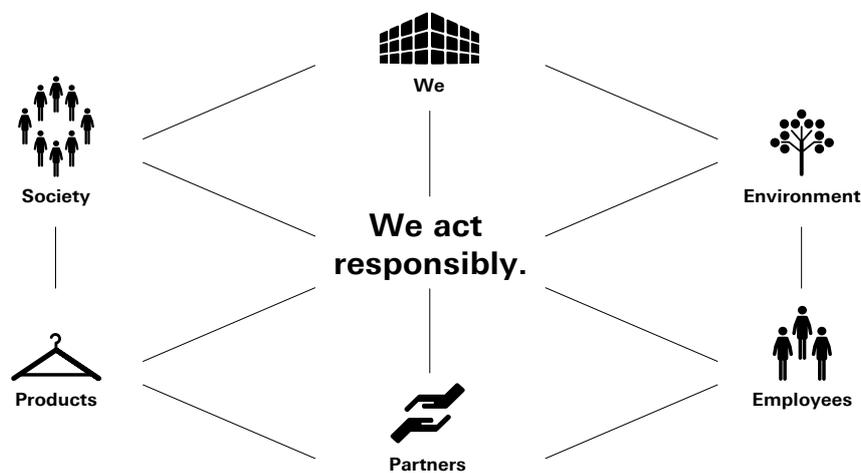
At HUGO BOSS, a value-based corporate culture forms the basis for the collaboration and interaction with employees, business partners, shareholders and the general public. **Corporate Compliance** is a key management task of the Managing Board and incorporates measures to ensure adherence to legal and official regulations, internal guidelines and codes.

## Strategy and management

At HUGO BOSS, sustainability is integrated in business processes and firmly established in the Company's operational departments. The sustainability strategy is based on the **six fields of action** We, Environment, Employees, Partners, Products and Society.

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### 01 | 01 The HUGO BOSS sustainability fields of action



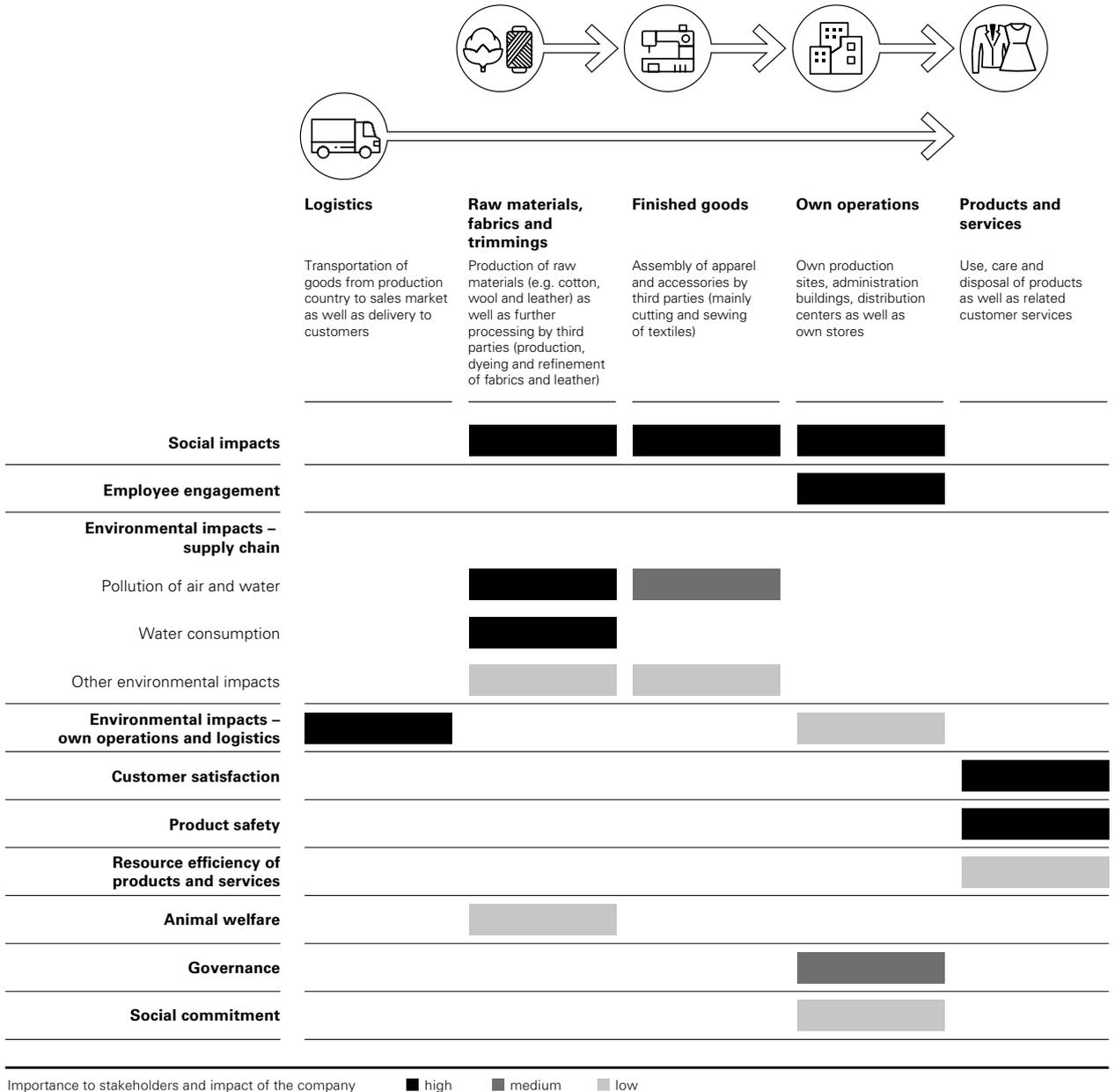
In the **sustainability program**, the targets are outlined for each field of action and the progress of the measures is reported on along with what has already been achieved. HUGO BOSS aims to continuously improve in all fields of action. The existing approaches, goals and strategic priorities of the sustainability strategy have been further refined over the last few years. The stakeholder dialog events, which have been held annually since 2016, also provided important impulses in this regard. → **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. In doing so, attention was paid to the provisions of the GRI and the CSR-RUG. The analysis was reviewed for relevancy in 2018 and deemed to be still valid. → **Sustainability report 2017, materiality analysis**

The key topics for this report in accordance with GRI are depicted in the following graphic.

01 | 02 Material topics in the value chain



The Company reports in detail on the topics that are significant with regard to CSR-RUG in the non-financial statement of the annual report. → [Annual report 2018, combined non-financial statement](#)

The findings of the materiality analysis and the dialog with the stakeholders are incorporated in HUGO BOSS' **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 key topics is outlined in the individual chapters of this report and above all in the sustainability program. → [Sustainability program](#)

## Sustainability organization

The **Managing Board** of HUGO BOSS AG has **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 matters throughout the value chain. It also decides upon the Group-wide applicable standards and guidelines for sustainability. The Company has 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, Controlling, Finance, Human Resources, Investor Relations, Legal Affairs, Logistics, Operations, Retail and Sustainability). The Sustainability Committee is currently composed of 20 members in total.

## Corporate Governance

HUGO BOSS is convinced that good corporate governance, which meets the recognized standards, is a key factor in the Company's long-term success. To this end, the Company follows the requirements of the **German Corporate Governance Code** (GCGC), as published and explained in greater detail in the annual declaration of compliance. Further details on 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 2018, corporate governance**

### Risk management

Responsible handling of risks constitutes a key element of good corporate governance. The Company's **risk management system** includes all the measures of a transparent and systematic approach towards managing risks. It aims to identify risks as early as possible, evaluate them adequately, restrict or prevent them using suitable measures, monitor them and document them. The **independent Risk Management function** at the HUGO BOSS AG headquarters is responsible for coordinating Group-wide risk management. Sustainability themes are also included in the risk assessment. The Supervisory Board is involved in risk management via its Audit Committee and regularly deals with relevant topics.

→ **Annual report 2018, combined non-financial statement**

## Compliance

The **Code of Conduct** is an integral part of the **Compliance Program** at HUGO BOSS and is issued to employees at the same time as their employment contract. Available in more than ten languages in electronic format, 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 expects all employees to act legally correct in day-to-day business operations. Any willful misconduct or infringements of the Code of Conduct are not tolerated. The HUGO BOSS Code of Conduct can be viewed on the Group's website. → **group.hugoboss.com**

Employees can obtain support and advice on issues concerning legally correct conduct from their superiors, the central Compliance Officer or the local compliance contact person. HUGO BOSS has also established an independent global **ombudsman system** as a supplementary reporting channel. Employees, suppliers and retail partners can notify an external ombudsman of any indications of breaches of compliance guidelines, in confidence and, if desired, anonymously. The contact details can be found on the Group's website. → [group.hugoboss.com](http://group.hugoboss.com)

A Group-wide **e-learning program**, which must be completed on a regular basis by employees with access to a PC, is aimed at raising awareness of the compliance rules. It also includes modules on human rights issues, the fundamental values of data protection and customer data protection, and can be accessed around the world. At the end of the reporting year, 1,022 employees across the Group had received online compliance training. Employees in roles where compliance is of particular relevance receive training on specific issues through **face-to-face training**. In 2018, the Compliance Officer ran a face-to-face compliance training for 1,064 employees.

Ethically impeccable and lawful conduct also includes the **prevention of corruption, bribery and antitrust infringements**. All Group companies are subject to regular risk analyses and detailed audits where applicable. As was also the case during the prior year, no cases of corruption, bribery or antitrust were reported within the company in 2018 ✓. Further information can be found in the annual report.

→ **Annual report 2018, combined non-financial statement, anti-corruption and bribery matters**

**Data protection** breaches, in particular in relation to customer data, represent an increased compliance risk, which HUGO BOSS aims to counter through its data privacy-compliant systems as well as robust security and data protection controls. During the reporting year, no legal or regulatory violations in the field of data protection were officially noted by courts or authorities ✓. → **Annual report 2018, combined non-financial statement, customer matters**

## 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. → [group.hugoboss.com](http://group.hugoboss.com)

01 | 03 Formats and approaches for stakeholder communication

Website, sustainability report and social networks	<b>(Potential) employees</b>	Intranet, press releases, employee newsletter and information e-mails, sustainability events, dialog events, survey (e.g. on employee satisfaction), cooperation with universities
	<b>Customers</b>	Customer service (phone or via e-mail), customer surveys (including sustainability issues), HUGO BOSS online store, customer newsletters and mailings, direct contact at points of sale, customer events and fashion shows
	<b>Partners</b>	Workshops, audits, vendor days, personal discussions, round tables, stakeholder days, collaboration and cooperation on specific topics
	<b>Shareholders and financial community</b>	Annual and quarterly report, press releases, conference calls, annual general meeting, analysts' conference, investor days, personal discussions during company visits, roadshows and conferences
	<b>Science and research</b>	Annual report, company visits, consultation, dialog events, round tables, guest lectures, research projects, collaboration and cooperation on specific topics
	<b>Politics and administration</b>	Reporting on specific topics, press releases, round tables, cooperation on specific topics
	<b>NGOs and unions</b>	Individual inquiries, personal discussions, topic specific discussions, participation in surveys, press releases, round tables, stakeholder days, membership and collaboration on specific topics
	<b>Other stakeholders</b>	Press releases, annual report, direct contact (e-mails, meetings, calls), round tables, cooperation on specific topics

The Group maintains **direct exchange** with its external stakeholders throughout the year. Existing contacts, such as with academic institutions, were also intensified during 2018. Furthermore, HUGO BOSS is increasingly engaging with innovative start-up businesses to bring future-oriented products onto the market. One example is the vegan BOSS menswear sneaker made of pineapple leaf fibers. In order to strengthen its environmental and social activities throughout the entire supply chain and drive them forward collectively, HUGO BOSS further intensified its commitment to **cooperations** in 2018. This includes, for example, supporting the initiative launched by the German Partnership for Sustainable Textiles for the South Indian region Tamil Nadu, its involvement in working groups as part of the Zero Discharge of Hazardous Chemicals (ZDHC) Programme, as well as its active participation in and signing of the Fashion Industry Charter for Climate Action under the patronage of the United Nations Framework Convention on Climate Change (UNFCCC).

For the third time, HUGO BOSS held an **international stakeholder dialog** on sustainability themes in 2018. Representatives from different NGOs, cooperations and the federal government as well as scientists and other partners met with the management representatives of HUGO BOSS AG – including the Chairman of the Managing Board of HUGO BOSS – to discuss the Company's sustainability activities. Workshops were held to discuss different issues on the subject of "sustainability as a societal task" such as the importance of ethics in a business context as well as the issue of intergenerational justice. Further information on stakeholder engagement at HUGO BOSS can be found on the Group's website.

→ [group.hugoboss.com](http://group.hugoboss.com)

HUGO BOSS stands for an **open and constructive dialog culture** – in particular with its **employees**. Through formats such as the internal series of events “Thinking Beyond, Acting to the Point” and the internal communication channel Connect, the Company promotes exchange and a common awareness of sustainability. Other means of regular dialog within the Company include different discussion formats such as the Managing Board breakfast and the annual staff meetings that are held at the sites in Metzingen (Germany), Ticino (Switzerland) and Izmir (Turkey). Additionally, the second global employee satisfaction survey was conducted during the reporting year in line with the external Group-wide applicable Great Place to Work® (GPTW) Standard.

HUGO BOSS respects the rights of its employees to join a trade union. Also, at its most important production location in Turkey, the Company maintains regular dialog with the **local trade unions** and their umbrella organizations.

## Awards during the reporting period

- Further inclusion in the Dow Jones Sustainability Index World in the sector TEX (Textiles, Apparel & Luxury Goods) and member of Silver Class of RobecoSam
- 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
- Position under the top 100 of the most attractive employers (Institute Universum and trendence)
- Awarded with the quality seal of the Corporate Health Award in the Excellence Class (EuPD Research Sustainable Management, Handelsblat and ias-Gruppe)
- Accredited member of the Fair Labor Association (FLA) / FLA accreditation of the HUGO BOSS Social Compliance Program

## 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 RSL<sup>2</sup> 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
- Dialog Textil-Bekleidung e. V. (DTB)  
dialog-dtb.de
- Fair Labor Association (FLA)  
fairlabor.org
- German Association for Human Resources (DGFP)  
dgfp.de
- German Fashion Association  
germanfashion.net
- German Investor Relations Association (DIRK)  
dirk.org
- German Partnership for Sustainable Textiles (Textilbündnis)  
textilbuendnis.com
- German Sustainable Building Council (DGNB)  
dgnb.de
- Global Apparel, Footwear and Textile Initiative (GAFTI)  
gafti.org

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<sup>2</sup> Restricted Substances List.

- Leather Working Group (LWG)  
[leatherworkinggroup.com](http://leatherworkinggroup.com)
- Natural Capital Coalition (NCC)  
[naturalcapitalcoalition.org/protocol](http://naturalcapitalcoalition.org/protocol)
- Südwesttextil e.V.  
[suedwesttextil.de](http://suedwesttextil.de)
- The Consumer Goods Forum (CGF) (application of the Global Social Compliance Programme)  
[theconsumergoodsforum.com](http://theconsumergoodsforum.com)
- TicinoModa (committee member)  
[ticinomoda.ch](http://ticinomoda.ch)
- Verein Deutscher Textilveredlungsfachleute e. V. (VDTF) (supporting member)  
[vdtf.de](http://vdtf.de)
- Wir zusammen - Integrations-Initiativen der deutschen Wirtschaft  
[wir-zusammen.de](http://wir-zusammen.de)
- Yarn Ethically & Sustainably Sourced (YESS)  
[sourcingnetwork.org/yess](http://sourcingnetwork.org/yess)
- Zero Discharge of Hazardous Chemicals (ZDHC)  
[roadmaptozero.com](http://roadmaptozero.com)

### **External standards and agreements**

- Signatory of the Diversity Charter  
[charta-der-vielfalt.de](http://charta-der-vielfalt.de)
- Signatory of the Fashion Industry Charter for Climate Action of the UNFCCC  
[unfccc.int/](http://unfccc.int/)
- Signatory of the 2020 Circular Fashion System Commitment of the Global Fashion Agenda  
[globalfashionagenda.com](http://globalfashionagenda.com)
- Global Social Compliance Programme (GSCP) standard for environmental audits of the CGF  
[gscpequivalenceprocess.com](http://gscpequivalenceprocess.com)
- ISO 9001, ISO 14001, ISO 14041 and ISO 50001<sup>3</sup>

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<sup>3</sup> All ISO certifications mentioned in the sustainability report refer to the DIN EN ISO norms.

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CHAPTER ENVIRONMENT / PAGES 17 – 23

# PRESERVING NATURAL RESOURCES



# ENVIRONMENT

**HUGO BOSS sets itself long-term environmental protection goals in order to continually improve its environmental footprint. Environmental management at the Company relates to its own administration sites and production facilities, planning and operation of its own retail stores, and logistics.**

## Management approach

Environmental protection is a high priority at HUGO BOSS. The aim of environmental management is to continually reduce the environmental impact of the Company's activities.

The publicly available principles of environmental protection in all business areas at HUGO BOSS are described in detail in the **Environmental Commitment**. These fundamentals also apply to all partners from which the Group directly purchases goods. The Environmental Commitment is supplemented by concrete requirements in the area of **transport and logistics** as well as the **store concept**, which defines sustainability criteria for the planning and operation of the Group's own retail stores. Further information on the subject of sustainability at the retail stores can be found on the Group's website.

→ [group.hugoboss.com](http://group.hugoboss.com)

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 environmental management at HUGO BOSS include **climate protection** and the **responsible use of natural resources**. Accordingly, in 2016 the Company set concrete goals in these areas. In 2018, HUGO BOSS also signed the Fashion Industry Charter for Climate Action of the United Nations Framework Convention on Climate Change (UNFCCC) along with nearly 100 other companies, and as such is committed to the vision of a climate-neutral fashion industry by 2050.

→ **Sustainability program** → [group.hugoboss.com](http://group.hugoboss.com)

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** → **Further key figures and information**

The reported environmental key figures include the electricity, heating energy, greenhouse gas emissions, water, wastewater and waste categories.

Further information on the subject of **environmental protection in the supply chain** can be found in the Partners chapter. → **Partners**

## Energy

Within the scope of energy management, continuous efforts are being worked on across the entire Group to reduce energy consumption. Also during the reporting year, HUGO BOSS implemented various energy efficiency measures at several locations such as the exchange of lighting to LED lamps or the energetic optimization of technical facilities.

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.

At its headquarters in Metzingen (Germany), the Company sourced 100% certified **green electricity** in 2018. Also other locations in Austria, Great Britain, Italy, Poland and Switzerland sourced green electricity. Moreover, the photovoltaic systems on the roofs of the flat-packed goods distribution center in Filderstadt (Germany) and two administration buildings on the Metzingen Campus generated 731,931 kWh of electricity during the last fiscal year. That is about the same as the annual consumption of 145 four-person households. Part of the electricity thus generated is fed into the external power grid. More than a third, that is 31,622 MWh, of the electricity consumed within the Group in 2018 came from green energies.

In the reporting year, energy consumption at the HUGO BOSS locations was 137,959 MWh.

### 02|01 Energy consumption by region and by energy source<sup>1</sup> (in MWh)

Direct energy consumption	Europe	Americas	Asia/Pacific	Total
Heating oil	432	0	0	432
Liquified petroleum gas (LPG)	22	0	8	30
Natural gas	36,202	5,834	46	42,082
Photovoltaic	536	0	0	536
Other energy sources	0	0	0	0
<b>Total direct energy consumption</b>	<b>37,192</b>	<b>5,834</b>	<b>54</b>	<b>43,080</b>
Indirect energy consumption				
Certified green electricity	31,086	0	0	31,086
Electricity	29,522	16,635	15,625	61,782
Other energy sources (e.g. district heating)	2,011	0	0	2,011
<b>Total indirect energy consumption</b>	<b>62,619</b>	<b>16,635</b>	<b>15,625</b>	<b>94,879</b>

<sup>1</sup> Energy data for retail is generally based on data queries at stores and outlets. 37% of the stores and outlets that are included in the data collection were able to report energy consumption with respect to natural gas. 79% of these stores and outlets reported data on electricity while 69% reported data on district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m<sup>2</sup>) for all other stores and outlets.

The energy consumption remained roughly stable compared to the previous year's level. The increase in natural gas is due to a more intense use of the Company-owned, natural gas-powered cogeneration unit in Metzingen (Germany). This way, electricity consumption was reduced at this location.

**02|02 Energy consumption by energy source<sup>1</sup>** (in MWh)

	2018	2017	2016
<b>Direct energy consumption</b>			
Heating oil	432	901	306
Liquified petroleum gas (LPG)	30	24	420
Natural gas	42,082	39,645	37,530
Photovoltaic	536	512	547
Other energy sources	0	0	0
<b>Total direct energy consumption</b>	<b>43,080</b>	<b>41,082</b>	<b>38,803</b>
<b>Indirect energy consumption</b>			
Certified green electricity	31,086	23,746	21,998
Electricity	61,782	71,364	71,995
Other energy sources (e.g. district heating)	2,011	1,435	1,095
<b>Total indirect energy consumption</b>	<b>94,879</b>	<b>96,545</b>	<b>95,088</b>
<b>Total energy consumption</b>	<b>137,959</b>	<b>137,627</b>	<b>133,891</b>

<sup>1</sup> Energy data for retail is generally based on data queries at stores and outlets. 37% of the stores and outlets that are included in the data collection were able to report energy consumption with respect to natural gas. 79% of these stores and outlets reported data on electricity while 69% reported data on district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m<sup>2</sup>) for all other stores and outlets.

HUGO BOSS has set the goal of reducing energy consumption by 30% in relation to Group sales (base year and reporting scope 2016<sup>4</sup>) by 2025. In 2018, energy intensity decreased by 1% in relation to Group sales.

**02|03 Energy intensity (reporting scope and base year 2016)<sup>1</sup>: HUGO BOSS target 2025 –30%** (MWh/EUR million sales)

	2018	2017	2016
Actual value	42.9	43.6	43.3
Change actual value (in %)	-1	+1	

<sup>1</sup> Ratio of energy consumption to Group sales. The percentage changes of the years 2018 and 2017 refer both to the base year 2016. Energy data for retail is generally based on data queries at stores and outlets. 37% of the stores and outlets that are included in the data collection were able to report energy consumption with respect to natural gas. 79% of these stores and outlets reported data on electricity while 69% reported data on district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m<sup>2</sup>) for all other stores and outlets.

**Emissions**

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

In the reporting year 2018, the HUGO BOSS Group caused greenhouse gas emissions of 75,926 t CO<sub>2</sub>. 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). In comparison to the previous year, this represents a decrease of greenhouse gas emissions by 6%. This is due to the higher amount of green electricity.

<sup>4</sup> The reporting scope 2016 comprises approximately 80% of the Company’s workforce.

<b>02 04 Direct, indirect and other greenhouse gas emissions<sup>1</sup> (in t CO<sub>2</sub>)</b>			
	2018	2017	2016
<b>Scope 1</b>			
Own vehicles	3,052	3,007	3,115
Direct energy consumption	9,396	8,994	8,590
<b>Total scope 1</b>	<b>12,448</b>	<b>12,001</b>	<b>11,705</b>
<b>Scope 2</b>			
Indirect energy consumption	30,328	35,924	36,503
<b>Total scope 2</b>	<b>30,328</b>	<b>35,924</b>	<b>36,503</b>
<b>Scope 3</b>			
Air travel	7,567	7,519	5,053
Transport	25,583	25,043	20,040
<b>Total scope 3</b>	<b>33,150</b>	<b>32,562</b>	<b>25,093</b>
<b>Total scope 1 - 3</b>	<b>75,926</b>	<b>80,487</b>	<b>73,301</b>

<sup>1</sup> Energy data for retail is generally based on data queries at stores and outlets. 37% of the stores and outlets that are included in the data collection were able to report energy consumption with respect to natural gas. 79% of these stores and outlets reported data on electricity while 69% were able to report data on district heating. Extrapolations on the basis of existing consumption data were conducted by calculating average values (kWh/m<sup>2</sup>) for all other stores and outlets. Scope 2 emissions are calculated in general according to the market based approach by the Company using specific supplier emission factors for the certified green electricity. For conventional electricity country emission factors are used.

The representation of scope 2 emissions calculated in accordance with the location-based approach is included in the appendix. The calculation relies on average emission factors of the individual markets.

→ **Further key figures and information**

HUGO BOSS has set the goal of reducing greenhouse gas emissions (scope 1 and 2) by 40% in relation to Group sales (base year and reporting scope 2016<sup>5</sup>) by 2025. During the reporting year, the greenhouse gas emissions (scope 1 and 2) were reduced in relation to Group sales by 17%.

<b>02 05 Intensity of GHG emissions (reporting scope and base year 2016)<sup>1</sup>: HUGO BOSS target 2025 –40%</b> (in t CO <sub>2</sub> /EUR million sales)			
	2018	2017	2016
Actual value (scope 1+2)	12.6	14.5	15.1
Change actual value (in %)	-17	-4	

<sup>1</sup> Ratio of GHG emissions (scope 1 and 2) to Group sales. The percentage changes of the years 2018 and 2017 refer both to the base year 2016. The Greenhouse Gas Protocol is used to calculate greenhouse gas emissions. Scope 2 emissions are calculated in general according to the market based approach by the Company using specific supplier emission factors for the certified green electricity. For conventional electricity country emission factors are used.

## 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 greenhouse gas emissions in the long term and contribute towards the consumption of fewer resources.

In 2018, greenhouse gas emissions for inbound flow fell slightly in relation to tonne-kilometers (tkm), that is the transport of goods per tonne transported and kilometer, compared to the prior year.

<sup>5</sup> The reporting scope 2016 comprises approximately 80% of the Company's workforce.

## 02|06 Environmental impacts from transportation<sup>1</sup>

	2018	2017	2016
Tonne-kilometers (in tkm)	168,904	159,780	146,752
CO <sub>2</sub> emissions (in t)	25,583	25,043	20,040

<sup>1</sup> All flows of goods to the HUGO BOSS logistics centers in Germany, USA and Canada as well as the raw materials transportation from HUGO BOSS to suppliers are considered.

The target to expand more environmentally-friendly forms of transport while reducing greenhouse gas emissions (scope 3) expired during the reporting year (base year 2016). In the context of its commitment expressed in 2018 to the UNFCCC Fashion Industry Charter for Climate Action, HUGO BOSS will thoroughly revise its climate protection road map in 2019. In future it will also include new sustainability targets for logistics. → [Environment management approach](#) → [Sustainability program](#) → [group.hugoboss.com](http://group.hugoboss.com)

## Water

HUGO BOSS continually reviews measures for **the resource-efficient use of water** – namely where the Group identifies the greatest potential with its own locations in the first place in order to reduce consumption. Due to the installation of the groundwater tanks at the Izmir location (Turkey) in 2017, 22,399 m<sup>3</sup> of water were collected during the reporting year and used for the irrigation of green areas and for sanitary installations on the site.

Water consumption increased by approximately 4% compared to the previous year. The increase is particularly due to a higher water consumption of one site that is to be renovated. The replacement of the affected technical facilities has already been scheduled.

## 02|07 Water consumption by region<sup>1</sup> (in m<sup>3</sup>)

	2018	2017	2016
Europe	184,363	173,536	162,822
Americas	21,828	21,190	24,429
Asia/Pacific	18,708	21,871	20,059
<b>Total</b>	<b>224,899</b>	<b>216,597</b>	<b>207,310</b>

<sup>1</sup> Water consumption data for retail is generally based on data queries at stores and outlets. 13% of the stores and outlets that are included in the data collection were able to report water consumption data. For all other stores and outlets an average value of 0.22 [m<sup>3</sup>/m<sup>2</sup>] was used. This average value is derived from a clothing retail benchmark (2013) by the real estate investment management company Redevco (redevco.com).

HUGO BOSS has set the goal of reducing water consumption by 40% in relation to Group sales (base year and reporting scope 2016<sup>6</sup>) by 2025. Water consumption decreased by 14% in relation to Group sales. Water consumption from external water supply (without company-owned groundwater tanks) at the production site in Izmir is considered here. The decrease is mainly due to a lower water supply from the external water provider at the Izmir location (Turkey).

## 02|08 Water intensity (reporting scope and base year 2016)<sup>1</sup>: HUGO BOSS target 2025 –40% (m<sup>3</sup>/EUR million sales)

	2018	2017	2016
Actual value	57.6	65.9	66.9
Change actual value (in %)	-14	-2	

<sup>1</sup> Ratio of total water consumption to Group sales. The percentage changes of the years 2018 and 2017 refer both to the base year 2016. Water consumption data for retail is generally based on data queries at stores and outlets. 13% of stores and outlets that are included in the data collection were able to report water consumption data. For all other stores and outlets an average value of 0.22 [m<sup>3</sup>/m<sup>2</sup>] was used. This average value is derived from a clothing retail benchmark (2013) by the real estate investment management company Redevco (redevco.com).

<sup>6</sup> The reporting scope 2016 comprises approximately 80% of the Company's workforce.

## Wastewater and waste

In order to reduce waste and wastewater, HUGO BOSS sets focus upon **optimized processes**, in particular at its own facilities. Once again, in 2018 no hazardous wastewater or waste was incorrectly discharged into the environment.

### Wastewater

During the reporting year, the Group discharged a total of 175,130 m<sup>3</sup> of wastewater mainly into the communal wastewater systems at the locations.

#### 02|09 Wastewater discharges by region<sup>1</sup> (in m<sup>3</sup>)

	✔ 2018	2017	2016
Europe	137,700	126,497	114,968
Americas	18,722	18,861	20,718
Asia/Pacific	18,708	21,871	19,764
<b>Total</b>	<b>175,130</b>	<b>167,229</b>	<b>155,450</b>

<sup>1</sup> 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).

### Waste

The total waste volume was 6,231 t. Compared with the prior year, this equates to an increase of approximately 4%. Among other things, the increase in waste volume is attributable to a higher product demand – leading to higher packaging volumes.

A large part of the generated waste at the HUGO BOSS locations is forwarded for recycling (2018: 64%). All other waste is disposed of in accordance with the local applicable regulations.

#### 02|10 Waste volumes by type<sup>1</sup> (in t)

	✔ 2018	2017	2016
Hazardous waste	57	45	48
Nonhazardous waste	6,174	5,931	6,368
<b>Total</b>	<b>6,231</b>	<b>5,976</b>	<b>6,416</b>

<sup>1</sup> 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.

#### 02|11 Waste volumes by region<sup>1</sup> (in t) ✔

	Europe	Americas	Asia/Pacific	<b>Total</b>
Hazardous waste	52	3	2	57
Nonhazardous waste	4,696	844	634	6,174
<b>Total</b>	<b>4,748</b>	<b>847</b>	<b>636</b>	<b>6,231</b>

<sup>1</sup> 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.

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CHAPTER EMPLOYEES / PAGES 24 – 31

# FOSTERING A FAIR AND RESPONSIBLE CULTURE



# EMPLOYEES

**HUGO BOSS aims to inspire and retain qualified employees who are willing to perform, so that they are motivated in their day-to-day work. Challenging tasks, individual 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 Company's success.**

## Management approach

The upper end of the premium apparel market is changing at a fast pace and HUGO BOSS is faced with increasing demands from its customers as well as technological shifts. In order to keep up with these developments and secure long-term success, HUGO BOSS is changing its **corporate culture**, which – through agility and the greater involvement of its employees – will enable them to take on more responsibility, make faster decisions and proactively co-shape the changes. HUGO BOSS' values of quality, respect, innovation, passion and cooperation form the basis for this along with the recognition of diversity and equal opportunities for all employees. These and other prerequisites for trusted collaboration within the Company as well as interaction with customers and suppliers is defined more closely in the HUGO BOSS **Code of Conduct**.

A motivating work environment, open and transparent communication, an appreciative leadership culture and individual vocational training and employee development are what distinguish **employee-focused human resources management** at HUGO BOSS. It retains talents at the Company in the long term, supports them in their professional development and provides opportunities for achieving a work-life balance.

**Employee engagement** is an important prerequisite for employees to be committed, willing to perform and able to take on responsibility. HUGO BOSS fosters employee engagement through various communication and training measures, and thus is changing its corporate culture. The annual employee survey provides insights into employee satisfaction and their perception of how much of an active contribution they are able to make to the Company as employees. → **Annual report 2018, combined non-financial statement, employee matters**

HUGO BOSS pays attention to the adherence to human rights and labor standards on the basis of internationally-recognized standards, for all employees around the globe. Special focus at the Company's locations is given to granting freedom of association and the prohibition of discrimination. A well-structured and traceable compensation scheme constitutes another element of **fair working conditions**.

As a company that operates administration and production locations as well as its own retail stores, HUGO BOSS pays a great deal of attention to the occupational health and safety (OHS) of its employees. This is expressed through the high standards with regard to occupational health and safety. The publicly available **Health and Safety Commitment** defines the responsibilities of the employees and the management. → [group.hugoboss.com](http://group.hugoboss.com)

The Company has defined **concrete goals** in the area of employees. The extent to which the goals are achieved as well as the implemented measures are reported on in the sustainability program.

→ Sustainability program

## Employment

At the end of fiscal year 2018, 17,579<sup>7</sup> members of staff were employed by the HUGO BOSS Group (2017: 16,777). Compared with the prior year, the number of employees rose by 5%. The rise is due primarily to the intensification of the Company's activities in the areas of own retail, IT, digital and own production.

### 03|01 Employees by region (headcount)

	2018	2017
Europe	13,117	12,343
Americas	2,271	2,334
Asia/Pacific	2,191	2,100
<b>Total</b>	<b>17,579</b>	<b>16,777</b>

The working conditions were regulated during the reporting year for 49% of the workforce through collective agreements with trade unions or operational employee agreements (2017: 50%).

In 2018, the percentage ratio of men and women remained more or less constant with the prior year. Similarly to the prior year, the share of female workers was 59%, and the share of male employees was 41%.

### 03|02 Employees by gender and region (in %)

	2018		2017	
	Women	Men	Women	Men
Europe	59	41	59	41
Americas	48	52	47	53
Asia/Pacific	68	32	68	32
<b>Total</b>	<b>59</b>	<b>41</b>	<b>59</b>	<b>41</b>

In 2018, 4,876 new employees were hired (2017: 4,342). 4,404 people left the Company. In total, the employee termination rate in the reporting year equated to 28%, representing a rise compared with the prior year (2017: 25%).

### 03|03 New hires by region<sup>1</sup> (headcount)

	2018	2017
Europe	3,312	2,729
Americas	927	926
Asia/Pacific	637	687
<b>Total</b>	<b>4,876</b>	<b>4,342</b>

<sup>1</sup> Data without apprentices, interns, diploma students, agency staff.

<sup>7</sup> The reported figure relates to headcounts per December 31, 2018. Whereas the figure published in the annual report (14,685) is based on a full-time equivalent (FTE) calculation.

At 19%, the rate for employee-related terminations was slightly below than that of the prior year ✓. The goal of the Company is still to lower the level of employee-related termination. → **Sustainability program**

Acting in a **volatile market environment**, HUGO BOSS is faced with the challenge of retaining its talents at the Company in the long term. To ensure that the Company continues to enhance its ability to retain employees in the future too, the Human Resources department will adapt the evaluation methods used for the termination rate in the upcoming reporting year. As of 2019, the termination rates for retail and corporate functions will be considered separately in order to analyze individual needs for action and undertake suitable measures.

**03|04 Termination rate by reason and region<sup>1</sup> (in %)** ✓

	Europe	Americas	Asia/Pacific	Total
Employee-specific	16	35	26	19
Employer-specific	8	7	4	7
Redundancy	0	1	3	1
Retirement	1	0	0	1
Death, emigration	0	0	0	0
<b>Termination rate (total)</b>	<b>25</b>	<b>43</b>	<b>33</b>	<b>28</b>

<sup>1</sup> Data without apprentices, interns, diploma students, agency staff.

**03|05 Employee-specific termination by region<sup>1</sup>**

	✓ 2018		2017	
	headcounts	in %	headcounts	in %
Europe	1,857	16	1,817	19
Americas	688	35	590	30
Asia/Pacific	519	26	548	28
<b>Total</b>	<b>3,064</b>	<b>19</b>	<b>2,955</b>	<b>20</b>

<sup>1</sup> Data without apprentices, interns, diploma students, agency staff.

Further KPIs on the employee structure can be found in the appendix. → **Further key figures and information**

**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. All employees should experience a non-discriminatory work environment and equal opportunities – irrespective of nationality, gender, religious and political convictions, sexual orientation, age or disability. This acknowledgment was publicly emphasized when the Group became a signatory of the Charter of Diversity in 2008.

In order to promote equal opportunities for its employees globally, HUGO BOSS in Germany and at many international locations provides opportunities to **achieve a work-life balance**. Further information on the subject of diversity and equal opportunities is available on the Group's website. → [group.hugoboss.com](http://group.hugoboss.com)

At 59%, women account for the majority of the workforce. At the four management levels, 48% of the positions were held by women in 2018 ✓ (2017: 47%).

**03|06 Employees by management level and gender** (in %)

	2018		2017	
	Women	Men	Women	Men
Managing Board	0	100	0	100
Top management	16	84	19	81
Middle management	45	55	44	56
Management	50	50	48	52
<b>Total</b>	<b>48</b>	<b>52</b>	<b>47</b>	<b>53</b>

In 2018 as in the prior year, three of the twelve members of the Supervisory Board were women ✓. Further diversity characteristics relating to the Supervisory Board can be viewed on the Group’s website. → [group.hugoboss.com](http://group.hugoboss.com)

**Vocational training and employee development**

HUGO BOSS sees the systematic vocational training and further education of talents as a key element of employee retention and for securing long-term business success. In collaboration with regional, national and international universities and vocational training institutes, the Company offers a wide range of industrial/technical and commercial **vocational training professions and dual courses of study**. A systematic **personnel training and development program** helps the employees to continuously broaden their knowledge and skills. The wide range of development opportunities was supplemented during the reporting year with a Leadership Development Program designed especially for managers. At its international locations HUGO BOSS also offers extensive development programs for employees and managers. → [Annual report 2018, employees](#) → [group.hugoboss.com](http://group.hugoboss.com)

The individual development plans are based upon the employee performance reviews, which are held at least once a year. In order to closely align the development of competences with the corporate strategy, a new competence model was developed during the reporting year, which creates the framework of future employee performance reviews at HUGO BOSS AG. In 2018, 79% of the employees had an employee performance review (2017: 78%).

**03|07 Employees with performance appraisals by region** (in %)

	2018	2017
Europe	85	82
Americas	28	39
Asia/Pacific	94	88
<b>Total</b>	<b>79</b>	<b>78</b>

HUGO BOSS promotes life-long learning and, besides a wide variety of **face-to-face training courses**, it also offers **e-learning** to support formal learning. 2,360 face-to-face training courses were completed throughout the Group in the past fiscal year (2017: 2,808). The increased focus on online formats, that can be conducted flexible in terms of time and space, during the reporting year led to a corresponding increase in online training and a reduction in the number of face-to-face training courses.

**03|08 Training by type**<sup>1</sup> (number)

	2018	2017
Face-to-face trainings	2,360	2,808
Employees participating in online training	6,496	4,309
Successfully completed online trainings	85,018	30,477

<sup>1</sup> Without OHS and compliance trainings.

Generally, **career and development opportunities** are also fostered through internal job transfers and international postings. During the reporting year, the Company introduced a redeveloped promotion procedure that is aimed at contributing towards the change in corporate culture through more fairness, transparency and equal opportunities in career development. HUGO BOSS offers a support program in Germany for employees who are planning to retire, in order to help with the transition. → **Annual report 2018, employees** → [group.hugoboss.com](http://group.hugoboss.com) → **Sustainability program**

**Fair working conditions**

The **respect of human rights and labor standards** for its employees are a fundamental element of the corporate culture at HUGO BOSS. Against the background of the existing high standards at the Company's own locations, it focuses upon freedom of association, the prohibition of discrimination and fair compensation. At HUGO BOSS, freedom of association means – among other things – granting employees the right to join trade unions and workers' councils and enabling them to take part in collective bargaining within the scope of the respective national laws. A non-discriminatory working environment is also a matter of course at HUGO BOSS, as are diversity and equal opportunities for all employees. The goals that the Company set with regard to fair working conditions can be viewed in the sustainability program. → **Diversity** → **Annual report 2018, combined non-financial statement, employee matters** → **Sustainability program**

The **HUGO BOSS Social Standards**, which are based on the internationally-recognized standards of the United Nations and the International Labour Organization (ILO), form the most important framework. They are supplemented by the Group's Code of Conduct and internal Social Compliance Guidelines. In the event of violations, the central Compliance function undertakes steps to report, investigate, impose sanctions and introduce measures, where appropriate, together with the local Human Resources departments and respective managers. Complaints can also be reported, if desired anonymously, to an external ombudsman.

Compliance with the Social Standards is revised through measures including the implementation of the social audit. As of December 31, 2018, three of the Company's four production sites had a **valid social audit**<sup>8</sup> ✓. The audit for the production location at the headquarters in Metzingen (Germany) was conducted for organizational reasons at the start of 2019. → **Management of social matters in the supply chain**

During the reporting year, eleven cases of discrimination were reported within the Group ✓ (2017: 10). Suitable measures were implemented in all reported cases. Six of the cases have already been concluded.

<sup>8</sup> This means that a (follow-up) audit was conducted at these production facilities within 24 months in accordance with the results-related audit frequency.

## Compensation

At HUGO BOSS, a **transparent and fair compensation system** is another element of fair working conditions. The compensation system at HUGO BOSS incorporates fixed and variable salary components, additional allowances, benefits in kind and other immaterial benefits. The respective level of the compensation is based on role-dependent qualification and performance aspects, regardless of gender or other diversity factors. HUGO BOSS' aim is to continue to improve the fairness and competitiveness of the compensation system. → **Annual report 2018, combined non-financial statement, employee matters**  
→ **Sustainability program**

Employees who do not have collectively negotiated wage agreements receive a basic salary plus a personal **bonus**, which is linked to Company targets and the attainment of qualitative and quantitative personal goals. All other employees share in the Company's success through an general annual bonus. 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 2018, employees**

HUGO BOSS also makes an important contribution towards the **company pension** of its employees. The scope and conditions of this 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

HUGO BOSS' goal is to prevent occupational accidents and protect the health of its employees. In order to align processes and structures across the Company, in particular in its own retail stores, HUGO BOSS is currently revising its **OHS strategy**. The corporate goals defined for OHS can be viewed in the sustainability program. → **Sustainability program**

To ensure a high level of occupational safety, potential hazards are identified and assessed, and solution approaches are developed by means of **health and safety inspections** and **hazard assessments**. Occupational medical care is available at the headquarters in Metzingen (Germany) and at other international locations. The employees are also trained regularly on protection and safety in the workplace. **Face-to-face training and workplace instructions** are a fixed component of the introduction of new commercial employees at the Group's own production and logistics sites. Administration and retail employees complete regular **OHS online training**.

Despite the high standards and observation of the duty of care, in 2018 there were 250 (2017: 183) accidents, each of which resulted in absence of more than one working day. The total number of lost working days was 4,248 (2017: 2,312) and therefore, similarly to the prior year, the absentee rate was 0.1% 📊. Compared with the prior year, several accidents with a higher degree of severity occurred at different Company locations, which led to a significant increase in the number of lost working days.

**03|09 Accidents and corresponding absentee days by region<sup>1</sup>** (number)

	Accidents > 1 lost day		Absentee days	
	✔ 2018	2017	✔ 2018	2017
Europe	217	157	3,152	1,696
Americas	22	20	892	539
Asia/Pacific	11	6	204	77
<b>Total</b>	<b>250</b>	<b>183</b>	<b>4,248</b>	<b>2,312</b>

<sup>1</sup> 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. A working day is equivalent to 8 hours.

During the reporting period, 110,833 sickness days (2017: 101,437) resulted in a slightly increased sickness rate of 3.0% (2017: 2.9%). There were no work-related illnesses at HUGO BOSS, as was also the case in the prior years ✔.

At HUGO BOSS, the **strengthening of the physical and mental health** of its employees is very important. Operational health management is coordinated at many locations by specific responsible employees and includes a wide range of offerings that vary internationally. In 2018, HUGO BOSS was presented with the **Corporate Health Award** quality mark in the Excellence category, in recognition of its excellent corporate health management activities. Further information is available on the Group’s website. → [group.hugoboss.com](http://group.hugoboss.com) → **Annual report 2018, employees**

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CHAPTER PARTNERS / PAGES 32 – 41

# 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 international standards and their joint further development. 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, as part of external cooperations.**

## 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 17% 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 are also transferred to its production partners. → **Annual report 2018, sourcing and production**

Beyond own production, 83% 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 fabric and trimmings such as buttons and yarns from **fabric and trimmings suppliers**. → [group.hugoboss.com](http://group.hugoboss.com)  
→ **Annual report 2018, sourcing and production**

HUGO BOSS follows the principle that responsibility is shared with its partners. The Company obliges itself and its suppliers to adhere to human rights as well as fair working conditions and 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.

To assess adherence to social and environmental requirements as well as for the further development of the suppliers' management systems, the Company operates the **HUGO BOSS Social Compliance Program** and the Global Social Compliance Program (GSCP) **Environmental Program**. The **established grievance mechanisms**, which the suppliers' employees can use in the event of violations or notifications of possible violations, are also part of the management systems.

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 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 supplier portfolio of HUGO BOSS. The German National Action Plan on Business and Human Rights is also an important focus for the Company for assessing its human rights due diligence in the supply chain.

In order to achieve continual improvements, the **strengthening of long-term supplier relationships** is important at HUGO BOSS. The Company invests in the knowledge of its strategic partners and supports them with increasing quality, efficiency, technological progress and sustainable corporate governance.

By signing the **Fashion Industry Charter for Climate Action** of the UNFCCC in 2018, HUGO BOSS, along with other companies, is committed to the vision of a climate-neutral fashion industry by 2050.

Creating **transparency** is a major challenge when defining sustainable supply chains. **Cooperations** with other companies and organizations play a major role here, in order to further develop and expand industry standards through the exchange of information, experience and knowledge. Examples of organizations that HUGO BOSS cooperates with include the German Partnership for Sustainable Textiles and the Fair Labor Association (FLA). → **Graph: partner-related cooperations**

A **fact sheet** containing all the information about **supply chain management** is also available on the Group's website. → [group.hugoboss.com](https://group.hugoboss.com)

The **defined targets**, the level of target achievement and the implementation of measures in the partners area are reported on in the sustainability program. → **Sustainability program**

**04|01 Partner-related cooperations**

<b>Name</b>	<b>Purpose of the cooperation</b>	<b>Activities of the cooperation and HUGO BOSS contribution</b>
<b>Fair Labor Association (FLA)</b>  (Member since 2014, accreditation in 2018)	Promotion and protection of workers' rights and improvement of working conditions globally	Accreditation of the HUGO BOSS Social Compliance Program and continuous feedback for improvements from the FLA based on HUGO BOSS self-assessments  Increase of external transparency by publishing the results of independent audits carried out at suppliers selected by the FLA  Continuous follow-up by HUGO BOSS of whether the suppliers audited by the FLA implement the defined Corrective Action Plans
<b>Partnership for Sustainable Textiles</b>  (Member since 2015)	Achievement of social, environmental and economic improvements along the textile supply chain through exchange and cooperation of the members	Commitment to an annual publication of sustainability targets in the supply chain (Sustainability Roadmap) and a progress report by HUGO BOSS  Contribution of HUGO BOSS to an industry-wide exchange and setting of targets by participation in working groups such as wool or cotton  Initiation of the exchange and joint further development of the blockchain technology in the textile and apparel industry by HUGO BOSS
<b>Accord on Fire and Building Safety in Bangladesh (ACCORD)</b>  (Member since 2016)	Ensurance of a safe working environment above all by implementing health and safety measures in Bangladeshi ready-made garment industry	Standardization of fire and building safety requirements for involved suppliers and regular review of these by skilled ACCORD employees  Support for own suppliers in the implementation of their action plans as well as monitoring of progress by HUGO BOSS
<b>Initiative of the Partnership for Sustainable Textiles for Tamil Nadu</b>  (Engagement in initiative since 2017)	Improvement of social standards in spinning mills and textile factories in the Southern Indian region Tamil Nadu with particular focus on strengthening women's rights	Implementation of training programs on social standards for already 3,500 workers in spinning mills and textile factories through the initiative  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
<b>Fashion Industry Charter for Climate Action of the United Nations Framework Convention on Climate Change (UNFCCC)</b>  (Signed in 2018)	Industry-wide commitment and cooperation for the development and implementation of climate protection measures	Development of a UN Charter on climate action in the fashion industry and active cooperation of all signatories in achieving the defined targets coordinated by the UNFCCC  Involvement of HUGO BOSS in developing the charter, commitment to the targets and to act in the working groups "Raw material", "Energy/Manufacturing" and "Policy engagement" to define appropriate measures

**Management of social matters in the supply chain**

HUGO BOSS and its suppliers are all obliged to adhere to the **HUGO BOSS Social Standards**, which are the Company's most important framework for compliance and the improvement of the social matters within the supply chain. They apply to all employees at the Group's own production facilities and all the suppliers' employees. The framework is based upon internationally recognized standards such as the core conventions of the ILO, and provide a minimum standard in countries where the national legislation is inadequate. The Social Standards are available in the 25 languages of the most important sourcing countries and can be viewed on the Group's website. → [group.hugoboss.com](http://group.hugoboss.com)

In 2018, HUGO BOSS had an active working relationship with 210 external finished goods production facilities (2017: 202) in a total of 28 countries and additionally sourced finished goods from its own production sites in Germany, Italy and Turkey. All suppliers have acknowledged the Social Standards and their validity at their production facilities ✓.

The written acceptance of and adherence to the HUGO BOSS Social Standards is a fundamental prerequisite in the selection of new business partners – all potential finished goods suppliers were assessed accordingly by means of a pre-sourcing audit during the reporting year.

In order to verify that the suppliers also comply with the HUGO BOSS Social 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 regularly trained on the content of the social audit. Afterwards, all the audited suppliers receive a detailed report. In the event that violations of the Social Standards are identified, the Company develops **corrective action plans** together with the respective supplier, the implementation of which is supported by a monitoring process and is verified in follow-up audits. In the event of violations during the course of the implementation of measures, HUGO BOSS may terminate the supplier relationship as a last step, if no adequate improvement can be shown after several assessments or if the supplier refuses to cooperate on these issues.

During the last fiscal year, a total of 153 audits (2017: 151<sup>9</sup>) were conducted at existing finished goods production facilities (including own production facilities). In doing so, 123 production facilities (2017: 127<sup>9</sup>) were audited ✓.

The HUGO BOSS Social Compliance Program was also fully **accredited by the FLA** in 2018. Within this framework, in addition to the audits organized by the Company, the FLA also conducts independent audits at suppliers in order to verify the organization's own standards.

To prevent violations of the Social Standards in the future too, HUGO BOSS gives high priority to the **further development of social compliance management** at its suppliers. Since 2017, the Company has held **social compliance training** at its finished goods suppliers and supports them with the implementation of the Social Standards by providing extensive documents. At the end of 2018, 86% of all existing finished goods suppliers (including own production facilities) were given supplier training of this nature. This equates to 95% of the sourcing volume from active finished goods suppliers. The training concept will be further developed in 2019 and additional training channels and formats will be added. In future, the training will form part of the onboarding process and must be completed by the suppliers at regular intervals.

The **HUGO BOSS supplier days** are another opportunity to strengthen the development of skills as well as a common understanding. The supplier day that was organized for the first time in the Clothing Product Division in 2018 was dedicated to sustainability.

<sup>9</sup> This value is not comparable with the 2017 value published in the sustainability report 2017, as in this reporting year only the production facilities at the finished goods suppliers that the Company actually works with are taken into account (i.e. no potential suppliers).

In the event of violations or to obtain information, the suppliers' employees can contact the responsible person at HUGO BOSS directly via a defined **grievance mechanism** or they can contact an external, independent ombudsman. → [group.hugoboss.com](http://group.hugoboss.com)

The violations of the HUGO BOSS Social Standards that were exposed during the social audits related primarily to the areas of social compliance management, OHS and working hours. In general, there is a **corrective action plan** for all violations.

**04|02 Violations of HUGO BOSS social standards<sup>1</sup>** (number) 📊

	Risky	Insufficient	Total
Social compliance management	12	2	14
OHS	9	1	10
Working hours	1	5	6
Compensation and benefits	0	5	5
Freedom of association and collective bargaining	1	0	1
Worker treatment	1	0	1
Child labor and young laborers	0	0	0
Discrimination	0	0	0
Forced labor	0	0	0
Supplier control	0	0	0
<b>Total</b>	<b>24</b>	<b>13</b>	<b>37</b>

<sup>1</sup> Listed violations refer to 153 conducted audits of active finished goods production facilities (including own production facilities) in 2018.

Due to the complexity in the textile value chain, responsibility for the implementation of sustainability requirements in the supply chains does not lie solely with the Company; it also requires the participation of the preliminary suppliers. An increase in transparency throughout the supply chain is also critical for success. Therefore, HUGO BOSS also considers its finished goods suppliers to have an obligation to assume responsibility for their own supply chains. The Company is therefore working on introducing a **governance model** that will enable the finished goods suppliers to increasingly fulfill this responsibility.

→ **Sustainability program**

HUGO BOSS also considers the increasing digitalization of supply chains to be an important factor for achieving complete transparency. In this context, the Company is working with organizations such as the OECD and the Partnership for Sustainable Textiles as well as its partners in the supply chain on the potential application of **blockchain technology**. This enables the availability of certificates or audit results, for example, for all participating partners in the program along the entire value chain in digital form.

**Fair compensation in the supply chain**

HUGO BOSS contributes towards the establishment of industry-wide standards and is working on **compensation practices** for its suppliers' employees. For this purpose, the Group regularly collects and analyzes wage data from its finished goods suppliers. The work is based upon internationally-recognized standards such as those of the Partnership for Sustainable Textiles and the FLA, which the Group has been an accredited member of since 2018. The fundamental **principles of fair compensation** at HUGO BOSS include the regulated payment of wages, performance-related pay for hours actually worked, the right to collective bargaining and the avoidance of unequal compensation, for example.

→ [group.hugoboss.com](http://group.hugoboss.com)

## Social compliance overview

Valid audits exist for 97% of the production facilities that the Company cooperated with in the area of finished goods in 2018 (including own production facilities) ✓ (2017: 84%<sup>10</sup>). This means that a (follow-up) audit has been carried out in the last 24 months in accordance with the results-related audit frequency.

In 2016, HUGO BOSS set itself the goal of procuring 90% of its sourcing volume by 2020 from finished goods suppliers (including own production facilities) that were assigned to the **good to satisfying performance levels** in their last audit. As of December 31, 2018, the share was 91% ✓ (2017: 84%). The goal was therefore achieved earlier than planned. HUGO BOSS is also aiming to maintain this high level in the future. → **Sustainability program**

The following overview indicates the current status of performance in relation to social compliance. It relates to all valid audits. These were partly conducted before January 1, 2018. The percentage of suppliers that achieved a good to satisfying performance level increased from 81% to 85% ✓.

### 04|03 Status social compliance performance<sup>1</sup> (in %) ✓

	Share
Good	52
Satisfying	33
Improvements needed	9
Risky	4
Insufficient	2

<sup>1</sup> The table refers to valid audits of all active finished goods 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 aware of the subject of social compliance, yet is not prepared to implement it and improve obvious shortcomings in management. There exists an immediate threat to employees.

### Social compliance in fabric and trimmings production

The above-mentioned details on the **HUGO BOSS Social Compliance Program** are also applicable to the Group's fabric and trimmings suppliers. Adherence to the HUGO BOSS Social Standards is an important prerequisite for collaboration in the selection of new suppliers. The evaluation is carried out by means of a self-assessment. If violations of the HUGO BOSS Social Standards are identified, the catalogs of measures are helpful in correcting any shortcomings.

<sup>10</sup> The value for the prior year cannot be compared directly with the current value as the audit cycle changed from 18 to 24 months in 2018.

In 2018, HUGO BOSS had an active working relationship with 334 production facilities of fabric and trimmings suppliers (2017: 371) in a total of 21 countries. 319 suppliers have acknowledged the Social Standards and their validity at their production facilities ✓. On the one hand, the cases of non-confirmed Social Standards were attributed to phasing out processes, and on the other hand to the lack of systemic integration of suppliers, which will be implemented in 2019. In 2018, 118 fabric and trimmings suppliers were evaluated by means of a self-assessment, all of them with a positive result. This included both potential and existing suppliers ✓.

Through its operations, HUGO BOSS not only has an impact upon the direct fabric and trimmings suppliers, but also 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 shows them how they can fulfill this duty to an even greater extent in the future. → **Sustainability program**

## Management of environmental matters in the supply chain

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 publicly available HUGO BOSS **Environmental Commitment** that outlines the principles of environmental protection for partner companies. → [group.hugoboss.com](http://group.hugoboss.com)

Since 2015, the **open source environment program of the GSCP** has provided the basis for HUGO BOSS to **record and improve the environmental conditions** in its supply chain and at its own production facilities. The Company requests the suppliers participating in the GSCP to provide environment-related information for at least six of the core areas of the GSCP framework. 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 satisfactory). In 2018, the degree to which the objective was achieved was 13%. → **Sustainability program**

In 2018, HUGO BOSS used this approach to audit 26 out of 31 active strategic finished goods suppliers (2017: 6). The rise is due to the increased focus of the audit program upon this supplier group during the reporting year. On the basis of the results and supported by a monitoring process, HUGO BOSS is working together with the suppliers to improve their environmental performance. As is the case with the social audits, the Company is also supporting its suppliers with the correct implementation of the requirements in the area of environmental management. The suppliers have a contact person and, where required, HUGO BOSS establishes contacts with experts in the respective regions. Furthermore, HUGO BOSS supported a training course organized by Global Compact Network Germany and WWF Germany to raise awareness of climate protection among the textile suppliers in Vietnam, for example. → [group.hugoboss.com](http://group.hugoboss.com)

During the reporting year, ten violations categorized as risky were identified throughout the course of the environmental audits. In two cases, there was no valid local authorization for the waste water and the electrical system, respectively. In two further cases, waste was being improperly separated and stored. In the area of waste water, there were six cases where it was deemed necessary to improve the control system for waste water treatment. The suppliers were requested to take the necessary improvement measures, the implementation of which is monitored by HUGO BOSS.

HUGO BOSS has demonstrated its commitment since 2018, as one of the initial signatories of the **Fashion Industry Charter for Climate Action** of the UNFCCC. As part of this initiative, brands, manufacturers and organizations discuss climate protection goals and measures throughout the entire textile value chain. HUGO BOSS is actively represented, in particular, in the working groups for “Raw material”, “Manufacturing/Energy” and “Policy engagement”.

**04|04 Violations of HUGO BOSS GSCP environment standards<sup>1</sup> (number)**

	Risky	Insufficient	Total
Wastewater	6	0	6
Management systems	2	0	2
Waste	2	0	2
Avoidance of harmful substances	0	0	0
Energy consumption, transport and greenhouse gas emissions	0	0	0
Water consumption	0	0	0
<b>Total</b>	<b>10</b>	<b>0</b>	<b>10</b>

<sup>1</sup> The violations refer to 26 conducted audits of active strategic finished goods suppliers (including own production facilities) in 2018.

The natural capital evaluation conducted by the Company in 2016 revealed a significant environmental impact within the textile supply chains, in particular with regard to the **wet processes**. HUGO BOSS is continuing to develop its Environmental Program in order to achieve greater coverage of suppliers with audits and to intensify the focus upon the wet processes. An important element in this context is the Company’s involvement in cross-sector cooperations and initiatives, such as the Zero Discharge of Hazardous Chemicals (ZDHC). → **Graph: product-related cooperations → Products management approach**

**Environmental compliance overview**

With the audits carried out in 2018, there are valid environmental audits for 84% of the existing strategic finished goods suppliers (including own production sites). The following overview indicates the current status of performance in relation to environmental compliance for the Company’s strategic finished goods suppliers. It also relates to audits that were conducted before January 1, 2018.

**04|05 Status environmental compliance performance<sup>1</sup> (in %)**

	Share
Good	0
Satisfying	13
Improvements needed	42
Risky	29
Insufficient	0
No audit conducted	16

<sup>1</sup> The table refers to the 31 active 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.

### **Environmental compliance in fabric and trimmings production**

Analyses conducted by HUGO BOSS for the natural capital evaluation indicate that the **environmental impacts of the wet processes** are particularly high. In fabric and trimmings production, such as dyeing, washing, bleaching and tanning, chemicals are used in wet processes. The same is true for the manufacturing of cotton, synthetic and recycled fibers. To prevent chemicals being released into the production facility environment during production processes, HUGO BOSS is raising awareness among its suppliers on how to manage them responsibly. The Company also works with other companies in the apparel industry to help eliminate harmful chemicals in the textile supply chain, within the framework of the ZDHC Programme. → **Annual report 2018, combined non-financial statement, environmental matters** → **Chemicals management and product safety** → **Sustainability program**

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# IDEAS FOR TOMORROW



# PRODUCTS

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

## Management approach

The products of HUGO BOSS combine premium quality and sophisticated design with ethical standards and compliance with environmental and health requirements. The top priority is to develop **innovative and sustainable product solutions** that capitalize on the full potential of the BOSS and HUGO brands. 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.

→ **Annual report 2018, combined non-financial statement, customer matters**

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 3D virtualization in the design process helps to reduce 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 certain natural and recycled materials. → **Annual Report 2018, research and development**

Since 2009, HUGO BOSS has regularly assessed the **environmental impacts** of the individual product categories by means of life cycle analyses. In order to compare the different environmental impacts, the Group has referred to the Natural Capital Protocol of the National Capital Coalition (NCC) since 2016. The comprehensive results of this **natural capital evaluation** form a fundamental basis for the holistic sourcing strategy for sustainable materials. → **group.hugoboss.com**

With the development and implementation of sustainable sourcing strategies, HUGO BOSS also relies upon **collaboration and cooperation** with its stakeholders. The cotton goals, for instance, will be pursued together with the organizations Better Cotton Initiative (BCI), Yarn Ethically & Sustainably Sourced (YESS) and Cotton LEADS™. Furthermore, as part of the Zero Discharge of Hazardous Chemicals (ZDHC) and Leather Working Group (LWG) initiatives, HUGO BOSS is committed to reducing the environmental impacts in the textile supply chain.

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. HUGO BOSS has for many years cooperated with animal welfare protection groups and is in close contact with People for the Ethical Treatment of Animals (PETA) and other organizations to improve animal protection.

**Innovation and sustainability** go hand in hand at HUGO BOSS. Together with partners, creatives and start-ups, the Company is working on exceptional materials and processing technologies. For instance, a vegan sneaker collection made of pineapple leaf fibers was launched during the reporting year in cooperation with Ananas-Anam.

As a signatory of the **2020 Circular Fashion System Commitment initiated by the Global Fashion Agenda (GFA)**, HUGO BOSS is committed to promoting closed material cycles and the sustainable management of resources. The consideration of circular design principles and the use of recyclable materials play a major role in this respect.

In relation to **chemicals management and product safety**, the focus is on the responsible use of chemical substances. To this end, the Company demands that its suppliers guarantee, among other things, that they comply with the Restricted Substances List (RSL). To minimize the use of hazardous chemicals during production, the ZDHC Manufacturing RSL (ZDHC MRSL) has been an important aspect of supplier relationships since 2018.

To minimize the environmental impacts in the area of **product and sales packaging**, the Company is gradually increasing the percentage of recycled and FSC<sup>11</sup>-certified materials.

In the area of products, HUGO BOSS has set itself **goals** that are reported on in the sustainability program. → **Sustainability program**

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<sup>11</sup> HUGO BOSS' FSC® license code is FSC® N002527.

**05|01 Product-related cooperations**

Name	Purpose of the cooperation	Activities of the cooperation and HUGO BOSS contribution
<b>Apparel and Footwear International RSL Management (AFIRM)</b>  (Member since 2009)	Reduction of the use and impact of harmful substances in apparel and footwear products	Cooperation in the establishment and further development of an industry-wide Product Restricted Substances List (RSL) and Packaging RSL in a continuous active cooperation with brands, international test laboratories and external consultants  Complete compliance of the HUGO BOSS RSL (as a contractual requirement for all suppliers) with the AFIRM RSL standards since 2018
<b>Zero Discharge of Hazardous Chemicals (ZDHC)</b>  (Contributor since 2017)	Zero discharge of hazardous chemicals in the whole textile supply chain	Access to information platforms on chemicals and training on chemical and wastewater management from the ZDHC for HUGO BOSS and its suppliers  Involvement of HUGO BOSS in working groups, such as on chemicals management, and active contribution to a pilot project in the field of wastewater management with the aim of further developing the corresponding ZDHC tools  Commitment to the long-term implementation of ZDHC tools, including strict guidelines for the use of chemicals (ZDHC Manufacturing RSL) and waste water management (ZDHC Wastewater Guideline), at HUGO BOSS suppliers
<b>Better Cotton Initiative (BCI)</b>  (Member since 2017)	Holistic approach to sustainable cotton production, which covers environmental, social and economic aspects	Organization 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 BCI trainings by HUGO BOSS for suppliers with information on how to source cotton as Better Cotton and the opportunity to get in exchange with BCI experts  Sourcing of at least 90% of the cotton for HUGO BOSS products from sustainable sources by 2025 (as of 2018: around 40%) with a large proportion sourced as Better Cotton (as of 2018: 12%)
<b>Leather Working Group (LWG)</b>  (Member since 2017)	Development and maintenance of a protocol to assess the environmental performance of leather manufacturers and to promote sustainable business practices	Provision of information, training sessions and further support for tanneries by the LWG  Promotion of tanneries to get certified according to LWG specifications and support in the process by HUGO BOSS  Participation of HUGO BOSS in regular exchanges between affiliated brands, product manufacturers, tanneries and chemical suppliers to achieve joint progress  Procurement of 60% of the leather used in HUGO BOSS products from LWG-certified tanneries by 2022 (as of 2018: 55%)
<b>2020 Circular Fashion System Commitment of the Global Fashion Agenda (GFA)</b>  (Signed in 2017)	Conservation of resources by promoting a circular economy in the fashion industry	Creation of public awareness and pushing forward the topic of a circular economy in the fashion industry by the signatories' commitment to concrete targets  Provision of information and exchange opportunities between the signatories and experts on the implementation of a circular economy in the fashion industry by the GFA  Commitment of HUGO BOSS to circular design targets until 2020, including the integration of circular design principles in all design briefings and the implementation of regular circularity training courses

## Responsible use of materials

HUGO BOSS products are made exclusively from materials that meet its customers' high expectations in terms of design, comfort, longevity and fit. Alongside these quality features, social and environmental aspects also play an important role.

At HUGO BOSS, cotton accounts for by far the largest proportion of its overall material use. This is followed by synthetic fibers, wool 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.

As **cotton** is the most used material, HUGO BOSS has defined specific goals for sourcing sustainable cotton. By the year 2020, 50% of this raw material will be sourced as sustainable cotton in accordance with the criteria defined in the Company's Cotton Commitment. By 2025, this percentage will increase to at least 90%. In 2018, around 40% of the cotton that HUGO BOSS used was sourced as sustainable cotton. Thus, for example in spring 2018, the first **sustainable capsule collection** was launched in BOSS Men's Casualwear under the name "Responsible" available for sale in the retail stores and in the online store. Here as well, the focus of the capsule was upon the use of sustainable cotton. The concept behind the "Responsible" capsule to use more sustainable materials will be continued in the subsequent collections. → **Sustainability program** → [group.hugoboss.com](http://group.hugoboss.com)

When producing **sustainable wool**, many aspects need to be taken into account including humane animal husbandry, the gentle shearing of animals and abstinence from the painful mulesing method. In the reporting year, HUGO BOSS developed guidelines for sourcing sustainable wool, which were published on the Group's website at the start of 2019. The Company has set ambitious goals for using non-mulesed wool and its pure wool socks are already made using 100% non-mulesed wool. → **Sustainability program** → [group.hugoboss.com](http://group.hugoboss.com)

HUGO BOSS only uses **selected types of leather** and looks for alternative materials that meet the Company's high quality standards. With regard to leather and hides, besides consistently excluding farmed furs from its collections, the Company is also committed to only using leather and hides from sheep, goats, cows and buffalo that are a by-product of the food industry. → [group.hugoboss.com](http://group.hugoboss.com)

The Company regularly publishes details of sustainable products and information about the use of sustainable materials on its website and in its online store. → [group.hugoboss.com](http://group.hugoboss.com) → [hugoboss.com](http://hugoboss.com)

**05|02 Materials used** (in kg)

	<b>2018</b>	share in %
Cotton	8,177,555	50
Synthetic fibers	2,446,455	15
Wool	2,377,146	14
Leather	1,599,279	10
Rubber	614,004	4
Regenerated fibers	549,592	3
Polyurethane	309,702	2
Silk	99,701	1
Linen	81,509	0
Cashmere	37,313	0
Other	157,620	1
<b>Total</b>	<b>16,449,876</b>	<b>100</b>

Based upon the analyses conducted in the **natural capital evaluation**, cotton and leather were identified as being the materials in the HUGO BOSS product portfolio that have the greatest impact upon the environment. **Water consumption** for cotton cultivation in particular has a huge impact. The greatest environmental impacts for leather relate to **water pollution** caused by the improper use of chemicals or inadequate waste water disposal in the tanning. The Company is collaborating with organizations such as the BCI and the LWG in these areas. → **Graph: product-related cooperations → Annual report 2018, combined non-financial statement, environmental matters**

The **use of both recyclable and recycled materials** plays an increasingly important role in closing material cycles and preserving resources. In this respect, HUGO BOSS attaches great importance to fully meeting its own quality requirements.

HUGO BOSS is committed to the 2020 Circular Fashion System Commitment and has formulated a **circular design strategy** to this end. As part of this strategy, employees from the areas of Design, Product Development and Procurement received training on the circular design concept during the reporting year. The careful selection and composition of the materials plays a very important role here. As of the spring/summer 2020 collection, these design principles will underlie selected collection briefings. → [group.hugoboss.com](http://group.hugoboss.com)

**Packaging materials**

Many of the **product packaging materials** at HUGO BOSS are used in the shoes and jersey categories. Increasing importance is attached to the use of sustainable materials, therefore all shoe boxes are being switched to FSC®-certified paper and an increasing number of polybags with recycled plastic content are being used, for example.

**Sales packaging** such as shopping bags, gift boxes and suit bags also account for a high proportion of total material usage. Almost exclusively FSC®-certified paper is used in this area. Wherever possible, shopping bags are made of material produced using post-consumer paper waste. Suit bags are manufactured using recycled plastic.

**05|03 Recycled proportion of packaging**

Packaging type	Material	Total weight (in t)	Recycled share (in %)	Certified share (in %)
Boxes	Paper	1,342	7	33
	Other (e.g. metal, textile)	45	0	4
Bags	Paper	1,028	71	96
	Plastic	417	0	0
	Other (e.g. metal, textile)	58	0	0
Suit bags	Plastic	259	98	0
Hangers	Plastic	353	0	0
Various packaging	Paper	531	4	54
	Paper composite	130	0	55
	Plastic	131	0	4
	Other (e.g. metal, textile)	53	2	0
<b>Total</b>		<b>4,348</b>	<b>26</b>	<b>41</b>

In **logistics** at HUGO BOSS, the reuse and sourcing of FSC®-certified **transport packaging** plays a central role. In the reporting year, around 1.1 mio. cardboard boxes that were used for finished goods deliveries were then reused for shipping products from the German distribution centers. Since 2017, all newly-sourced cardboard boxes that are shipped out of the German distribution centers are FSC®-certified.

**Chemicals management and product safety**

HUGO BOSS is conscious of its responsibility for the health and safety of the people who come into contact with its products during the manufacturing process or as customers. The responsible use of chemicals is therefore extremely important.

**Chemicals management**

HUGO BOSS sees chemicals management as a huge lever for minimizing the **environmental impacts in the supply chain**. The Company is committed to the goal of achieving complete transparency in the use of **hazardous chemical substances in the value chain** and continually reducing their use. For this reason, HUGO BOSS has been involved in industry-wide exchange and collaboration for many years. Since 2017, the Company has been a contributor to the ZDHC Roadmap to Zero Programme, which is based on the **ZDHC MRSL**. This list contains chemicals and defined thresholds, and helps suppliers to avoid or minimize the use of harmful chemicals. Suppliers can find safe alternatives to the substances in an online tool provided by the ZDHC. Chemicals management also plays an increasingly vital role in the supply chain in the HUGO BOSS Environmental Program. → **Management of environmental matters in the supply chain**

**Product safety**

All the Company's suppliers must comply with the **HUGO BOSS RSL**. Through the HUGO BOSS RSL, the Company imposes very strict guidelines with regard to the **chemicals contained in products**. The RSL is continually revised, also as part of its membership in the industry-wide initiative AFIRM. The HUGO BOSS RSL has satisfied the requirements of the AFIRM RSL since 2018. → **Annual report 2018, combined non-financial statement, customer matters**

HUGO BOSS arranges for accredited institutes to assess the safety and quality of its products by means of **extensive harmful substance tests**. In the year 2018, around 3,050 materials were assessed this way (2017: around 2,950). As part of these assessments, less than 0.5% of the tested products were found to be non market-compliant and therefore were not released for distribution ✓ (2017: almost 0.5%).

#### **Labeling of products**

In terms of the labeling of its products, HUGO BOSS meets all legal requirements. All product labels include details of material composition, country of origin and care instructions as well as the product and supplier number. In the reporting year, there were no customer complaints or fines on the basis of incorrect labeling.

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# 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. To achieve this, HUGO BOSS has made education one of the focal points of its corporate citizenship strategy.**

## Management approach

The **corporate citizenship strategy** of HUGO BOSS defines the framework for its social commitment and the Company's future activities. It establishes the corporate values of quality, respect, innovation, passion and cooperation. In order to be able to assess the activities and their results, HUGO BOSS has been using an **impact measurement** method for corporate citizenship projects since 2015.

The overarching aim of the HUGO BOSS corporate citizenship strategy is to foster individual potential for success. In doing so, the Company is committed to young people in particular and supports them with **access to education**. HUGO BOSS considers education to be a key foundation for personal success and participation in society. The second pillar of the strategy consists of **promoting career prospects** and opportunities for life-long learning. The third pillar relates to **fostering creativity and cultural diversity**, which HUGO BOSS pursues through various initiatives including a broad-based cultural sponsorship program. The Company also assumes responsibility for current social challenges and provides assistance in particular emergencies. In this context, in 2018 HUGO BOSS started a collaboration in the form of clothing donations with the refugee aid organization UNO-Flüchtlingshilfe and the UN Refugee Agency UNHCR to support people around the globe who are in need of emergency assistance.

HUGO BOSS implements its corporate citizenship strategy in projects and measures throughout the value chain. In doing so, the Company pays attention to the connection between the purpose of funding, the business activity and the regional needs at the locations. HUGO BOSS establishes the necessary framework conditions to actively involve employees locally through **corporate volunteering**.

Pure donations within the Group equated to EUR 386,283 in the reporting year  (2017: EUR 452,735<sup>12</sup>).

The targets in the area of Society are reported on in the sustainability program. → **Sustainability program**

## Commitment priorities

HUGO BOSS is committed to **access to education** through collaborations with recognized partner organizations as well as its own projects and initiatives. The aim is to give people access to school and higher education, thus enabling them to lead an autonomous and successful life. Through the HUGO BOSS Education Association Program, the Company offers financial support for the professional education of young people in Izmir (Turkey): In 2018, a total of 162 pupils and students received support in the form of a stipend.

<sup>12</sup> The value for the year 2017 was determined retrospectively for the full scope and can therefore not be compared with the information published in the sustainability report 2017.

HUGO BOSS' commitment also focuses upon **professional training**, for which the Company implements targeted measures. HUGO BOSS maintained a partnership with The New School's Parsons School of Design in New York in the reporting year to enable young talents to enter the world of fashion: Besides financial support through a stipend program, the Company also imparted its professional expertise by holding workshops with the students. At its largest production facility in Izmir (Turkey), together with the local employment agency, the Company offers a program for women to return to work. → **Sustainability program**

Further activities in the area of society include the **fostering of creativity and contemporary art**. The third pillar of social commitment at HUGO BOSS involves supporting art and individual creative development. Through the international cultural sponsorship program, HUGO BOSS supports selected exhibitions, projects and artists. Since 2016, the Company has sponsored the HUGO BOSS Creative Workshop at the Staatsgalerie Stuttgart, which is a place for artistic creation and experimentation for children, young people and adults alike.

Through **corporate volunteering**, HUGO BOSS employees were also involved in a number of areas in 2018 such as helping refugees to integrate. In order to encourage employees to volunteer, the Company classes any time spent on corporate volunteering as working hours. HUGO BOSS launched a cooperation with the Managers without Borders foundation in 2018. HUGO BOSS employees with management experience can now get involved in local development aid as advisors or trainers.

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

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# APPENDIX

# SUSTAINABILITY PROGRAM

## Field of action We

Overarching objective	Subtarget	Deadline	Status	Measures
Integrating the principle of sustainability at the HUGO BOSS Group			●	Continuation of an internal series of events with several events throughout the year (incl. external speakers); new information and exchange formats planned for 2019
Integration of stakeholder engagement into the sustainability strategy	Extending stakeholder management to include the most important subsidiaries	2018	◐	Inclusion of management of three HUGO BOSS sites in the third international stakeholder dialog
	Implementation of a comprehensive Group-wide stakeholder management strategy	2020	◑	Further extension and strengthening of the cooperation in strategic alliances and multi-stakeholder initiatives such as in the ZDHC and the FLA
	Enabling a structured exchange between stakeholders and the operative Company management	Ongoing	◑	Organization of the third international stakeholder dialog; further development of cooperations with various stakeholders
	Holding regular stakeholder dialog events	Ongoing	●	Organization of the third international stakeholder dialog in Bad Urach
Ensure Group-wide legally compliant behavior	Providing compliance training to 100% of staff with regular access to PCs	2019	◑	Establishment of a new compliance training and planned implementation in beginning of 2019

## Field of action Environment

Overarching objective	Subtarget	Deadline	Status	Measures
Reducing the impact on climate change of own operations	Reduction of energy consumption in relation to Group sales by 30% compared with the base year 2016	2025		Energy consumption was reduced in relation to Group sales by 1%
	Reduction of greenhouse gas emissions (scope 1 and 2) in relation to Group sales by 40% compared with the base year 2016	2025		Greenhouse gas emissions were reduced in relation to Group sales by 17%
Reducing the water consumption of own operations	Reduction of water consumption in relation to Group sales by 40% compared with the base year 2016	2025		Water consumption was reduced in relation to Group sales by 14%
Reducing the environmental impact of own retail	Implementation of a sustainable store concept for the construction and renovation of stores in all regions	2025		Finalization and roll-out of the sustainability criteria; training of store project managers; first store (Boston, USA) certified with LEED Gold
Reducing the environmental impact of logistics processes	Increasing 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 transported units compared to the base year (2016) for all finished goods delivered to Germany	2018		Decrease of more environmentally-friendly modes of transport (sea and rail freight) by 4% (in relation to transported units) in 2018 due to the demand of an earlier availability of the goods; despite that transport-related emissions decreased by 2% (in relation to transported units) due to a decrease of transport kilometers in total
	Expanding the use of FSC®-certified boxes to all of the Company's own warehouses worldwide	2025		Exclusive use of FSC®-certified boxes at own distribution centers in Germany
Ensure social standards in logistics processes (incl. service providers)	Standardizing logistics service contracts including the HUGO BOSS Social Standards or assurance that comparable social standards exist at service providers	2020		Standardization of the contracts with logistics service providers in Germany

<sup>1</sup> This meets the targets set by the COP21 agreements.

## Field of action Employees

Overarching objective	Subtarget	Deadline	Status	Measures
Continually optimizing global employee retention			●	Implementation of a new Selection and Promotion process including new methods such as 360°feedback; conception of a new Leadership Development Program; first test phase for the international roll-out of the Employee Development Program for the systematic training of specialists and executives; complete international roll-out planned by 2020
				Separate consideration of termination rates in the retail and corporate sectors planned from 2019 as a basis for concrete termination targets
Group-wide strengthening of employee involvement by regular implementation of employee surveys at all HUGO BOSS sites	A Group-wide participation rate of 75% in the GPTW® employee survey	2022	●	Conduction of global GPTW® employee survey; pilot of a further feedback method in form of a feedback app
	A Group-wide participation rate of 80% in the GPTW® employee survey	2025	●	
Prevention of accidents at work and safeguarding the health of 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	●	Creation of an OHS handbook for store managers as part of the global Store Operations Manual; external assessment of the handbook on legal requirements in Germany and Austria and roll-out in Germany and Austria as pilots
Reinforcement of the physical and mental health of all employees		2020	●	Implementation of mental health courses; extension of health offers at logistics locations; health days with new interactive formats at different locations
Strict compliance with statutory and internal company rules concerning human rights and labor standards throughout the Group			●	Regular exchange with international Human Resources managers to raise awareness of HUGO BOSS Social Standards and to ensure compliance with the Social Standards
Further improvement of the fairness and competitiveness of the compensation system	Further development and implementation of a job grading system in the HUGO BOSS AG which focuses on the value of the different job positions	2019	●	Further development of the global job grading system; annual global reporting of base salaries and total remuneration by gender and employee categories
	Roll out of the job grading system at all HUGO BOSS sites	2022	●	

## Field of action Partners

Overarching objective	Subtarget	Deadline	Status	Measures
Increased transparency, minimization of risks and development of common standards along the upstream supply chain based on long-term partnerships with finished goods suppliers	All strategic finished goods suppliers have a control system for their supply chain (incl. an own Code of Conduct) and assume responsibility for their own suppliers	2020		All strategic finished goods suppliers are trained on the HUGO BOSS governance model
	Incorporate information on the HUGO BOSS governance model in internal and external social compliance trainings	2020		In external social compliance trainings, conducted in 2018, information on the HUGO BOSS governance model was incorporated
	Achievement of complete transparency for all finished goods suppliers in terms of social, environmental and economic factors as well as their digitally supported supply chains	2025		Transparency achieved for all active finished goods suppliers; all nominated fabric and trimmings suppliers have been connected to the HUGO BOSS vendor management tool
	Foster external sector-wide transparency by contributing to selected supply chain transparency platforms and initiatives	2025		Exchange and collaboration with the Open Apparel Registry as one of the first supporting brands; publication of supplier data on the platform in early 2019
Compliance with statutory and internal company rules on human rights and labor standards including an adequate compensation on the part of all suppliers	Sourcing of more than 90% of all goods from finished goods suppliers (incl. own production facilities) who achieve a result of satisfying or better in social audits	Ongoing		91% of goods were sourced from finished goods suppliers (incl. own production facilities) who achieved a result of satisfying or better in the last social audit
	Coverage of all active finished goods suppliers with sustainability trainings (via online trainings from 2019 on)	2018		86% of all active finished goods suppliers have been trained in face-to-face sustainability training sessions (these account for 95% of the purchasing volume)
	Implementation of recurring online sustainability training sessions for all active finished goods suppliers	Ongoing		
	Implementation of sustainability training sessions for all direct and nominated fabric and trimmings suppliers	2025		
Reduction of the environmental impact of finished goods production on supplier's side	All strategic finished goods suppliers must meet GSCP level 1 (satisfactory): they must comply with the law and make employees aware of environmental issues	2020		13% of the strategic finished goods suppliers reached the GSCP level 1; a further 84% have well-defined corrective action plans to reach level 1; integration of information on environmental protection into the sustainability training for suppliers in order to sensitize them to the topic
Reduction of the environmental impact of the wet processes on supplier's side	Commitment to the ZDHC MRSL implementation by all suppliers	2018		Send out of commitment statement for approval to all suppliers
	Development of a roadmap for HUGO BOSS for implementing the ZDHC Programme internally and in the supply chain	2019		Implementation of first ZDHC trainings for suppliers in Germany and Italy; planned trainings in Turkey for beginning of 2019
Implementation of climate protection measures in the supply chain in line with the Fashion Industry Charter for Climate Action of the UNFCCC	Development of a draft for the HUGO BOSS roadmap to increase energy efficiency and the use of renewable energies in the supply chain	2019		Signature of the Fashion Industry Charter for Climate Action of the UNFCCC; commitment to the targets contained therein and active participation in the "Raw material", "Manufacturing/Energy" and "Policy engagement" working groups
	Start of implementation of the HUGO BOSS roadmap to increase energy efficiency and the use of renewable energies in the supply chain	2025		

## Field of action Products

Overarching objective	Subtarget	Deadline	Status	Measures
Continuously increasing the share of sustainable materials in seasonal collections across the brand portfolio	Publication of a mandatory guideline concerning the use of sustainable wool as well as quantitative targets in this area	2019	●	Release of the Wool Commitment in early 2019
	Increase in the proportion of mulesing-free wool to 90% in pure woolen knitwear products	2020	●	Share of mulesing-free wool has been increased to 89% of all pure woolen knitwear products
	Use of 50% of sustainable cotton in accordance with the criteria of the Cotton Commitment	2020	●	Approx. 40% of the cotton used already conform to the criteria defined in the Cotton Commitment
	Use of minimum 90% of sustainable cotton in accordance with the criteria of the Cotton Commitment	2025	●	
	25% of the leather used comes from tanneries certified by the LWG	2019	●	55% of all leather was sourced from tanneries certified by the LWG
	60% of the leather used comes from tanneries certified by the LWG	2022	●	
	Development of a comprehensive sustainable material policy defining clear roadmaps and time-bound targets for the most used materials across the organization	2020	●	Development of a concept for a sustainable material policy based on existing commitments; finalization and first implementation of the policy planned for 2019
Contribution to the conservation of resources by developing products that can be returned to a cycle and by promoting the longevity of the products	Definition of circular design principles which form the basis of all product line developments starting with the spring/summer collection 2020	2020	●	Development of a Circular Design Guidance for the integration of circular design principles into the seasonal collections; integration into the design briefs starting with the spring/summer collection 2020 (including a proposed collection complexity across the brand portfolio)
	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	●	Development and organization of the first circular design training in cooperation with internal stakeholders and the external partner circular.fashion for selected employees from sourcing, product development and design
	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	●	Research and collection of potential materials for the integration into a digital media library; exchange with key internal stakeholders to define needs and requirements towards a digital media library
	Provision of detailed information for customers to support adequate product care to ensure its longevity	2020	●	Detailed competitor research to determine suitable best practice examples
Continuously introducing market-ready sustainable and innovative products	Launch of dedicated sustainable and innovative capsule collections across the brand portfolio on a yearly basis.	Ongoing	●	Market launch of the BOSS Menswear Piñatex® shoe collection; development of market-ready capsule collections for spring/summer and fall/winter 2019 collections featuring sustainable and/or innovative materials; continuous research and exchange with potential external collaboration partners

## Field of action Society

Overarching objective	Subtarget	Deadline	Status	Measures
Promoting education at HUGO BOSS sites and along the supply chain with the aim of training potential employees and strengthening society	Deepening the collaboration with students at The New School's Parsons School of Design	2018	●	Realization of an workshop on the topic of circular systems and strategy, the most convincing concept was presented in the shop window of the BOSS store in New York; the partnership with Parsons has been concluded in 2018
	Implementation of a strategic flagship project with quantifiable community value added	2020	◐	Official launch of the activities in the Tamil Nadu initiative of the German Partnership for Sustainable Textiles to support textile workers in the Southern Indian region
	Reaching 2,100 women from weak economic background with trainings in the ISKUR project	2025	◐	Support of 1,434 participants since project start in 2010
	Strengthening professional training in the fashion segment at local level	Ongoing	●	Regular awarding of a Fashion Award with the Fashion School Stuttgart to students in the field of fashion design
	Establishing a long-term partnership with a further fashion and design school	Ongoing	◐	Establishment of a cooperation with Central Saint Martins College in London (Master of Arts Fashion Communication) in form of stipends and internships to promote knowledge exchange and exploit synergies
Promoting equal opportunities and assistance for disadvantaged children	Reaching 1,400 children through the HUGO BOSS Education Association	2025	◐	Support of 900 children within the HUGO BOSS Education Association since project start in 2008
	Establishing long-term partnerships at global and local levels to support children in their education	Ongoing	●	Partnerships with UNICEF on a global level and with the artschool in Filderstadt as a regional project
Fostering young artists and creativity in general in HUGO BOSS core markets			●	Further strengthening of the HUGO BOSS ASIA ART award; continuation of the HUGO BOSS creative lab (Kreativwerkstatt) in Staatsgalerie Stuttgart
Enabling uncomplicated assistance in case of emergencies	Establishment of a long-term and global partnership with a NGO to support with clothing donations in crisis regions	2025	●	Cooperation with UNHCR on large-scale clothing donation for refugees from Venezuela in Ecuador has started
Fostering volunteer work by employees to strengthen society	Continuation of the local corporate volunteering program at the headquarters in Metzingen (Germany)	Ongoing	●	Local engagement in Metzingen via the refugee support "Wir zusammen" and the holiday children care
	Implementing a strategic flagship project with quantifiable community value added	2020	◐	Initiation and roll-out of the engagement in the foundation Managers without Borders to promote local development work with entrepreneurial and management know-how, participation of selected employees in an onboarding workshop and start of their volunteering project in 2019

## FURTHER KEY FIGURES AND INFORMATION

### Employees

#### Employees by category and region (headcount) ✓

	Management	Commercial employees	Industrial employees	Apprentices	Temporary workers
Europe	1,243	6,130	4,430	130	1,184
Americas	237	1,628	130	1	275
Asia/Pacific	393	1,543	67	0	188
<b>Total</b>	<b>1,873</b>	<b>9,301</b>	<b>4,627</b>	<b>131</b>	<b>1,647</b>

#### Employees by age and employee category (in %) ✓

	< 30	30 ≤ x < 40	40 ≤ x < 50	≥ 50
Management	7	45	33	15
Commercial employees	39	35	16	10
Industrial employees	22	42	24	12
Apprentices	96	4	0	0
Temporary workers	73	12	8	7
<b>Total</b>	<b>35</b>	<b>35</b>	<b>19</b>	<b>11</b>

#### Termination by reason and region<sup>1</sup> (headcount) ✓

	Europe	Americas	Asia/Pacific	<b>Total</b>
Employee-specific	1,857	688	519	3,064
Employer-specific	895	143	85	1,123
Redundancy	50	18	47	115
Retirement	78	2	0	80
Death, emigration	14	6	2	22
<b>Termination (total)</b>	<b>2,894</b>	<b>857</b>	<b>653</b>	<b>4,404</b>

<sup>1</sup> Data without apprentices, interns, diploma students, agency staff.

#### Termination by gender and region<sup>1</sup> (headcount) ✓

	Women	Men
Europe	1,598	1,296
Americas	380	477
Asia/Pacific	427	226
<b>Total</b>	<b>2,405</b>	<b>1,999</b>

<sup>1</sup> Data without apprentices, interns, diploma students, agency staff.

**Termination by age and region<sup>1</sup>** (headcount) 

	< 30	$30 \leq x < 40$	$40 \leq x < 50$	$\geq 50$
Europe	1,628	848	298	120
Americas	465	221	88	83
Asia/Pacific	304	281	57	11
<b>Total</b>	<b>2,397</b>	<b>1,350</b>	<b>443</b>	<b>214</b>

<sup>1</sup> Data without apprentices, interns, diploma students, agency staff.

## Environment

The reporting scope 2015 does not comprise the own retail.

<b>Energy consumption within the organization by energy source (reporting scope 2015) (in MWh)</b>				
	2018	2017	2016	2015
<b>Direct energy consumption</b>				
Heating oil	432	901	306	338
Liquified petroleum gas (LPG)	30	24	420	26
Natural gas	37,036	34,673	34,934	35,728
Photovoltaic	536	512	547	591
Other energy sources	0	1	0	0
<b>Total direct energy consumption</b>	<b>38,034</b>	<b>36,111</b>	<b>36,207</b>	<b>36,683</b>
<b>Indirect energy consumption</b>				
Certified green electricity	21,399	20,177	18,451	19,009
Electricity	19,087	19,877	22,034	22,202
Other energy sources (e.g. district heating)	283	190	9	0
<b>Total indirect energy consumption</b>	<b>40,769</b>	<b>40,244</b>	<b>40,494</b>	<b>41,211</b>
<b>Total energy consumption</b>	<b>78,803</b>	<b>76,355</b>	<b>76,701</b>	<b>77,894</b>

<b>Direct, indirect and other greenhouse gas emissions<sup>1</sup> (reporting scope 2015) (in t CO<sub>2</sub>)</b>				
	2018	2017	2016	2015
<b>Scope 1</b>				
Own vehicles	2,781	2,721	2,559	2,570
Direct energy consumption	8,285	7,900	7,795	7,688
<b>Total Scope 1</b>	<b>11,066</b>	<b>10,621</b>	<b>10,354</b>	<b>10,258</b>
<b>Scope 2</b>				
Indirect energy consumption	9,584	9,298	10,015	11,423
<b>Total Scope 2</b>	<b>9,584</b>	<b>9,298</b>	<b>10,015</b>	<b>11,423</b>
<b>Scope 3</b>				
Air travel	6,513	6,311	3,608	4,210
Transport	25,583	25,043	20,040	25,754
<b>Total Scope 3</b>	<b>32,096</b>	<b>31,354</b>	<b>23,648</b>	<b>29,964</b>
<b>Total Scope 1 + 2 + 3</b>	<b>52,746</b>	<b>51,273</b>	<b>44,017</b>	<b>51,645</b>

<sup>1</sup> Scope 2 emissions are calculated in general according to the market based approach by the Company using specific supplier emission factors for the certified green electricity. For conventional electricity country emission factors are used.

<b>Indirect greenhouse gas emissions (location-based approach) (in t CO<sub>2</sub>)</b>			
	2018	2017	2016
Scope 2 Indirect energy consumption	43,470	47,458	45,744

<b>Water consumption by source (reporting scope 2015) (in m<sup>3</sup>)</b>				
	2018	2017	2016	2015
Internally sourced	22,399	15,684	7,376	0
Externally sourced	129,553	145,476	144,548	136,308
<b>Total</b>	<b>151,952</b>	<b>161,160</b>	<b>151,924</b>	<b>136,308</b>

<b>Waste volumes by type and recycling rate<sup>1</sup> (reporting scope 2015)</b>				
	2018	2017	2016	2015
Solid waste (in t)	4,622	4,352	4,605	4,541
Unsolid waste (in t)	39	33	31	26
<b>Total (in t)</b>	<b>4,661</b>	<b>4,385</b>	<b>4,636</b>	<b>4,567</b>
<b>Recycling rate of solid waste (in %)</b>	<b>85</b>	<b>84</b>	<b>82</b>	<b>83</b>

<sup>1</sup> Waste volumes of extraordinary activities are not considered. Therefore the totals are not comparable to the values published in the sustainability report 2017.

## Locations with certified ISO management systems<sup>13</sup>

Subsidiary	Sites	Country	Management system standard	Certified since
HUGO BOSS AG	Headquarters Metzingen	Germany	ISO 50001 ISO 9001	2012 1999
HUGO BOSS AG	Own retail stores	Germany and Austria	ISO 50001	2016
HUGO BOSS AG	Distribution Center Filderstadt	Germany	ISO 50001 ISO 9001	2014 2014
HUGO BOSS AG	Distribution Center Metzingen	Germany	ISO 50001 ISO 9001	2012 2011
HUGO BOSS AG	Distribution Center Wendlingen	Germany	ISO 50001 ISO 9001	2012 2005
HUGO BOSS AG	Warehouse Raw Material Metzingen	Germany	ISO 50001 ISO 9001	2012 2007
HUGO BOSS AG	Warehouse Bad Urach	Germany	ISO 50001 ISO 9001	2012 2012
HUGO BOSS AG	Outlet Metzingen	Germany	ISO 50001	2012
HUGO BOSS AG	Showroom Düsseldorf	Germany	ISO 50001	2016
HUGO BOSS AG	Showroom Salzburg	Austria	ISO 50001	2016
HUGO BOSS (Schweiz) AG	Headquarters Zug and own retail stores	Switzerland	ISO 50001	2017
HUGO BOSS Belgium Retail B.V.B.A.	Own retail stores	Belgium	ISO 50001	2017
HUGO BOSS Benelux B.V. y CIA, S.C.	Own retail stores	Spain	ISO 50001	2017
HUGO BOSS Benelux Retail B.V.	Own retail stores	Netherlands	ISO 50001	2017
HUGO BOSS Finland Oy	Own retail stores	Finland	ISO 50001	2017
HUGO BOSS France SAS	Headquarters Paris and own retail stores	France	ISO 50001	2017
HUGO BOSS Hellas LLC	Own retail stores	Greece	ISO 50001	2017
HUGO BOSS International Markets AG Branch Poland	Own retail stores	Poland	ISO 50001	2017
HUGO BOSS Ireland Ltd.	Own retail stores	Ireland	ISO 50001	2017
HUGO BOSS Italia S.p.A.	Own retail stores	Italy	ISO 50001	2017
HUGO BOSS Magazacilik Ltd. Sti.	Own retail stores	Turkey	ISO 50001	2017
HUGO BOSS Nordic ApS	Own retail stores	Denmark	ISO 50001	2017
HUGO BOSS Portugal & Companhia	Own retail stores	Portugal	ISO 50001	2017
HUGO BOSS Rus LLC	Own retail stores	Russia	ISO 50001	2017
HUGO BOSS Scandinavia AB	Own retail stores	Sweden	ISO 50001	2017
HUGO BOSS Scandinavia NUF Branch Norway	Own retail stores	Norway	ISO 50001	2017
HUGO BOSS Shoes & Accessories Italia SpA	Production Morrovalle	Italy	ISO 14001	2015
HUGO BOSS Shoes & Accessories Poland Sp. Z o.o	Production Radom	Poland	ISO 14001	2017
HUGO BOSS Textile Industry Ltd.	Production Izmir	Turkey	ISO 14001 ISO 50001	2014 2014
HUGO BOSS Ticino S.A.	Headquarters Coldrerio	Switzerland	ISO 50001	2015
HUGO BOSS UK Ltd.	Headquarters London and own retail stores	Great Britain	ISO 50001	2017

<sup>13</sup> The coverage of HUGO BOSS locations with an ISO-certification is at around 75% (calculation in relation to building surface).

# MATERIAL SUSTAINABILITY TOPICS AND GRI ASPECTS

Strategic intensity	Sustainability topic	Allocated GRI aspect	Significant impact			
			Inside the Company	Outside the Company	Inside and outside the Company	
<b>High strategic intensity</b>	Social impacts (finished goods)	Non-discrimination, freedom of association and collective bargaining, supplier social assessment, human rights assessment, child labor, forced or compulsory labor, occupational health and safety Supplier social assessment		Suppliers	HB, suppliers	
	Pollution of water and air (raw materials, fabrics and trimmings)	Emissions, water, wastewater and waste Supplier environmental assessment		Suppliers		
	Product safety	Customer health and safety		Customers		
	Social impacts (raw materials, fabrics and trimmings)	Non-discrimination, freedom of association and collective bargaining, supplier social assessments, human rights assessment, child labor, forced or compulsory labor, occupational health and safety			HB, suppliers	
	Employee engagement	freedom of association and collective bargaining	HB			
	Water consumption (raw materials, fabrics and trimmings)	Water		Suppliers		
	Customer satisfaction	Customer privacy, marketing and labeling, customer health and safety		Customers		
	Social impacts (own operations)	Employment, diversity and equal opportunities, occupational health and safety, training and education, freedom of association and collective bargaining, non-discrimination, labor/management relations	HB			
	Environmental impacts in logistics	Energy, emissions			HB, suppliers, customers	
	<b>Medium strategic intensity</b>	Governance	Anti-competitive behavior, socioeconomic compliance, environmental compliance, anti-corruption, customer privacy, economic performance			HB, suppliers, customers
Pollution of water and air (finished goods)		Energy, emissions, waste water and waste Supplier environmental assessment		Suppliers	HB, suppliers	
<b>Low strategic intensity</b>	Social commitment	Indirect economic impacts, local communities			HB, suppliers, customers	
	Animal welfare	Marketing and labeling		Suppliers		
	Environmental impacts (own operations)	Energy, emissions, materials, wastewater and waste, water	HB			
	Other environmental impacts (raw materials, fabrics and trimmings)	Water		Suppliers		
	Products and services	Socioeconomic compliance, marketing and labeling, customer health and safety Marketing and labeling			Customers, suppliers	HB, customers
		Other environmental impacts (finished goods)	Energy, emissions		Suppliers	

# GRI CONTENT INDEX

The HUGO BOSS Sustainability Report 2018 was prepared on the basis of the guidelines of the Global Reporting Initiative (GRI) in the version GRI Standards 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.

## GRI 102 General standard disclosures

		Page	Omissions	External audit
<b>Organizational profile</b>				
GRI 102-1	Name of the company	4		
GRI 102-2	Primary brands, products and services	6		
GRI 102-3	Location of headquarters	6		
GRI 102-4	Countries with major operations	6		
GRI 102-5	Ownership and legal form	4, AR 18		
GRI 102-6	Markets served	6		
GRI 102-7	Scale of the organization	6		
GRI 102-8	Information on employees and other workers	26, 60	Details about the employee structure by contract type and employment type are not available.	✔
GRI 102-9	Supply chain	6, 10, 33		
GRI 102-10	Significant changes to the organization and its supply chain		In the reporting year, no significant changes occurred.	
GRI 102-11	Precautionary Principle or approach	11		
GRI 102-12	External initiatives	15-16		
GRI 102-13	Membership of associations	15-16		
<b>Strategy</b>				
GRI 102-14	Statement from the CEO	3		
GRI 102-15	Key impacts, risks and opportunities	11		
<b>Ethics and integrity</b>				
GRI 102-16	Values, principles, standards, and norms of behavior	11-12		
GRI 102-17	Mechanisms for advice and concerns about ethics	11-12		

AR = annual report 2018  
W = Group website  
SR = sustainability report

**GRI 102 General standard disclosures**

		Page	Omissions	External audit
<b>Governance structure</b>				
GRI 102-18	Governance structure	11, AR 114 ff, W		
GRI 102-19	Delegating authority	11		
GRI 102-20	Executive-level responsibility for economic, environmental and social topics	11		
GRI 102-21	Consulting stakeholders on economic, environmental and social topics	12-13		
GRI 102-22	Composition of the highest governance body and its committees	AR 114 ff		
GRI 102-23	Chair of the highest governance body	11		
GRI 102-24	Nominating and selecting the highest governance body	AR 114 ff		
GRI 102-25	Conflicts of interest	11		
GRI 102-26	Role of highest governance body in setting purpose, values and strategy	11		
GRI 102-27	Collective knowledge of highest governance body	11		
GRI 102-28	Evaluating the highest governance body's performance	AR 125		
GRI 102-29	Identifying and managing economic, environmental and social impacts	10-11		
GRI 102-30	Effectiveness of risk management processes	11		
GRI 102-31	Review of economic, environmental, and social topics	11		
GRI 102-32	Highest governance body's role in sustainability reporting	5		
GRI 102-33	Communicating critical concerns	11		
GRI 102-34	Nature and total number of critical concerns	11, AR 122 ff		
GRI 102-35	Remuneration policies	AR 122 ff		
GRI 102-36	Process for determining remuneration	AR 122 ff		
GRI 102-37	Stakeholders' involvement in remuneration		During the general debate at the HUGO BOSS Annual Shareholders' Meeting 2018, a question was asked about the remuneration of the Managing Board.	
<b>Stakeholder engagement</b>				
GRI 102-40	List of stakeholder groups	13		
GRI 102-41	Collective bargaining agreements	26		
GRI 102-42	Identifying and selecting stakeholders	12-13		
GRI 102-43	Approach to stakeholder engagement	12-14		
GRI 102-44	Key topics and concerns raised	13-14		
<b>Reporting practice</b>				
GRI 102-45	Entities included in the consolidated financial statement	4, SR 2014 3-4		
GRI 102-46	Defining report content and topic Boundaries	4, 9-10		
GRI 102-47	List of material topics	65		
GRI 102-48	Restatements of information	4		
GRI 102-49	Changes in reporting	4		
GRI 102-50	Reporting periode	4		
GRI 102-51	Date of most recent report	4		
GRI 102-52	Reporting cycle	4		
GRI 102-53	Contact point for questions regarding the report	76		
GRI 102-54	Claims of reporting in accordance to the GRI Standards	4, 66		
GRI 102-55	GRI content index	66-71		
GRI 102-56	External assurance	72-74		

<b>Specific standard disclosures</b>				
		Page	Omissions	External audit
<b>Economy</b>				
<b>GRI 201 Economic performance</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8-9		
GRI 201-1	Economic value generated and distributed	6		
GRI 201-2	Financial implications, risks and opportunities due to climate change	AR 98		
GRI 201-3	Obligations from the defined benefit pension plan	AR 182		
GRI 201-4	Financial assistance received from government		The Company has not received significant grants and subsidies during the reporting year.	
<b>GRI 203 Indirect Economic Impact</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	51		
GRI 203-1	Infrastructure investments and services supported	51-52		✓
<b>GRI 204 Procurement Practice</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	33-34		
GRI 204-1	Proportion of spending on local suppliers	33	Data regarding the proportion of spending on local suppliers are not available. When comparable, HUGO BOSS gives preference to local sourcing offers.	
<b>GRI 205 Anti-Corruption</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8-9, 11-12		
GRI 205-1	Operations assessed for risks related to corruption	12		
GRI 205-2	Communication and training about anti-corruption policies and procedures	11-12		
GRI 205-3	Confirmed incidents of corruption and actions taken	12		✓
<b>GRI 206 Anti-competitive Behavior</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8-9, 11-12		
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	12		✓
<b>Environment</b>				
<b>GRI 301 Materials</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	43-44		
GRI 301-1	Materials used by weight or volume	48		
GRI 301-2	Recycled input materials used	48		
<b>GRI 302 Energy</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	18		
GRI 302-1	Energy consumption within the organization	19-20, 62		✓
GRI 302-3	Energy intensity	20		✓
GRI 302-4	Reduction of energy consumption	19-20		
<b>GRI 303 Water</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	18		
GRI 303-1	Water withdrawal by source	22, 63		✓
<b>GRI 305 Emissions</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	18		
GRI 305-1	Direct (Scope 1) GHG emissions	20-21, 62		✓
GRI 305-2	Energy indirect (Scope 2) GHG emissions	20-21, 62		✓
GRI 305-3	Other indirect (Scope 3) GHG emissions	20-21, 62		✓
GRI 305-4	GHG emissions intensity	21		✓
GRI 305-5	Reduction of GHG emissions	19-22		

<b>Specific standard disclosures</b>				
		Page	Omissions	External audit
<b>GRI 306 Effluents and Waste</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	18		
GRI 306-1	Water discharge by quality and destination	23		✔
GRI 306-2	Waste by type and disposal method	23, 63		✔
GRI 306-3	Significant spills		No significant spills in the reporting year.	
<b>GRI 307 Environmental Compliance</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8, 18		
GRI 307-1	Non-compliance with environmental laws and regulations		In the reporting year, the Group did not incur any penalties as a result of environmental violations.	
<b>GRI 308 Supplier Environmental Assessment</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	33-34, 39-40		
GRI 308-1	New suppliers that were screened using environmental criteria	39-40		
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	40-41		
<b>Social</b>				
<b>GRI 401 Employment</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	25-26		
GRI 401-1	New employee hires and employee turnover	26-27, 60-61	Detailed figures on new employee hires such as age are currently not available.	✔
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	30		
<b>GRI 402 Labor/Management Relations</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	25-26, 29-30		
GRI 402-1	Minimum notice periods regarding operational changes		HUGO BOSS complies with all legal regulations on notice periods.	
<b>GRI 403 Occupational Health and Safety</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	25-26, 30-31		
GRI 403-1	Workers representation in formal joint management-worker health and safety committees	30-31	Figures on the percentage of the total represented workforce are currently not available.	
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	30-31	As in previous years, there were no fatal accidents in the year under review.	✔
<b>GRI 404 Training and Education</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	25-26		
GRI 404-1	Average hours of training per year per employee	28-29	Figures on average training hours per employee and split by gender and employee category are currently not available.	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	28-29		
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	28		
<b>GRI 405 Diversity and Equal Opportunity</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	25-26		
GRI 405-1	Diversity of governance bodies and employees	28, 60	Statements about minorities are not applicable for HUGO BOSS, because the Company does not consider anybody as such.	✔
GRI 405-2	Ratio of basic salary and remuneration of women to men	30	HUGO BOSS pays women and men the equally. The remuneration is based on the performance and qualification of the employees.	

<b>Specific standard disclosures</b>				
		Page	Omissions	External audit
<b>GRI 406 Non-discrimination</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8-9, 25-26		
GRI 406-1	Incidents of discrimination and corrective actions taken	29, 37		✓
<b>GRI 407 Freedom of Association and Collective Bargaining</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	29, 33-34		
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	37-39		✓
<b>GRI 408 Child Labor</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	33-34		
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	37-39		✓
<b>GRI 409 Forced or Compulsory Labor</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	33-34		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	37-39		✓
<b>GRI 412 Human Rights Assessment</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	25, 29-30, 33-34		
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	29		✓
GRI 412-2	Employee training on human rights policies or procedures	12, 29		
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	35-37		
<b>GRI 413 Local communities</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	51		
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	51-52		
GRI 413-2	Operations with significant actual and potential negative impacts on local communities		No negative impacts known.	
<b>GRI 414 Supplier Social Assessment</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	33-34		
GRI 414-1	New suppliers that were screened using social criteria	36, 39		✓
GRI 414-2	Negative social impacts in the supply chain and actions taken	37-39		✓
<b>GRI 415 Public Policy</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8		
GRI 415-1	Political contributions		HUGO BOSS makes no donations to political parties.	
<b>GRI 416 Customer Health and Safety</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	43-44		
GRI 416-1	Assessment of the health and safety impacts of product and service categories	48-49		✓
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	49		
<b>GRI 417 Marketing and Labeling</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	43-44		
GRI 417-1	Requirements for products and service information and labeling	49		
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	49		
GRI 417-3	Incidents of non-compliance concerning marketing communications		HUGO BOSS complies with all relevant marketing standards.	

**Specific standard disclosures**

		Page	Omissions	External audit
<b>GRI 418 Customer Privacy</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8-9, 12		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	12		☑
<b>GRI 419 Socioeconomic Compliance</b>				
GRI 103	Management Approach (including GRI 103-1, 103-2, 103-3)	8-9, 11-12		
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		There were no significant violations of social and economic laws and regulations in the year under review.	

**Sector-specific disclosures for the apparel and footwear sector (pilot version) supply chain**

AF7	Workplaces and suppliers covered by the Code of Conduct	36, 38		
AF8	Number of audits carried out and percentage of workplaces audited	36, 38-39		
AF9-14	Number of incidents of non-compliance with the Code of Conduct	37, 39		
AF15	Analysis of data from audits	38-39		
AF16	Remediation measures to address incidents of non-compliance	35-37		

# 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 2018 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 2018 to 31 December 2018 (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 [https://group.hugoboss.com/fileadmin/media/pdf/sustainability/sustainability\\_reports\\_EN/Sustainability\\_Report\\_2018.pdf](https://group.hugoboss.com/fileadmin/media/pdf/sustainability/sustainability_reports_EN/Sustainability_Report_2018.pdf)

## **Management's responsibility**

The legal representatives of HUGO BOSS AG are responsible for the preparation of the report in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (hereafter “GRI criteria”) and for the selection of the information to be assessed.

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 Company 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 report of the Company have been prepared, in all material respects, in accordance with the GRI criteria.

This does not mean that a separate conclusion is expressed on each disclosure marked. 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 2018 and April 2019, 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,
- Identification of likely risks of material misstatement in the report,
- 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 and Izmir,
- 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 report of the Company for the period from 1 January 2018 to 31 December 2018 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 ([www.de.ey.com/general-engagement-terms](http://www.de.ey.com/general-engagement-terms)). 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.

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, 25 April 2019

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

**Nicole Richter**  
Wirtschaftsprüferin

(German Public Auditor)

**Annette Johne**  
Wirtschaftsprüferin

(German Public Auditor)

# LIST OF ABBREVIATIONS

<b>Abbreviation</b>	
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)
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
ESG	Environment, Social, Governance
FLA	Fair Labor Association
FSC®	Forest Stewardship Council
GAFTI	Global Apparel, Footwear and Textile Initiative
GCGC	German Corporate Governance Codex
GFA	Global Fashion Agenda
GPTW®	Great Place to Work®
GRI	Global Reporting Initiative
GSCP	Global Social Compliance Programme
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
NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
OHS	Occupational Health and Safety
PETA	People for the Ethical Treatment of Animals
RealFM	Association for Real Estate and Facility Managers
RSL	Restricted Substances List
SDGs	Sustainable Development Goals
TEX	Textiles, Apparel and Luxury Goods
UNFCCC	United Nations Framework Convention on Climate Change
UNHCR	United Nations High Commissioner for Refugees
UNICEF	The United Nations Children's Fund
VDTF	Verein Deutscher Textilveredelungsfachleute (Association of German Textile Finishing Experts)
YESS	Yarn Ethically & Sustainably Sourced
ZDHC	Zero Discharge of Hazardous Chemicals
<b>Symbols</b>	
☑	Labeling of information which has been audited for limited assurance engagement
●	Labeling for 100% target achievement (see sustainability program)
○	Labeling for 0% target achievement (see sustainability program)

# IMPRINT

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akzente kommunikation und beratung GmbH, Munich

**Layout:**

nexxar GmbH, Vienna