



HUGO BOSS

SUSTAINABILITY REPORT 2014

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REPORT PROFILE

HUGO BOSS AG herewith presents its second Sustainability Report. It covers the business year 2014. This corresponds to the calendar year 2014 and is based on the international G3.1 standard of the Global Reporting Initiative (GRI). Achievement of the level A+ means that the report meets the highest level of application defined by the guideline. The quantitative information provided in the report has been reviewed (limited assurance) by an independent assurance company. The report is directed towards employees, customers, business partners, shareholders, investors, non-government organizations, representatives from business, academia, and government, and other stakeholders groups.

The report is published every year and is intended to create transparency for the existing and planned sustainability objectives and activities of the Group. The Company has engaged in a dialog with a range of internal and external actors with the aim of defining and prioritizing the content of the report. The multi-stage process has involved an exchange pertaining to specific issues within the action areas defining its sustainability strategy.

The report covers the HUGO BOSS Group. Unless otherwise stated, all the quantitative information relates to production, logistics, and administrative locations, and includes the Group's directly operated stores in Europe, North America, and the locations in the area of Asia/Pacific China (a total of 22 companies). This has expanded the scope of the report by a further twelve locations compared with the reporting year 2013. The following companies are included in the scope of the report:

In the region **Europe**

- HUGO BOSS AG
- HUGO BOSS AG (Austria)
- HUGO BOSS AG (Switzerland)
- HUGO BOSS France SAS
- HUGO BOSS International Markets
- HUGO BOSS Ireland Ltd.
- HUGO BOSS S&A Italia S.p.A.
- HUGO BOSS Switzerland Retail AG
- HUGO BOSS UK Ltd.
- HUGO BOSS Ticino SA
- HUGO BOSS Textile Industry Ltd.
- HUGO BOSS Shoes & Accessories Poland Sp. z o. o.

In the region **North America**

- HUGO BOSS Retail Inc.
- HUGO BOSS Canada Inc.
- HUGO BOSS Cleveland Inc.
- HUGO BOSS Fashions Inc.

In the region **Asia/Pacific**

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

Sustainability reporting has been streamlined worldwide through the utilization of a data-management software, which is compliant with the requirements of the GRI and facilitates recording and consolidation of company-specific indicators.

The Facts and Figures section also provides like-for-like information corresponding with the reporting scope for the year 2013 to facilitate the comparison of performance data over time. A small number of indicators from the reporting year 2013 underwent minimal adjustments in this Sustainability Report. This is primarily due to improved data quality and exerts no effects on the trajectories of the trends presented.

The group of consolidated companies included in the HUGO BOSS Group comprises HUGO BOSS AG and all the subsidiary companies, including structured entities over which HUGO BOSS AG is able to exert a direct or indirect controlling interest. Additional information is provided in the Annual Report 2014, on pages 166–170.

Subsidiary companies exerting an immaterial interest on the net assets, financial position, and results of operations of the Group are not included in the consolidated financial statements. The influence is deemed to be immaterial if the sales, earnings, and total balance sheet assets of these companies on aggregate make up less than 1% of the corresponding Group indicator. This assessment is audited on each balance sheet date. Non-consolidated subsidiary companies are valued at fair value, or if this cannot be ascertained reliably, at acquisition costs and are recognized as other non-current financial assets. On December 31, 2014, this related solely to HUGO BOSS Korea Ltd., South Korea.

The closing editorial deadline was May 2, 2015. The report is published in German and English.

MANAGING BOARD

CLAUS-DIETRICH LAHRS

Stuttgart, Germany

Chief Executive Officer
responsible for
Sales,
Own Retail,
Communications,
Licenses

MARK LANGER

Stuttgart, Germany

Chief Financial Officer
responsible for
Finance and Controlling,
Investor Relations,
Legal,
Compliance and Risk Management,
IT,
Logistics,
Human Resources
and **Director of Labor Relations**

CHRISTOPH AUHAGEN

Stuttgart, Germany

Chief Brand Officer
responsible for
Creative Management,
Brand Management,
Sourcing and Production



Mark Langer, Claus-Dietrich Lahrs, Christoph Auhagen (f. l. t. r.)

FOREWORD

Dear Reader,

Excellence is one of the driving forces for everything we do at HUGO BOSS. Our customers expect on the one hand high-quality and outstanding products and on the other hand a corporate strategy based on a responsible and value-oriented management which meets the aspirations of the brand and its image. This includes an ethically responsible management of the entire value chain, dealing with business partners and stakeholders in a spirit of cooperation, and a commitment to a positive and open environment for employees.

Clearly defined objectives combined with a mindset and structural approach geared to the long term establish the foundation for an awareness of sustainability. The framework for this is provided by the sustainability strategy containing the action areas defined in 2013. They are used to continuously transform the global challenges faced by HUGO BOSS and expectations of our stakeholders into responsible actions.

We have introduced more detail into our sustainability strategy and it has been supplemented by numerous guidelines, measures, and concrete targets. As a result, we have concentrated more intensively on the action area Partners and established social and environmental standards in supplier management. Our commitment is also demonstrated by the fact that in the business year 2014, we became a member of the Fair Labor Association and started to implement the environmental module of the Global Social Compliance Program. We are pursuing the approach of ensuring that our suppliers comply permanently with high social and environmental standards and we are providing them with assistance in this endeavor. In collaboration, we intend to achieve progress in this area.

Progress has also been made in integrating more locations into sustainability management. The scope of the report was expanded by twelve companies. 22 companies at production, logistics, and administrative locations in Europe, North America, and in the Asia/Pacific China region reported on the relevant indicators in 2014. We will continue to expand the scope of reporting in the upcoming years.

The launch of the distribution center in Filderstadt enabled us to take a major step towards strengthening our operational performance over the long term. This advanced, state-of-the-art logistics facility delivers substantial improvements in efficiency and has the additional benefit of lower environmental impacts. The building complies with the highest sustainability standards (DGNB Gold). In addition, our biggest production facility located in Turkey was certified for the first time in conformity with environmental and energy-management standards. Our corporate values are also in the foreground at the level of employees: numerous workshops and other measures in 2014 increased awareness among our employees.

Our objective is not to stand still, but to continuously improve. Through our commitment to sustainability, we hope not only to increase operational efficiency and minimize risks, but also to achieve recognition of our performance from the sustainability-orientated financial market in the medium term.

The Sustainability Report is an offer to engage in open communication with our stakeholders. We would be delighted if you were to take us up on this offer and we look forward to your feedback. HUGO BOSS views this dialog as an opportunity to positively reinforce the role of sustainability in our Company and our products. However, our objective is also to provide innovative impulses for the entire sector and promote ethical consumption among our customers and consumers in general.

Our intention is to demonstrate that excellence, fashion, and responsibility are not mutually exclusive – HUGO BOSS is committed to also representing this in the future.

Yours,



Claus-Dietrich Lahrs
Chief Executive Officer



Mark Langer
Chief Financial Officer
and Permanent Member
of the Sustainability Committee



Christoph Auhagen
Chief Brand Officer
and Permanent Member
of the Sustainability Committee

WE

**WE –
COMBINING EXCELLENCE
AND SUSTAINABILITY**

9	Company Profile
15	Governance and Compliance
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WE – COMBINING EXCELLENCE AND SUSTAINABILITY

HUGO BOSS is one of the leading companies in the premium and luxury segment of the apparel market. As such, the Group is dedicated to taking responsibility – also in the area of sustainability. Our Company has made a commitment to implementing its sustainability strategy in six action areas and is using a materiality analysis to prioritize the issues where HUGO BOSS is well-positioned to make a difference.

KEY TARGETS		
<p>Finalization of the materiality analysis, including the development of a materiality matrix and a sustainability program in</p> <p>2015.</p>	<p>Implementation of a group-wide and comprehensive stakeholder management strategy by</p> <p>2020.</p>	<p>Expansion of regular obligatory compliance training sessions to</p> <p>100%</p> <p>of the group-wide workforce by 2018.</p>
<p>Conduct a stakeholder survey in 2015 with all relevant stakeholder groups, with the intention to identify key issues and expectations.</p>		<p>Continuously expand online communications on sustainability issues, in order to inform stakeholders more comprehensively.</p>

COMPANY PROFILE

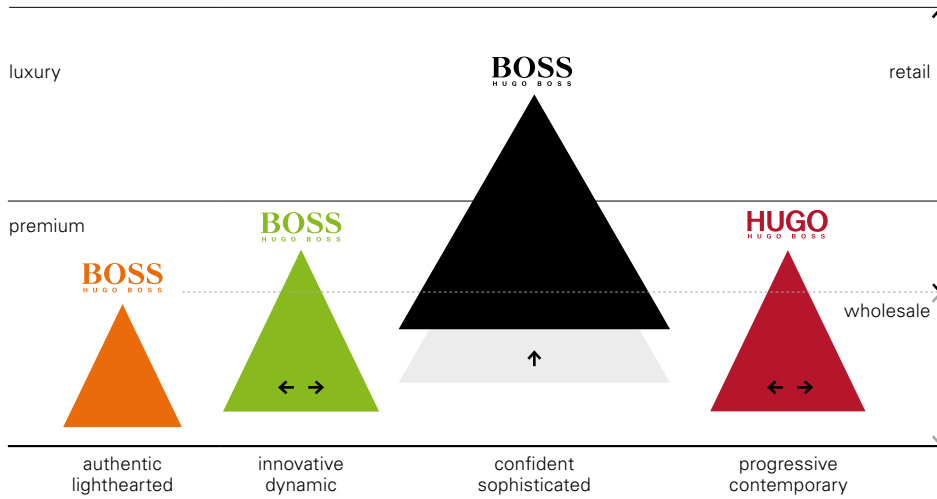
HUGO BOSS is one of the leading companies in the premium and luxury segments of the apparel market. The Group focuses on developing and marketing premium fashion and accessories for men and women. The Group is based in Metzingen (Germany) and employed 13,043¹ employees who generated annual sales of EUR 2.6 billion in the business year 2014. This result makes the Group one of the most profitable listed clothing manufacturers in the world.

The core brand BOSS, HUGO and the other brand lines BOSS Green and BOSS Orange enable HUGO BOSS to reach out to varied and clearly differentiated target groups. The brands present a comprehensive product portfolio with a range spanning from classic to modern apparel, elegant evening clothing and sportswear, shoes, leather accessories, and product groups marketed under license, including fragrances, eyewear, watches, children's fashion, textiles for the home, and mobile accessories². Around 10,500 different products were marketed in four collections across all brands in 2014.

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

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

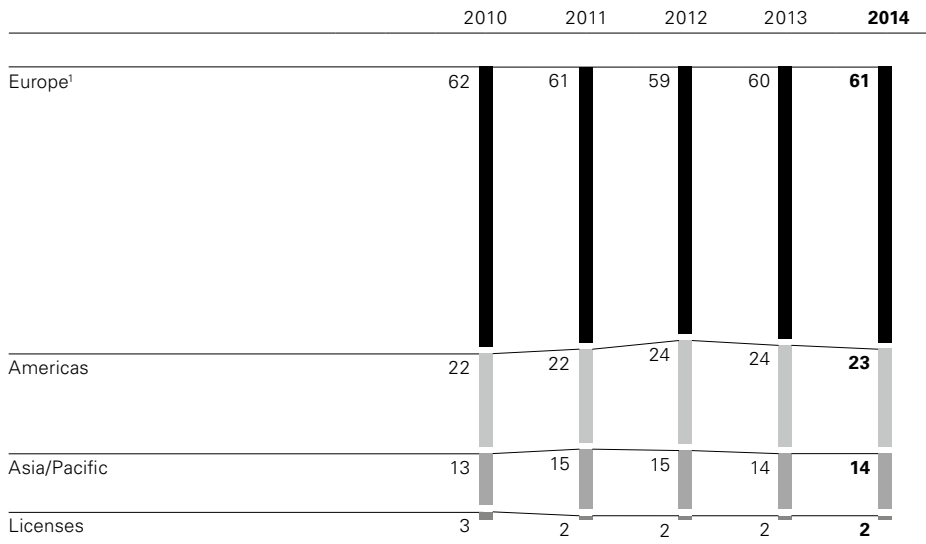
02|01 HUGO BOSS BRAND POSITIONING



In 2014, customers worldwide were able to purchase HUGO BOSS products at around 7,600 points of sale. 57% of the sales were generated through the Group’s directly operated stores. The number of stores operated by the Group increased by 31 to 1,041 in the year under review. These include freestanding stores in premium shopping locations and shop-in-shops operated by the Group in multibrand environments, mostly in the sales areas of department store partners, and outlets. At the moment, the Group also operates eleven online stores in Germany, the United Kingdom, France, Spain, Italy, the Netherlands, Belgium, Austria, Switzerland, the USA, and China. 41% of Group sales were generated through the wholesale trade during the course of the business year, including department stores, specialist stores that are often family-run, franchisees, and to a lesser extent specialist online retailers. A further 2% of sales were generated through the sale of licenses.

Europe is the biggest sales market for the Group. Alongside expansion of its market position within traditional core markets such as Germany, the United Kingdom, France, and the Benelux countries, HUGO BOSS is also well-positioned in attractive growth markets in Eastern Europe, including Russia and the Middle East. The company also sees significant potential for growth beyond Europe and anticipates that the proportion of sales generated outside of Europe will rise steadily over the upcoming years.

02|02 SALES BY REGION (in %)



¹Including Middle East and Africa.

The HUGO BOSS Group is managed by HUGO BOSS AG as the parent company where all the central management functions are bundled. The **organizational structure** of the HUGO BOSS Group is based on a regional approach. The local business activities are pooled in three regional organizations: Europe (including the Middle East and Africa), the Americas and Asia/Pacific. These three regions and the Royalties business form the four operating segments of the Group. The focus of the business activities of the HUGO BOSS Group is in Europe, where the key administrative and production sites are located. Out of a total number of (headcount) people working in the Group, 73% of the HUGO BOSS workforce work in Europe, 14% of the workforce is based in the Americas region, and 13% in the Asia/Pacific region.

The Managing Board is responsible for defining the strategy of the Group and for its management. The responsibility for central functions is divided between the different portfolios of the Managing Board and is therefore bundled at the Group Head Office. Operational implementation of the Group strategy is carried out in close cooperation with the regional and brand directors, alongside the head of central functions. The organizational and management structure clearly allocates areas of authority and responsibilities and within the Group defines lines of reporting. It consequently directs all the Company's resources toward sustainably increasing company value.

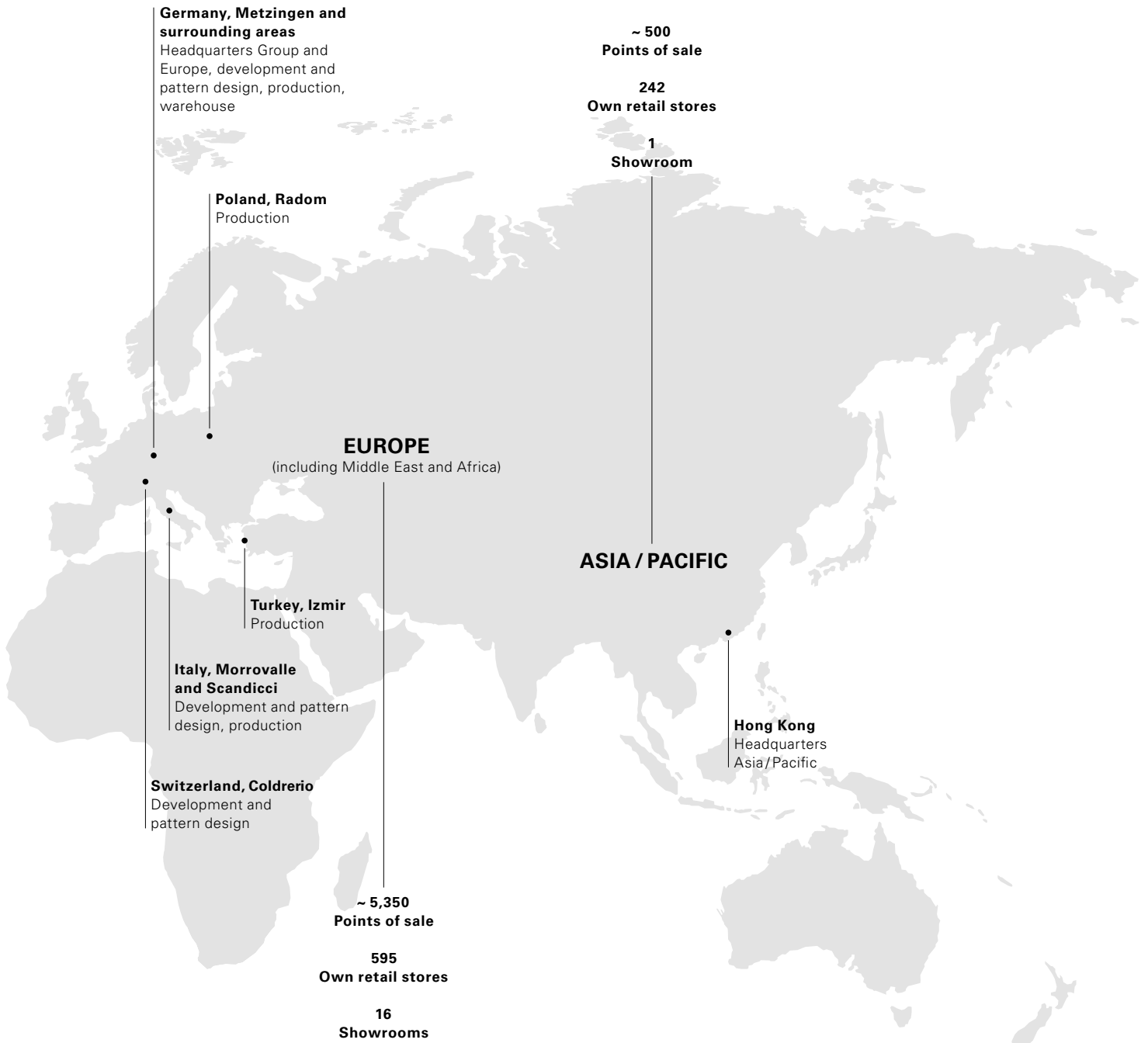
02|03 HUGO BOSS GROUP STRUCTURE

MANAGING BOARD	
CENTRAL FUNCTIONS	OPERATIVE SEGMENTS
Brand Management	EUROPE incl. Middle East and Africa
Communication	
Creative Management	AMERICAS
Finance and Controlling	
Human Resources	
Investor Relations	ASIA/PACIFIC
IT	
Legal, Compliance and Risk Management	LICENSES
Licenses	
Logistics	
Own Retail	
Sales	
Sourcing and Production	

Apart from HUGO BOSS AG, the Group has a total of 55 consolidated subsidiaries located in Europe, the Americas, and Asia/Pacific. The subsidiaries are responsible for the local business activities. 35 subsidiaries are organized as distribution companies. In the year under review, the Group operated its own production facilities in Izmir (Turkey), which is the Group's largest in-house production facility, and in Cleveland (Ohio, USA), Metzingen (Germany), Radom (Poland) and Morrovalle (Italy). Following a comprehensive analysis of the location, it is anticipated that the plant in Cleveland, where suits have been produced for the American market to date, will be sold in the first half of 2015; however with the intention to retain jobs. Conversely, capacities of the Group's own production facility in Izmir are going to be expanded with the addition of a new production building. Effective from July 4, 2014, the HUGO BOSS Group has also established a new subsidiary in South Korea, HUGO BOSS Korea Ltd. Further information is provided in the Annual Report 2014 on page 140.

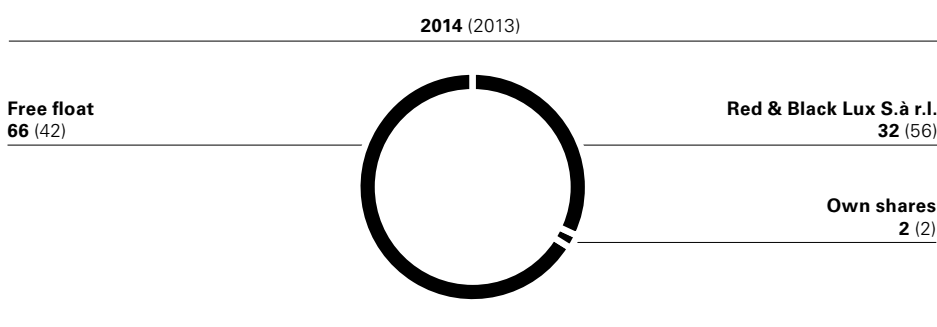
02|04 KEY LOCATIONS/GLOBAL MARKET PRESENCE





On December 31, 2014, the **shareholder structure** of HUGO BOSS was made up as follows: 32% of the shares in the Company (December 31, 2013: 56%) were owned by Red & Black Lux S.à r.l. The private equity company Permira holds a majority shareholding in this entity. The free float therefore amounted to 66% (31 December 2013: 42%). The proportion of the shares held by HUGO BOSS AG in the authorized capital amounted to 2% (December 31, 2013: 2%). The current shareholder structure is shown on the corporate website at <http://group.hugoboss.com/en/investor-relations/share/shareholder-structure/>.

02|05 SHAREHOLDER STRUCTURE AS OF DECEMBER 31 (in % of share capital)



The Company has published the following **financial indicators** for the business year: In 2014, the HUGO BOSS Group generated sales amounting to EUR 2,572 million (2013: EUR 2,432 million). The Group net income was EUR 334 million (2013: EUR 333 million), personnel expenses amounted to EUR 514 million (2013: EUR 483 million). Retained earnings, which contain profits that have not been distributed and that were generated in the past by the entities included in the consolidated financial statements, amounted to EUR 801 million at the end 2014 (2013: EUR 702 million). Further information relating to the financial indicators of the Group can be found on pages 33–35, 155–157, and 228–231 of the Annual Report 2014. Information on donations is provided in the Society section of this Sustainability Report.

GOVERNANCE AND COMPLIANCE

HUGO BOSS AG is a publicly listed stock corporation. It is therefore subject to the German Stock Corporation Act that stipulates the requirement for a **dual governance system** comprising a Managing Board and a Supervisory Board. The Managing Board and the Supervisory Board of HUGO BOSS AG cooperate closely together for the benefit of the Company. Their shared objective is to increase the enterprise value over the long term. The Managing Board therefore regularly informs the Supervisory Board in a timely manner and in detail about all issues of importance for the Company relating to strategy, planning, the development of business, the risk position and risk management, and about compliance issues. Deviations from targets and budgets are explained to the Supervisory Board and its committees. The strategic alignment and further development of the Group are discussed and coordinated with the Supervisory Board. In 2014, the meetings of the Supervisory Board focused on the annual financial statements of HUGO BOSS AG and the

HUGO BOSS Group as of December 31, 2013, the corporate strategy to the year 2020, the organizational structure of the Group, the structuring of sustainability management, issues relating to corporate governance, the budget for 2015, and the planning of the internal audit for 2015. Additional information is provided on pages 10–14 of the Annual Report 2014.

HUGO BOSS has always believed that good and transparent **corporate governance** in compliance with German and international standards is key factor for the success of the Company in the long term. Good corporate governance is therefore part of the corporate culture and encompasses all the areas of the Group. The Managing Board and the Supervisory Board are committed to ensuring the continuation of the Company and the generation of sustainable value added through responsible corporate governance that is geared to the long term. In the business year 2014, the Managing Board and the Supervisory Board intensively addressed compliance in accordance with the requirements of the German Corporate Governance Code (GCGC). The outcome was the issue of the declaration of compliance in December 2014, which is also published on the website of HUGO BOSS AG: <http://group.hugoboss.com/en/investor-relations/corporate-governance/corporate-governance-statement/declaration-of-compliance/>.

The **Members of the Supervisory Board** of HUGO BOSS are elected by the Annual General Meeting on the basis of their expertise and qualifications to advise, monitor and supervise the Managing Board. They have the necessary know-how, skills, and professional experience necessary for the relevant committees. The attribute of independence for the members of the Supervisory Boards as highlighted in the German Corporate Governance Code has long been an important requirement at HUGO BOSS. In this regard, the Supervisory Board already defined a concrete objective in 2011, which requires at least eight of the twelve members of the Supervisory Board to be independent. Six out of these independent members are employee representatives. The Supervisory Board believes that the number of two independent shareholder representatives is appropriate in view of the fact that the shareholder structure is dominated a single major shareholder. In 2014, the Chairman of the Supervisory Board, Dr. Hellmut Albrecht, and the Chairman of the Audit Committee, Dr. Klaus Maier, were classified as independent members of the Supervisory Board. None of the current members of the Supervisory Board had previously held a Managing Board position within the Company. There were also no advisory or other service and work contracts in place between the members of the Supervisory Board and the Company during the year under review. Subject to the election of the proposed candidates at the Annual General Meeting, the Group assumes that the number of independent shareholder representatives on the Supervisory Board will be increased to four in 2015.

HUGO BOSS will exceed the original diversity target that following the annual election in 2015, the Supervisory Board should have at least two women as members. Apart from the three employee representatives elected in March 2015, another woman will be a member of the Supervisory Board, if elected as a shareholder representative at the Annual General Meeting. The current composition of the Supervisory Board is listed on the website of the Company under <http://group.hugoboss.com/en/group/corporate-governance/supervisory-board/>. Additional information pertaining to the Supervisory Board is provided on pages 17–18 of the Annual Report 2014.

In order to **avoid conflicts of interest**, the members of the Managing Board and the Supervisory Board are not permitted to pursue personal interests or grant unjustified advantages to third parties when making decisions in connection with their role with HUGO BOSS. In the business year 2014, there were no conflicts of interest between the members of the Managing Board or the Supervisory Board. The offices held by members of the Managing Board and Supervisory Board in supervisory boards constituted under statutory legislation or in comparable governance bodies of German and foreign organizations bodies are published of the Annual Report 2014 (pages 240–242). No member of the Managing Board has more than three memberships on Supervisory Boards of publicly listed companies outside the Group. The same applies to members of the Supervisory Board, who hold positions on management boards of other publicly listed companies. Related party disclosures are provided on pages 232–234 of the Annual Report 2014.

The work of the Managing Board is directed toward increasing the enterprise value over the long term. The **compensation structure of the Managing Board** is oriented toward the sustainable growth of the Company by factoring in compensation components with a multiple-year assessment basis. The total compensation of individual members of the Managing Board comprises non-performance-related (fixed) compensation components and performance-related (variable) compensation components. The total compensation of individual members of the Managing Board is defined by the Supervisory Board, taking into account any payments made by Group companies on the basis of a performance assessment. The criteria for assessing the appropriateness of the compensation are based on the functions of the individual member of the Board of Management, their personal performance, the economic situation, the success and the outlook of the Company. Another factor is provided by the level of compensation usually paid in the sector, taking into account peer companies and the compensation structure in place in other areas of society. When the Annual General Meeting in 2015 comes to an end, the Group will also publish the individual compensation for members of the Managing Board, since the resolution by the Annual General Meeting not to disclose individual compensation packages was not adopted again. Additional information on the compensation of the Managing Board is provided on pages 104–108 of the Annual Report 2014.

Since sustainable business is the basic enabler for long-term corporate success at all levels of the Company, all employees entitled to receive a bonus are assessed on the basis of sustainable, performance-oriented targets alongside the members of the Managing Board. Ratings based on sustainability serve as internal benchmarks, in order to provide a method of assessing the sustainable performance of the Company over the long term and as necessary for evaluating the performance of individual employees. The findings from this process are a fixed component for the annual bonus agreements for management.

The Managing Board is assessed on the basis of sustainable, performance-oriented targets.

Effective **risk management** ensures that the Group identifies risks at an early stage and appropriate measures are taken to minimize any negative impacts. Combined with systematic identification of new opportunities, this increases the reliability of the Group's decision-making processes and establishes the foundation for consistent attainment of targets. The Company's risk and opportunities policy therefore makes a contribution to increasing the enterprise value over the long term. Coordination of group-wide risk management is an independent risk-management function at the headquarters of HUGO BOSS AG. This allows risks to be identified at an early stage, which can then be analyzed, managed, and monitored. Measures can be adopted to minimize risks as necessary. Central risk management develops the tools within the risk management system on an ongoing basis and ensures that risks are systematically captured across the Company according to a standardized method and at the defined regular intervals. When they start their activity, each risk officer receives training from an employee in the central risk department on the issues of risk awareness, risk assessment, and risk management and control.

The process of capturing and aggregating global risks is carried out on the basis of a universally applicable risk atlas that allows several individual risks to be bundled together into thematic risk areas. These are in turn assigned to an external, strategic, financial, operational, or organizational main risk category. Tax risks, risks in relation to suppliers and procurement markets, and risks in the area of occupational safety and healthcare management form a constituent element of the risk atlas and are controlled through the standardized risk-management process. In 2014, environmental and health risks were also included in the risk atlas. There is additionally a large number of information systems and instruments that are directly geared toward specific fields of risk such as environment, quality, or ecological and social standards for suppliers.

All risks recorded in risk management are assessed for their medium and long-term development over a period extending beyond a year. HUGO BOSS is a Group operating on the international stage with an established brand and it assesses long-term risks such as reputational risk. This type of risk is capable of damaging the brand image and the success of the Company over the long term. HUGO BOSS is indirectly affected by climate change and the resulting regulations and customer requirements. In this connection, the Company analyses risks which can result from tougher legislation, for example stricter regulations for the newbuild of production and administrative buildings, compliance with stricter emissions limits, and potential market changes in the area of raw-materials procurement. Increasing premiums for insurance at locations and distribution centers against natural catastrophes such as flooding and potential power outages at suppliers can be anticipated as a consequence of increasingly extreme weather events and natural catastrophes. Additional information is provided on pages 112–136 of the Annual Report 2014.

Since HUGO BOSS AG and the Group companies are operating in a various countries and regions, they are subject to different legal jurisdictions. The **corporate compliance structures** are firmly established at HUGO BOSS and they constitute part of its good corporate governance. The structures encompass all measures for complying with statutory and government regulations, internal company guidelines and codes. One of the key management functions of the Managing Board is to ensure that the Group companies comply with these structures. The compliance department supports the Managing Board with compliance management monitoring. The department reports directly to the Chief Financial Officer, who is also the Chief Compliance Officer. The central compliance department and the individual managers in the Group companies ensure that the HUGO BOSS compliance program is implemented across the Group and continually developed.

The statutory regulations include antitrust and anti-corruption regulations, and the regulations under legislation governing capital markets. HUGO BOSS AG expects all employees to act in accordance with the law at all times during everyday business activities. The basis is the Code of Conduct, which are the applicable corporate-wide principles, as well as additional in-depth corporate guidelines. In particular, they include regulations on conduct in competition, on avoiding conflicts of interest, on the appropriate handling of company information, ensuring fair and respectful working conditions, and on anti-corruption. The framework for the corporate social responsibility of the Company is also provided by the HUGO BOSS Code of Conduct. It prohibits donations to political parties and their representatives, and to organizations that could give rise to conflicts of interest such as trade unions, consumer rights groups, and environmental protection groups. The Code also prohibits donations to individuals and payments to personal bank accounts. Additional provisions are in place and which are to prevent the Company's image from being damaged through donations. All donations must be transparent, traceable and require the approval of the Managing Board. In particular, the purpose and the recipient must be clearly identified.

All employees of HUGO BOSS are required to comply with the Code of Conduct and the supplementary guidelines. Their awareness is raised through the continuous dissemination of information and training sessions. Some 2,044 employees throughout the Group took part in face-to-face training sessions in the year under review. HUGO BOSS also has an e-learning program which all administrative employees and managers must successfully complete every 18 months. In 2014, a rotational training program was held for 2,982 employees. The e-learning program is being revised in 2015 and it will be used for other markets in the future, and expanded to include other groups of employees. When there are questions about conduct in compliance with legal regulations, employees can consult their supervisors or the Compliance Officer. HUGO BOSS has also established a worldwide ombudsman system. Employees and third parties, such as suppliers or customers, can turn to the ombudsman if they have any suspicions about business crimes, antitrust infringements or breaches of compliance guidelines. All communication with the ombudsman is confidential and can be kept anonymous on request. During the year under review, no breaches against internal guidelines were reported to the ombudsman.

**2,982 employees
completed a compliance
training.**

The correct conduct for employees when dealing with customers, other employees, suppliers, and the general public is also anchored in the **company mission statement** of HUGO BOSS. It integrates the vision, corporate values, and corporate strategy, and firmly integrates sustainability into all the decisions within the Group. The company's mission statement – "HUGO BOSS inspires people towards success" – is founded on the five corporate values of quality, passion, respect, cooperation and innovation. These values were worked out over the course of 2012 and 2013 in the international project "commit", which included employees from different specialist areas and hierarchical levels. They define the daily cooperation between employees and reflect the corporate culture of the HUGO BOSS Group. The values are reinforced in daily interactions between staff through regular workshops and campaigns. They have also been included in the target agreement for each employee.

HUGO BOSS does not tolerate deliberate **misconduct and breaches** of the Code of Conduct. All the companies included in the report were investigated for possible corruption risks during the period under review. In 2014, there were no corruption cases. No lawsuits relating to anti-competitive behavior, the area of consumer protection or breaches of regulations concerning diversity and equal opportunities were filed during the period under review. At production level, the production facilities of HUGO BOSS AG were regularly checked for compliance with the HUGO BOSS social standards. During the year under review, social compliance audits were carried out at the three locations of the HUGO BOSS Group in Metzingen (D), Coldrerio (CH) and Izmir (TR). These audits did not uncover any breaches of the social standards. During the year under review, 15 cases of discrimination were reported within the Group. The Company is committed to carrying out a thorough investigation in all cases and implementing appropriate measures – this was implemented for 13 cases in 2014.

HUGO BOSS takes a responsible approach to corporate governance and adopts an ethical approach in international business. The Group interprets this as guaranteeing **compliance with the prevailing tax laws** through clearly defined internal structures and processes. The overall responsibility for all tax issues in the Company is with the Chief Financial Officer and the central controlling function reports to the CFO. Tax issues are regularly analyzed and assessed by the central controlling function. The assessment of taxation risks forms a fixed component of group-wide risk management (see page 125 of the Annual Report 2014). When assessing risks in the area of taxation, the Company draws on the assessment of local external specialists, such as lawyers or tax advisors. The Company is well aware of the importance that tax issues play in the development of local and global economies. HUGO BOSS believes that part of sustainable and responsible corporate governance should be to establish subsidiaries only in countries where the Company generates a taxable income in the course of its ordinary business activities. HUGO BOSS reports revenues in countries where they are generated and adheres to internationally acknowledged standards for disclosure. The group of consolidated companies is presented transparently on pages 166–167 of the Annual Report 2014 (additional information on the subject of taxes is provided on page 147, 172–173 and 188–191 of the Annual Report 2014).

STRATEGY AND MANAGEMENT

The mission statement “HUGO BOSS inspires people towards success” forms the foundation for the Group strategy. The purpose of this strategy and the aim of the HUGO BOSS management are to obtain a long-term increase in the enterprise value. The Company’s internal controlling system supports the Managing Board and the management of the business units in directing all the corporate processes toward this target. The Group focuses on free cash flow over the long term in order to increase the enterprise value. Maintaining positive free cash flow on a long-term basis secures the Group’s financial independence and its solvency at all times. Increasing sales and operating income are the main levers for increasing cash flow. HUGO BOSS has set ambitious goals in this area. The Group relies on its core competence in order to achieve these goals: the development and marketing of high-quality apparel, shoes and accessories in the premium and luxury segment. The Group strategy builds on this to leverage the core brand of BOSS, expand the market position in BOSS Womenswear, further develop its own retail sales points, global growth, and maximization of operating strength.

A central focus of the company strategy is the transformation of the business model of HUGO BOSS toward directly operated stores. The Group’s own stores provide an ideal environment for a high-quality presentation of the brands and collection – in stationary retail and in online stores. The expansion of the Group’s own retail business and the enhancement of the brand presentation in the wholesale trade have empowered HUGO BOSS to offer its customers throughout the world an increasingly uniform and highly attractive shopping experience. In 2014, the Group generated 57% of its sales in its own retail business. By 2020, the proportion of own retail is projected to expand to a minimum of 75% of consolidated sales. This development is in consistent alignment of the Group with its customers. They expect excellent products from HUGO BOSS, which also incorporate important sustainability aspects as a fixed component of all processes.

Responsible actions and a long-term approach are key elements of the economic management approach at HUGO BOSS. The corporate values of quality, passion, respect, cooperation, and innovation form the foundation for this. The objective of the principle derived from these values “We act responsibly” is to create added value – for employees, customers, business partners, shareholders, and the community. HUGO BOSS sees sustainable business as an opportunity to guarantee the high quality of products expected by customers, to ensure their loyalty, drive forward innovations and further develop the business model, increase efficiency along the value chain and to increase the loyalty of its own employees over the long term.

**Sustainable business
is recognized as an
opportunity by HUGO BOSS.**

The foundation for defining the group-wide **sustainability strategy** of HUGO BOSS was a **materiality analysis**. This allowed the sustainability aspects relevant for the Company to be identified and compared with the requirements of important stakeholders. The resulting issues were allocated to six strategic fields of action which now form the framework for the group-wide sustainability activities and define the central reporting content of HUGO BOSS.

The Company has focused on standards that extend across sectors and analyzed supplementary industry-specific **risks and opportunities** in order to define the relevant sustainability issues for HUGO BOSS. The criteria sets for international accredited sustainability standards like the Global Reporting Initiative (GRI) were utilized for this purpose. The sustainability aspects identified as relevant for HUGO BOSS were then expanded by company-specific issues which are derived from an analysis of the most important impacts of the Company on its social and ecological environment. These impacts result mainly from the activities in the supply chain. Here lie the greatest risks for textile companies – particularly in relation to compliance with social standards, such as occupational safety, health protection and human rights. Similar principles also apply to the production of raw materials and the refinement processes to create the finished product. This also happens primarily in the production facilities of the suppliers, outside the perimeters of the Company. Moreover, a large proportion of the environmental impacts within the life cycle of the products from HUGO BOSS are also generated in the supply chain.

HUGO BOSS commissioned an online survey during the reporting period in order to gain an **external evaluation** of the issues. Customers and non-customers of HUGO BOSS were surveyed about their assessment of the importance of individual sustainability issues for HUGO BOSS and the products sold by the Company. This yielded a prioritization of external expectations which focused on issues like conservation of natural resources, fair and safe working conditions, and how the Company treats its employees. The responsibility exercised by the Company in relation to the safety and quality of its products and the protection of animals and species were identified as key elements of sustainability management. Important information was also provided by the enquiries the Company received from investors and the press, and issues concerning consumers that were dealt with by Global Communication. The results were also compared with the information requests made to the Company by external sustainability rating agencies and other stakeholders. The criteria of the Dow Jones Sustainability Index (DJSI) were used as an appropriate reference for the information needs of the capital market players.

Systematic evaluation of relevant challenges through external stakeholders.

HUGO BOSS is planning a systematic, more in-depth integration of stakeholders for the year 2015. The Company will work together with its key stakeholders in the areas of social engagement, environment, animal welfare and the capital market, and will redefine the prioritization of relevant sustainability issues. The objective is to identify and evaluate long-term sustainability risks and opportunities for the Company, as well as the joint development of activities. Initial concrete steps in implementing the materiality analysis will be taken beginning 2015 with the International Union for Conservation of Nature (IUCN).

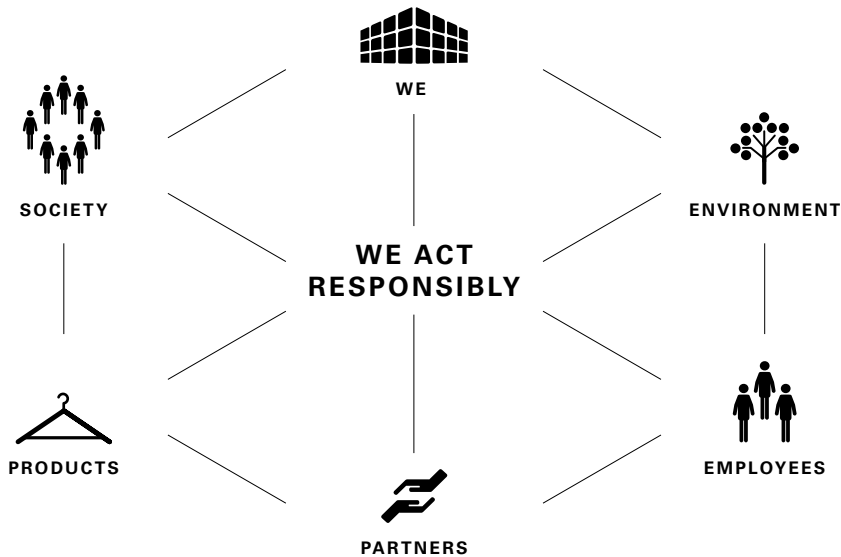
The sustainability strategy of HUGO BOSS derived from the **materiality analysis** includes a total of six fields of action. The individual sustainability issues relevant for HUGO BOSS are assigned to the fields of action:

02|06 SUSTAINABLE ACTIVITIES

We act responsibly		Material issues
We	Acting in the interests of stakeholders	Stakeholder engagement, corporate governance, anti-corruption and compliance
Environment	Conserving natural resources	Environmental management and environmental management system, energy and CO ₂ emissions, product safety
Employees	Providing fair employment and targeted support	Occupational health and safety, training and further education, employer attractiveness, employee retention
Partners	Working together responsibly	Social compliance, protection of human rights, environmental protection, child and forced labor, fair and safe working conditions for suppliers
Products	Developing ideas for tomorrow	Product safety, health, animal welfare
Society	Establishing common values	Community engagement at company locations, donations and sponsoring

The Company groups the principles of its sustainability management and the dialog with its stakeholders under “We”. Furthermore, the strategy defines the areas environment, employees, partners, product, and community as five additional fields of actions. The Group intends to continuously improve in all areas. It has formulated measures and targets in each field to optimize processes and structures along the value chain to assist in generating improvements. The defining factor in all fields of action is the reduction of potential negative impacts of the Group on its social and ecological environment. At the same time, HUGO BOSS views sustainability as a continuous improvement process with positive effects for the perception of the Company in the public domain and the development of financial results. The Company is committed to providing information for interested stakeholders and the general public about the development of sustainability activities and progress in relation to the defined targets at regular intervals.

02|07 SIX FIELDS OF ACTION



We: HUGO BOSS engages in a constructive dialog with its stakeholders in the course of its sustainability management and regards their expectations and demands as an opportunity to create value for both sides. In order to promote constructive dialog, the Company is dedicated to transparent reporting on its own activities and goals.

Environment: HUGO BOSS believes that excellence in environmental protection entails making a meaningful contribution to combating global climate change, protecting natural resources through intelligent concepts and environmentally friendly technologies, reducing environmental impacts, and preserving biodiversity. The Company focuses in particular on its global supply chain.

Employees: HUGO BOSS is committed to recruiting well-qualified and committed employees to the Company, who are an optimum fit with the requirements derived from the strategic direction of the Company. The Group creates a working environment where every individual can be ideally integrated and make the most of their potential to achieve success. The HUGO BOSS Code of Conduct creates the framework for this.

Partners: To protect human rights, HUGO BOSS commits itself and all HUGO BOSS suppliers to maintain internationally accredited employment and social standards, to guarantee fair and secure working conditions, as well as complying with local and national environmental laws to make an active contribution to protecting the environment. HUGO BOSS is increasingly engaging in international initiatives, in order to strengthen social compliance and continuously develop existing standards.

Products: HUGO BOSS products must satisfy the highest expectations for quality, design and processing, as well as complying with the expectations of consumers for sustainability. The Company respects animal and species conservation and ensures that its products are free from risks, in order to ensure the wellbeing of its employees and customers. It also pursues measures to reduce the environmental impact of its collections along the entire life cycle.

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

The Company has a broadly based **sustainability management** for consistent implementation of its sustainability strategy. The Managing Board of HUGO BOSS has overall responsibility for sustainability. At its meetings, it regularly addresses issues relating to risk management, personnel development, environmental protection, occupational safety, health protection and stakeholder dialog. The Managing Board also adopts guidelines and standards on sustainability that are applicable throughout the Group.

The Sustainability Committee was established in 2013 and is the central body for steering the sustainability strategy, for defining sustainability targets, and for group-wide coordination of sustainability management. The Sustainability Committee is overseen by the Chief Brand Officer and the Chief Financial Officer. It comprises the Head of Sustainability, the managers responsible for the divisional functions of Central Services, Investor Relations, Communication, Logistics, Brand and Creative Management, Operations, Human Resources, Process Management and Legal Affairs. It also includes the regional manager for the region of Europe. The functional areas of the Sustainability Committee were divided into the three working groups Corporate Responsibility, Sustainable Operations and Corporate Culture. One or more committee members are responsible for these areas. The central functions of the working group Corporate Responsibility include, for example, monitoring stakeholder management and corporate citizenship, and sustainability communication. Work in the area of sustainable operations entails guaranteeing standards for human rights and environmental standards along the entire value chain. Issues which relate to the cooperation between companies and conduct in business operations are the responsibility of the working group on Corporate Culture.

In 2014, the Sustainability Committee met at intervals of a maximum of two months, in order to review the progress and success of sustainability activities and to develop sustainability management further with new projects and initiatives. The focus of the meetings last year was on developing the six fields of action, stakeholder dialog, the initial stages of developing a materiality analysis, implementing a customer and employee satisfaction survey, and expansion of sustainability communication. Since the topic of sustainability is implemented locally across all specialist areas, additional capacities were also discussed by the Sustainability Committee and adopted. At least one member of the Managing Board attended each of the meetings. Through attendance at the meetings of the Sustainability Committee, the Managing Board was always aware of the latest developments in the area of sustainability. These issues were also debated in the regular meetings of the Managing Board. Furthermore, the Supervisory Board engaged intensively with activities in the area of sustainability at its closed meeting lasting two days in September 2014.

HUGO BOSS recently achieved impressive scores with its sustainability performance in different **ratings and rankings**. In 2014, HUGO BOSS AG took part in the climate protection survey held by the international non-profit organization Carbon Disclosure Project (CDP). It provides companies and cities worldwide with a system that can be used for voluntary reporting of specific data on its environmental engagement. The Company published aspects of its energy policy and climate protection, and details of its strategy to reduce group-wide CO₂ emissions on the platform. CDP confirmed that HUGO BOSS has an above-average awareness of climate change and highlighted the Company as the best new entrant from the region Germany, Austria and Switzerland.

HUGO BOSS was also listed for the first time in the Sustainability Yearbook published by RobecoSAM – as an “Industry Mover” – in 2015. The title ranks HUGO BOSS among the 15% of the best companies in its sector as the Company which succeeded in achieving the greatest improvement in the area of sustainability. This makes HUGO BOSS one of the most promising players in the area of sustainable business in the textile sector.

HUGO BOSS is listed as an Industry Mover in the Sustainability Yearbook published by RobecoSAM.

STAKEHOLDER DIALOG

HUGO BOSS believes that meeting the expectations of its most important stakeholders is not only essential as a business objective, but is also an opportunity for bringing about social change. Discussing different perspectives and entering into a joint discussion about challenges and potential solutions can be valuable for all participants. The exchange of views with relevant stakeholder groups has been actively fostered for many years. It is based on a stakeholder analysis which has undergone further development during the year under review to comply with the Standard AA 1000 as well as being supplemented by standardized processes. HUGO BOSS intends to take an even more intensive approach to stakeholder management in the upcoming years and is making additional personnel capacities available for this purpose from 2015.

The **involved stakeholder groups** include employees, customers, business partners, shareholders and investors, non-government organizations, representatives from business, academia and government, and from the community at large. Their relationships with HUGO BOSS and their opportunities for exerting influence make these people extremely important for the long-term business success of the Company. The selection of individual organizations is based on an internal audit for relevance, legitimation, and readiness to cooperate.

The **main concerns of stakeholders** essentially focus on issues of business practices and compliance with statutory regulations, upholding the rights and interests of members of the workforce employed directly and indirectly, the development of excellent products, and environmental protection. Additional topics include special issues relating to animal welfare and species conservation. Relevant issues also include customer aspirations, enquiries requesting information from investors, and regulatory proposals. During the year under review, HUGO BOSS responded to around 150 customer enquiries relating to sustainability, including direct communication with the media, human rights organizations, consumer protection associations, and animal welfare organizations. In 2014, HUGO BOSS intensified existing contacts with research institutions, cross-sector initiatives and cooperation with non-government organizations, and continued to expand its engagement with these stakeholders. Participation in multi-stakeholder initiatives was also extended, for example, HUGO BOSS joined the Fair Labor Association (FLA) in 2014 with the objective of becoming more intensively involved with the latest developments in the area of social compliance.

Membership to the multi-stakeholder organization Fair Labor Association (FLA).

During the year under review, HUGO BOSS engaged in dialog with organizations concerned with social commitment, animal welfare, investor relations, and the environment. The Company adopted a multi-stage process for communicating with the organizations. The objective was to address concrete issues within the areas of action of the sustainability strategy. 2015 will also see active dialog being intensified to address relevant issues derived from the HUGO BOSS materiality analysis. This will involve the presentation of planned targets and measures. The players involved will give their assessments on the relevance of the key issues and on their concrete expectations for the future sustainability development of the Company. HUGO BOSS will utilize the additional information to prioritize its activities in the following year. For example, active cooperation is planned for 2015 with the International Union for Conservation of Nature (IUCN) within this framework. This collaboration is intended to develop solutions to master challenges along the supply chain over the medium and long term.

02|08 FORMS OF STAKEHOLDER COMMUNICATION

(Potential) employees	Intranet, collaboration with universities, HUGO BOSS home page, social networks, exhibitions and trade fairs, employee newspaper, works council, company employee meetings, seminars
Customers	Customer documentation, fashion shows, customer service (phone or email), customer surveys (including on sustainability issues), HUGO BOSS home page, social networks, personal discussions, points of sale
Business partners	Supplier development, audits, personal discussions
Shareholders and investors	Annual report, quarterly report, telephone conferences, annual general meeting, analysts' conferences, investor day, personal discussions in visits to companies, roadshows and conferences
Society	Press releases, press conferences, information events, personal discussions
NGOs	Personal discussions, thematic discussions e.g. for fair compensation, social compliance, environment, biodiversity, and animal and species conservation

HUGO BOSS implements the **dialog with its stakeholders** at a number of different levels. The Company regularly issues timely reports about the business development of the Group and key strategic and operational initiatives. The objective of these reports is to ensure maximum transparency and enhance the level of trust received by the Company within the public domain. Investor relations activities involve continuous communication with institutional investors, financial analysts and private shareholders. Apart from the annual press briefing and analysts' conference on the annual results, conference calls are held with financial analysts when the interim reports are published for the first and third quarters, and for the half-year report. An annual Investors' Day is also held each year when the Company's executives discuss the Group strategy and go into an in-depth analysis of all relevant developments. The Managing Board takes part personally in the press briefing and analysts' conference on the financial results, the Investors' Day and a large number of other meetings with investors. Whenever the activities and projects of the Company impact the interests of the public, HUGO BOSS seeks an open and constructive dialog with the parties involved. One such example was the construction of the distribution center in Filderstadt. Prior to this facility being constructed and commissioned in 2014, a regular dialog was held with the local community, the residents, various citizens' action groups and other interest groups directly affected by the construction of the warehouse. The Managing Board of HUGO BOSS regularly joined the discussions held with the local community.

HUGO BOSS also actively promotes continuous communication between the employees and the Managing Board. A company staff meeting is held once a year. The Managing Board discusses the strategy and the financial development of the Company with all the employees of HUGO BOSS AG at the meeting. The Management, the Works Council and the Chief Human Resources Officer also discuss issues and ideas brought up by the staff members in this forum. They either submit their questions in writing before the meeting or they may put questions during the event itself. Every quarter, the Managing Board also informs the managers of the Company about the financial and strategic development of the Company. All employees can exchange views and ideas on current issues with the Managing Board by

going on a discussion forum in the Group's Intranet. Employee breakfasts are also held on a regular basis. They provide an opportunity to meet individual members of the Managing Board in smaller groups and a relaxed atmosphere. An employee survey was also carried out for the first time in 2014 at HUGO BOSS AG in Metzingen.

HUGO BOSS has been in dialogue with different individual national and international organizations for animal welfare and consumer protection with the aim of bringing about continuous improvement in the area of animal welfare. Consequently, one decision taken by the Company was in the sourcing of merino wool: to give preferential treatment to those suppliers that are able to verify that the mulesing procedure is not used. In the business year 2014, another decision was taken to stop using angora wool. This is a textile fiber which is taken from the fur of angora rabbits.

Regular communication
with animal protection
organizations.

AWARDS DURING THE REPORTING PERIOD

- Carbon Disclosure Project (CDP): "Best Newcomer in Germany, Austria and Switzerland"
- Inclusion as "Industry Mover" in the Robeco SAM Sustainability Yearbook 2015
- DGNB GOLD Certificate from the German Sustainable Building Council (DGNB) awarded for the newbuild of the distribution center in Filderstadt
- 2nd place in employer image ranking of German fashion companies in the magazine Textilwirtschaft
- 10th place for HUGO BOSS Ticino SA in the employer ranking "Best Employer in Switzerland" (95 evaluated companies)
- Award as "Star Company" in the ranking "Top Internship" of the Clevis Group
- "Quality Seal" in the Corporate Health Awards

MEMBERSHIPS OF ASSOCIATIONS AND INTEREST GROUPS

- AFIRM (www.afirm-group.com): cooperation in different projects, formulation of positions on draft legislation
- DTB (Dialog Textiles and Garments, www.dialog-dtb.de)
- Fair Labor Association (FLA)
- German Fashion Modeverband Deutschland e.V. (www.germanfashion.net)
- Global Social Compliance Programme (GSCP)
- Brand Association (www.markenverband.de)
- Southwest German Textile and Clothing Industry (www.suedwesttextil.de)
- TicinoModa (www.ticinomoda.ch): HUGO BOSS is a member of the committee and the strategic commission of TicinoModa. The company represents TicinoModa in the EU PEF (Product Environmental Footprint), a European Union project for T-shirts.
- VDTF (Verein Deutscher Textilveredlungsfachleute, www.vdtf.de) German Association of Textile Refiners: sponsoring member

SUPPORT FOR EXTERNAL STANDARDS, AGREEMENTS, AND INITIATIVES

- Charter of Diversity (www.charta-der-vielfalt.de) HUGO BOSS is a signatory to the charter.
- German Corporate Governance Code – HUGO BOSS complies with the recommendations of the "Government Commission of the German Corporate" with few exceptions

A photograph of a modern building with a courtyard. A large, leafy tree stands in a planter box. The building has multiple levels with glass railings. In the foreground, a pool of water reflects the tree and the building. The word "ENVIRONMENT" is written in large, white, sans-serif capital letters across the center of the image.

ENVIRONMENT

**ENVIRONMENT – PRESERVING
NATURAL RESOURCES**

- 31 **Management Approach**
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- 38 **Logistics**

ENVIRONMENT – PRESERVING NATURAL RESOURCES

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

KEY TARGETS		
<p>Expansion of the certification of the environmental management system in accordance with ISO 14001 at the production location Morrovalle (I) in</p> <p>2015.</p>	<p>Reduction of greenhouse gas emissions by</p> <p>30%¹</p> <p>in relation to Group sales by 2020.</p>	<p>Expansion of the certification of the environmental management system in accordance with ISO 14001 to include all the Group's own production locations by</p> <p>2020.</p>
<p>Sourcing</p> <p>100%</p> <p>of the electricity used in all its own retail businesses in the German-speaking regions of Germany, Austria, and Switzerland from renewable sources by 2015.</p>	<p>Reduction of water consumption in relation to Group sales by</p> <p>40%²</p> <p>by 2020.</p>	<p>Expansion of the certification of the energy management system in accordance with ISO 50001 at the Coldrerio location (CH) in</p> <p>2015.</p>

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

²In comparison with the baseline year 2010.

MANAGEMENT APPROACH¹

HUGO BOSS believes that making environmental responsibility tangible means pursuing strategic goals and achieving quantifiable contributions in different areas. The Group is therefore pursuing the long-term targets of minimizing the impacts of climate change, protecting natural resources through the application of intelligent concepts and environmentally friendly technologies, reducing environmental impacts, and contributing to the preservation of biodiversity. HUGO BOSS focuses particularly on potential impacts of its global supply chain and implements measures related to the environment at its locations, in transport, with its partners in all phases of the value chain, and along the entire life cycle of its products.

¹All indicators in the section on Environment are based on production, logistics, and administrative locations in Europe, North America, and the locations in the region Asia/Pacific China.

Robust **environmental management** based on the internationally accredited standards ISO 14001 and ISO 50001 provides assistance in tracking these targets at the local facilities. Appropriate certifications are carried out at the locations, insofar as the resources involved are commensurate. A central tool is used to manage environmental management. This tool is utilized worldwide and makes use of uniform and efficient methods for the protection of natural resources.

The top priorities for environmental activities during the period under review were the introduction of the energy management system in conformity with ISO 50001 and an environmental management system in conformity with ISO 14001 at the location of HUGO BOSS Textile Industry Ltd. in Turkey. Another focus was on implementation of the environmental management tool. There were also technical optimizations, in particular at the production locations and distribution centers of the HUGO BOSS Group.

The responsibility for group-wide environmental protection lies with the Managing Board of HUGO BOSS and is a priority for management. Compliance with all environmental laws and taking account of environmental perspectives in all business decisions is an integral component of all business activities of HUGO BOSS. The **environmental policy** provides a framework for the details and outlines the requirements for environmental performance at the Company's own locations, with suppliers and in product development. The policy defines arrangements for the following thematic areas at HUGO BOSS locations:

- Energy and energy efficiency
- Water and resource consumption
- Waste
- Sustainability in procurement
- Sustainable buildings
- Employee trainings

The environmental policy is complemented by the transport guideline. This formulates requirements for the improvement process with which the Group continually reduces the environmental impacts of its logistics processes.

The textile supply chain is characterized by a very high level of complexity and this can result in some volatile demands for environmental protection. HUGO BOSS addresses these issues by engaging in dialog with its stakeholders and carrying out appropriate adjustments in **environmental management** on this basis. The Company regularly informs its various stakeholders and the wider public about its environmental strategy, initiatives, and efforts. The Group utilizes environmental data to check its activities in relation to its objectives, and it optimizes processes and reports on results. HUGO BOSS works actively with representatives of internal and external interest groups in order to integrate their knowledge and assessments into the optimization of its environmental benefits. The employees of HUGO BOSS are a central target group here. The Group keeps them regularly informed about its activities and offers trainings with the aim of being able to effectively reduce its environmental impact over the entire value chain.

During the reporting period, HUGO BOSS entered into a **strategic partnership** with the International Union for Conservation of Nature and Natural Resources (IUCN). The objective of this collaboration will be the continuous development of the environmental management of the Company. The two partners will jointly identify and evaluate significant environmental challenges throughout the value chain of the Group. The IUCN supports HUGO BOSS mainly in the analysis of existing environmental risks and the identification of potential initiatives to minimize these risks over the long-term and make a contribution to nature conservation.

Since the beginning of 2015, HUGO BOSS has been involved in a **pilot project** with the Natural Capital Coalition (NCC). The aim of the pilot project is to develop a global management standard with the "Natural Capital Protocol". This protocol is particularly effective in enabling companies to measure and evaluate their direct and indirect environmental impacts. HUGO BOSS has made itself available as a joint-venture partner for the first pilot of this initiative. The Company expects to gain new knowledge from this cooperation, which will be integrated into the roadmap to excellent environmental protection throughout the entire value chain

ENERGY AND EMISSIONS

The Company intends to continually improve the energy efficiency of its buildings. **Energy-saving measures** start for HUGO BOSS in the planning of new building projects. They continue with measures for enhanced energy efficiency at existing production, administrative and logistics locations. When renovating and constructing operational facilities, the Company always ensures that the energy consumption and the associated emissions are reduced through its own energy supply systems and energy-efficient technologies from the outset.

HUGO BOSS strives to obtain accredited **sustainability certifications** for all new buildings in its portfolio of operational facilities. In this context, the Company already defined an important milestone in 2013. The German Sustainable Building Council (DGNB) conferred an award on the most recent administrative building in Metzingen for being one of the three most sustainable office and administrative buildings in Germany. HUGO BOSS has also received a DGNB Gold Certificate for the new distribution center in Filderstadt-Bonlanden.

HUGO BOSS AG generated a total of 91% of its electricity requirement for its location in Metzingen from **renewable energy sources** in 2014. HUGO BOSS Ticino (Switzerland) has already been supplied with all its electricity requirements from renewable energy sources since 2010. The proportion of electricity from renewable energies throughout the Group amounted to 47%. HUGO BOSS has installed photovoltaic systems at the headquarters in Metzingen and at the newly constructed distribution center. In 2014, the Company generated a total of 543 MWh of electricity from its own renewable energy sources. Two cogeneration plants which use waste heat at the same locations for heating and cooling additionally produced 1,094 MWh of energy.

91% of the electricity at the headquarters in Metzingen is generated from renewable energy.

During the year under review, the energy consumption at the locations assessed amounted to 75,795 MWh. The increase of 7.4% by comparison with the previous year (70,579 MWh) results from an expansion of data recording to include additional locations. Based on the same reporting boundaries as in the previous year, the increase amounted to around 2.9%. This is partly explained by an increase in production during the year under review. Another factor was the temporary parallel operation of two additional warehouse facilities when the new distribution center came on stream in 2014. However, the energy consumption as a function of sales remained largely constant at around 29.5 MWh a year per EUR 1 million.

03|01 ENERGY CONSUMPTION (in MWh)

	2014	2013 ¹	2012 ¹
Direct energy consumption	35,297	33,866	32,984
Indirect energy consumption	40,498	36,713	37,064
TOTAL	75,795	70,579	70,048

¹ Data have been slightly adjusted compared to the Sustainability Report 2013 due to altered data collection and definitions. This has not led to fundamental changes of trends.

The group-wide **greenhouse gas emissions** amounted to 28,439 tonnes of CO₂ in 2014 – an increase of approximately 9.9% compared with the year-earlier figure (25,885 tonnes of CO₂) or an increase of 1.3% based on the comparable reporting thresholds of the previous year. Alongside the expansion of the reporting limits, the increase in the context of the expanded reporting limits of 2014 resulted primarily from the parallel operation of several warehouse facilities. This parallel operation was discontinued once the newly built distribution center came on stream and was operating at full capacity.

03|02 GREENHOUSE GAS EMISSIONS (in t CO₂)

	2014	2013 ¹	2012 ¹
Scope 1 (direct energy consumption)	7,791	7,610	7,417
Scope 1 (fleet consumption)	3,035	2,900	2,751
Scope 1	10,826	10,510	10,169
Scope 2 (indirect energy consumption)	12,374	10,938	11,267
Scope 1–2	23,200	21,448	21,436
Scope 3 (air travel)	5,239	4,437	4,485
TOTAL Scope 1–3	28,439	25,885	25,921

¹ Data have been slightly adjusted compared to the Sustainability Report 2013 due to altered data collection and definitions. This has not led to fundamental changes of trends.

In 2012, the **energy management system in accordance with ISO 50001** was introduced at the location of the HUGO BOSS AG in Metzingen and in 2014 the system was successfully reaudited. Certification in accordance with ISO 14001 and ISO 50001 was also performed for the first time at the biggest production facility operated by HUGO BOSS in Izmir. Stricter energy management is being implemented throughout the Group aimed at a reduction of energy consumption. The biggest lever for this in the existing portfolio of operational facilities is provided by technical and organizational optimization.

Certification of the biggest production facility in Izmir (TR) in accordance with ISO 14001 and ISO 50001.

Significant energy consumption and emissions beyond administrative and production buildings are mainly created as a result of **business trips** and **employee commuting**, and by transport and logistics. The Group is also continuously striving to reduce its environmental footprint, as demonstrated by the example of Izmir. A newly introduced tracking system has been designed to coordinate efficiency for use of taxi and courier trips, as well as company buses. This system has succeeded in reducing the kilometers travelled to be reduced by 11.6% compared with the previous year, and this has in turn avoided the associated greenhouse gas emissions.

03|03 GREENHOUSE GAS EMISSIONS THROUGH FLEET VEHICLES AT THE IZMIR LOCATION
(in t CO₂)

	2014	2013	2012
Greenhouse gas emissions caused by fleet vehicles ¹ of HUGO BOSS Textile Industry Ltd.	1,045	1,172	1,379

¹Greenhouse gas emissions in t CO₂ caused by own fleet vehicles as well as taxi and courier trips and company buses of HUGO BOSS Textile Industry Ltd.

HUGO BOSS offers its employees working in Metzingen a car-share network operating within the Company. During the year under review, 176 employees made use of this service on their daily commute to and from their workplace. The emissions saved as a result of this initiative have so far amounted to 0.7 tonnes of CO₂.

**GOLD CERTIFICATION OF THE DGNB:
THE NEW HUGO BOSS DISTRIBUTION CENTRE**

GOLD!

FOR HUGO BOSS

HUGO BOSS is setting a new benchmark with the new distribution center providing floorspace of 35,000 square meters in Filderstadt near Stuttgart. This is not only the biggest facility of its kind in Europe, the complex has also been awarded the Gold Standard of the German Sustainable Building Council (DGNB) for its sustainability performance.

The objective of this distinguished organization of the construction and real-estate industry is to promote sustainability in new buildings and enable standardization. The overall performance is evaluated on the basis of different criteria relating to the environment, economy, process and location quality. Other factors such as functional and technical quality are also evaluated. If there is outstanding compliance with the criteria, the building receives a certificate in gold, silver, or bronze.

In 2014, the high-tech building was opened and with a price tag of EUR 100 million it is the biggest individual item of capital expenditure in the history of the company. Most of the boxes containing flat-packed garments such as shirts, socks, and ties are transported automatically in the warehouse 21 meters in height. More than 35 million items are projected for annual distribution throughout Europe from this facility.

The overall concept is based on the latest environmental standards from the planning stage to initial operation. This includes the refined cladding design, the use of high-quality and low-pollutant materials, and the selective heating using ceiling-mounted radiant panels. The location is also advantageous for HUGO BOSS: operating from Filderstadt allows the Company to achieve efficient goods flows over maximally short distances. The building has been awarded the Gold Standard of the prestigious German Sustainable Building Council (DGNB) with a fulfillment level of nearly 90%.

Thanks to selective energy-efficiency measures, HUGO BOSS has succeeded in cutting CO₂ emissions by more than half compared with the EnEV reference building designed in compliance with the Energy Saving Ordinance. This slashed annual CO₂ emissions by approximately 1,414 tonnes each year. The new building also has its own photovoltaic system aligned in an optimum southerly direction. It is made up of 1,919 solar modules and covers a roof area of 13,500 square meters generating 480 kilowatts of power at peak performance. The solar-energy system and a cogeneration plant generate a projected consumption rate of some 30%. In this way, HUGO BOSS is continuing to propagate its line of innovative architecture and sustainable building planning.

WATER AND WASTE

During the period under review, HUGO BOSS initiated numerous individual measures for further reduction of water consumption and generation of waste at its most environmentally-relevant locations in Germany, Turkey (Izmir) and in North America (USA and Canada). The platform for these measures was provided by expansion and implementation of the Group's own environmental management tool to include the corresponding water and material flows, and the definition of location-specific reduction targets. In 2014, systematic sorting of waste was launched in Izmir in order to achieve maximum possible recycling for the three categories of textiles, nylon, and paper/cardboard. Cutting operations in production and the purchased packaging material were further optimized and succeeded in reducing the use of materials and wastage. Moreover, functional electronic equipment is donated.

Measures for **reducing water consumption** included renewal of the irrigation system for landscaped areas at the Metzingen location. At the same time, a start was made in Izmir on improving the efficiency of irrigation systems through automation and installing systems for treating rainwater. These measures contributed to reducing water consumption at the locations in the report by around 2% (on a like-for-like comparison).

03|04 WATER CONSUMPTION (in m³)

	2014	2014 ¹	2013	2012
	132,648	122,808	125,675	129,532

¹Data for the reporting period 2014 on the basis of the consolidated reporting units of the reporting period 2013.

While most of the **waste** generated at the registered office in Metzingen is already being recycled today, disposal in Turkey continues to be through transport to landfill. A project was launched in 2014 for identifying the first fabric batches that are suitable for recycling and for which interested purchasers can be found.

03|05 WASTE VOLUME BY TYPE (in t)

	2014	2013 ¹	2012 ¹
Nonhazardous waste	3,944	3,685	3,857
Hazardous waste	28	29 ²	14
TOTAL	3,972	3,714	3,871

¹Data have been slightly adjusted compared to the Sustainability Report 2013 due to altered data collection and definitions. This has not led to fundamental changes of trends.

²Adjusted data due to legal provisions concerning threshold values for the disposal of chemicals.

During the period under review, no serious accidents occurred at HUGO BOSS that resulted in waste or wastewater being discharged inappropriately into the environment. Accordingly, there were no penalty payments levied for breaches of environmental regulations. A lawsuit is currently underway in Italy relating to soil pollution. A judgement at the court of first instance was found in favor of the Company, a judgement in the court of second instance is expected to be rendered in 2015.

LOGISTICS

HUGO BOSS is continually reviewing CO₂ emissions in logistics and transport processes with the objective of reducing them over the long term. A result of this analysis was that the Company already adjusted its global **transport routes** in 2012. For example, the use of the Italian harbor of Trieste as an alternative to the port of Hamburg cut down the distance to the Group's logistics centers in Germany. When deliveries are made to warehouses, HUGO BOSS is increasingly replacing road transport with **rail freight**. In 2014, the lion's share of road transport from northern European ports to distribution centers in southern Germany was transferred to rail. HUGO BOSS started to implement further optimization by organizing the future transport of textiles from Asia to Europe on a route from Shanghai to Duisburg by rail. The first pilot tests for this method of transport will be carried out in 2015 and were prepared accordingly during the reporting year. Starting in 2016, the transfer from air and sea freight to rail will continue to be expanded for transport from China.

Since 2013, HUGO BOSS has been supported by an **IT system** in coordinating approximately 80% of the incoming volume of finished goods. This gave the Company complete transparency for this section of the supply chain. It permitted consolidation of the dispatch costs in the country of origin and facilitated higher capacity utilization of the selected method of transport. With the establishment of a monitoring tool, the Company was successful in monitoring all non-European transport and structuring it more efficiently.

A man in a brown suit and a woman in a black dress are sitting on the floor, looking at a tablet together. The man is pointing at the screen, and the woman is smiling. The background shows a mannequin and a window.

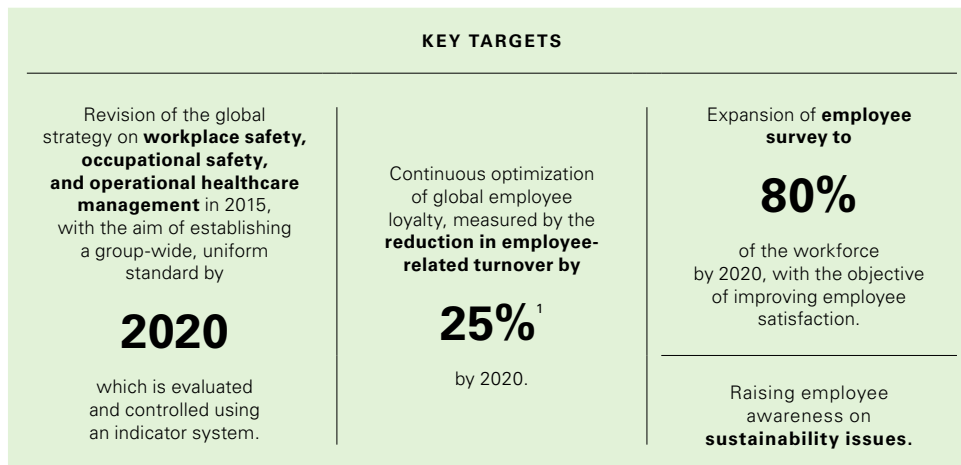
EMPLOYEES

**EMPLOYEES – FAIR EMPLOYMENT
AND FOSTERING A CULTURE OF
RESPONSIBILITY**

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EMPLOYEES – FAIR EMPLOYMENT AND FOSTERING A CULTURE OF RESPONSIBILITY

HUGO BOSS aspires to be an attractive employer for its employees in order to achieve current and future corporate targets. The Company aims to attract the most talented emerging leaders and employees with development potential. The most important function of human resource management across the Group is to recruit future employees, support and promote employees on an individual basis, and to create an environment in which team spirit and proactive commitment are valued. This is facilitated by an open corporate culture, attractive salaries and a wide range of packages for occupational safety, healthcare, and life balance.



¹In comparison with the baseline year 2014.

MANAGEMENT APPROACH

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

The achievements and expertise of employees are a key factor in the success of the international Group. Inspiring and challenging roles, performance-related compensation, and optimum pathways for development, as well as offerings that facilitate a work-life balance, contribute to integrating employees effectively on an individual basis. HUGO BOSS assists its employees in expanding their areas of expertise and their knowledge in all phases of their career and life.

An open and value-oriented corporate culture which motivates employees to contribute their experiences is the foundation. The recognition of diversity and equal opportunities for all employees is an integral part of the daily routine in the Group as well as being a competitive factor in the international environment. The **Code of Conduct** defines more precisely the principles for structuring cooperation within the Company and with business partners throughout the Group. It can be accessed on the corporate website: http://group.hugoboss.com/files/Code_of_Conduct.pdf and it is binding for all employees. The code includes regulations on avoiding conflicts of interest, provides rules governing data protection, health protection and occupational safety, and it prohibits corruption and bribery. HUGO BOSS is also committed to the prohibition of child and forced labor in all its own business units, and with its business partners. Managers are responsible for joining forces with employees to create a culture defined by the corporate values within the Group.

The Code of Conduct is binding for all employees throughout the world.

Human resources bundles its activities into **six strategic fields**:

Values: The HUGO BOSS values of quality, respect, innovation, passion, and cooperation are derived from the corporate vision and form the foundation for daily cooperation in an international environment.

Culture: Developing a role model for the corporate values enables a culture of openness and creativity, allowing every individual to make the best use of their full potential and make a contribution to the success of the Company.

Talents: We recruit the best employees with the required expert skills, we want them to stay with the Company for the long term, and we support them systematically in their career development.

Diversity: Diversity at HUGO BOSS is a tangible reality. It entails acknowledging cultural diversity and guaranteeing equal opportunities for everyone.

Health and safety: We support our employees and managers world-wide with a comprehensive portfolio of sports and health packages, and a special program for reconciling the demands of career and family. We thereby promote an awareness of an appropriate work-life balance. We also ensure that together with our employees, we create a healthy and safe working environment.

Standards: We guarantee compliance with universal human rights and internationally acknowledged work and social standards. We base our approach on the conventions of the International Labor Organization (ILO) and the General Declaration on Human Rights of the United Nations (UN).

One of the focuses for 2014 was on further reorganization and optimization of group-wide **processes in personnel selection and development**. Merger of the two core areas personnel management and personnel development was one of the measures implemented. This strengthens the role of the personnel department as an internal business partner for business and specialist areas within the Group. The future will see other units also being able to access even better standards and continuously adapted tools in order to cover their requirements. The personnel management system, which encompasses personnel administration and organizational management, was implemented in other European and Asian regions. The group-wide knowledge platform was supplemented by additional interactive functions in order to facilitate communication between employees on internal training courses and instruction programs. The need for a system-based solution was also formulated, which permits improved structures and measurement of advanced training measures.

The talent management solution introduced in Germany in 2013 was rolled out to companies in Switzerland during the year under review and deployment in Turkey is planned for 2015. Over the coming years, the tool will be rolled out globally and this will support the objective of developing employees internationally and actively managing feedback processes.

The human resources department also developed the group-wide innovation and ideas management further and set up a digital platform for submitting ideas from employees. This is to be expanded functionally over the coming years and made available in other regions.

The human resources department systematically analyzes the short-term, medium-term and long-term requirements for personnel and other personnel development opportunities in order to recruit employees selectively for all divisions and reinforce their loyalty to the company. Findings on relevant impacts of megatrends, for example demographic change, support the needs assessment of talented emerging leaders. When appointments are made to posts which require particular expertise, the human resources department communicates regularly with the executive management. An employee recommendation program was re-established in the business year 2014, which provides a reward for the successful mediation of new colleagues by employees.

In the business year 2014, an important focus was placed on **support for the strategic expansion of the Group's own retail trade**. In order to achieve this, the human resources department developed conceptual ideas and implemented new standards and processes for personnel management in the retail sector.

A manual is now available in own stores of subsidiaries which documents the internal requirements and objectives relating to the issues of employee recruitment, development and motivation. Furthermore, the store managements in own businesses of HUGO BOSS AG and HUGO BOSS UK Ltd. have been using a special system to plan and manage their personnel deployment to meet needs using a special system since 2014. The long-term solution is supposed to be implemented for all own stores throughout the world.

The specialist career provides a new career path for particularly motivated and talented employees in retail. A transparent and targeted monetary development is established by setting up clearly defined job profiles and defining external salary benchmarks. On the basis of specific job profiles, employees are promoted individually, based on their strengths and areas of expertise. The specialist career therefore offers comparable development opportunities to a management position.

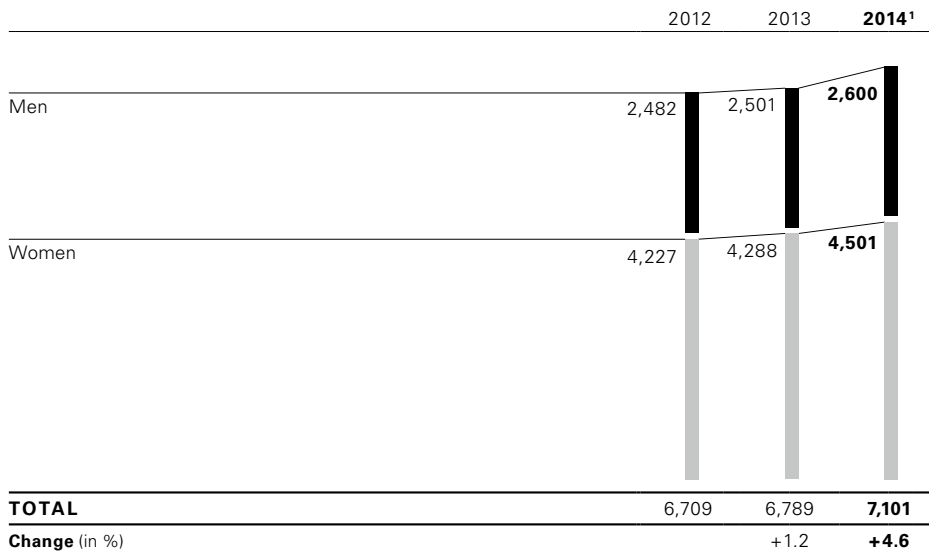
HUGO BOSS also defines high standards in retail training and has expanded this area during the year under review. Complementing the vocational school and their placement in the store, all the apprentices in retail at HUGO BOSS AG have access to system-based learning support. They have a learning slot of at least 2.5 hours a week in which to extend their knowledge and continuously expand their career training. This package was further developed in the year under review.

EMPLOYMENT

At the end of the business year 2014, 13,043¹ people were employed by HUGO BOSS at the locations analyzed. Compared with the previous year, the number of employees rose by 4.6% in relation to the consolidated financial statements presented in the report for 2013.

Increasing number of employees due to the positive business development.

04|01 TOTAL WORKFORCE (headcount, in %)

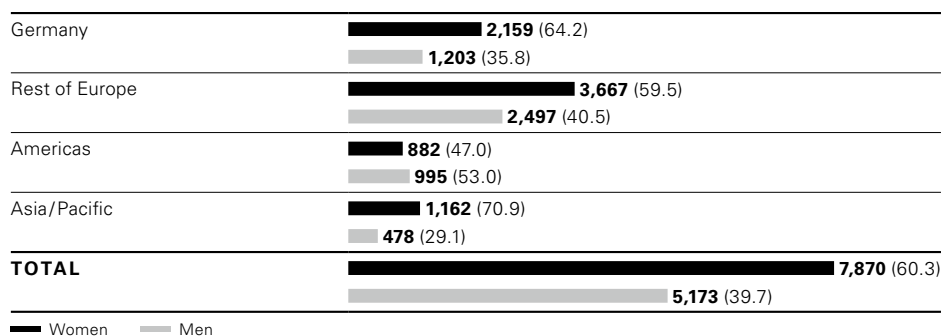


¹ Data have been slightly adjusted compared to the Sustainability Report 2013 due to altered data collection and definitions. This has not led to fundamental changes of trends.

¹ Unless otherwise indicated, the data for 2014 here and in the following charts encompass permanent and temporary employees (headcount) on the balance sheet date December 31, 2014. The data for 2012 and 2013 only relate to permanent employees.

The increasing number of employees is due to the positive business development and the greater demand for employees, especially in the Group's own retail business. The majority of the new employees in this area were recruited in Europe. A breakdown into regions provides the following distribution:

04|02 EMPLOYEES BY GENDER AND REGION (headcount, in %)



At the end of the business year 2014, more than half of the workforce was employed as office-based employees, of which 11.7% were in management positions and another 43.6% were salaried employees. The proportion of employees working in the industrial sector was 34.4%.

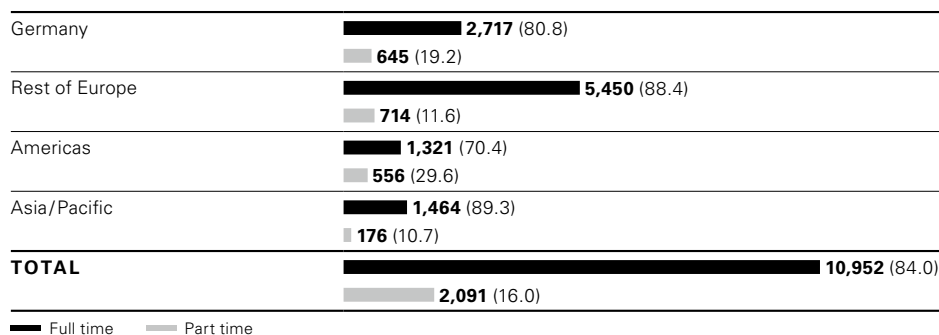
04|03 EMPLOYEES BY CATEGORY AND REGION

Region (headcount)	Management	White-collar workers	Blue-collar workers	Apprentices	Temporary workers
Germany	348	1,616	689	92	617
Rest of Europe	644	1,740	3,483	16	281
Americas	301	1,004	254	0	318
Asia/Pacific	230	1,322	67	0	21
TOTAL	1,523	5,682	4,493	108	1,237

Region (in %)	Management	White-collar workers	Blue-collar workers	Apprentices	Temporary workers
Germany	10.4	48.1	20.5	2.7	18.4
Rest of Europe	10.4	28.2	56.5	0.3	4.6
Americas	16.0	53.5	13.5	0.0	16.9
Asia/Pacific	14.0	80.6	4.1	0.0	1.3
TOTAL	11.7	43.6	34.4	0.8	9.5

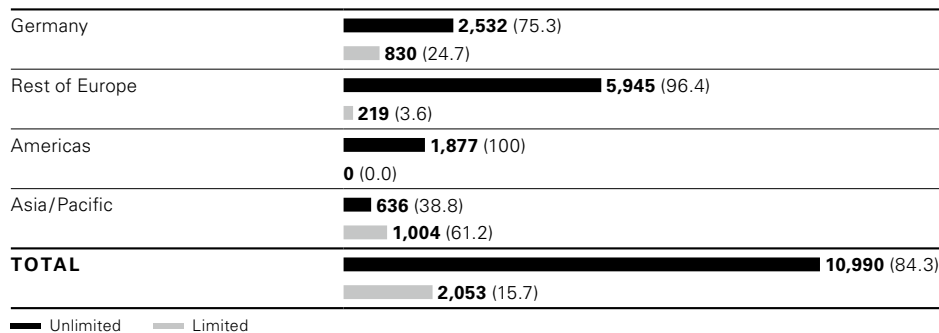
The proportion of employees with a full-time contract was approximately 84% on December 31, 2014.

04|04 EMPLOYEES BY EMPLOYMENT RELATIONSHIP AND REGION (headcount, in %)



In addition to employees with an unlimited contract, the Company also has interns, diploma students, student employees, and agency staff. In 2014, 2,053 employees were employed on short-term contracts.

04|05 EMPLOYEES BY WORK CONTRACT TYPE AND REGION (headcount, in %)



EMPLOYEE FLUCTUATION AND TURNOVER

For the first time, details of age structure of new appointments and departing staff were available. However, the reporting scope varies here and does not include apprentices and employees working on a temporary basis (interns, diploma students, agency staff). In the business year 2014, 3,102 new employees were appointed at the locations analyzed. The gender ratio was relatively balanced: 55.7% were women, 44.3% men.

04|06 NEW HIRES BY REGION (headcount)

Region	
Germany	216
Rest of Europe	1,514
Americas	565
Asia/Pacific	807
TOTAL	3,102

04|07 NEW HIRES BY GENDER AND REGION¹ (headcount, in %)

Germany	<div style="display: flex; justify-content: space-between;"> <div style="width: 62%;"> <div style="width: 62.0%; height: 10px; background-color: black;"></div> <div style="width: 38.0%; height: 10px; background-color: gray;"></div> </div> <div style="text-align: right;"> 134 (62.0) 82 (38.0) </div> </div>
Rest of Europe	<div style="display: flex; justify-content: space-between;"> <div style="width: 55.3%;"> <div style="width: 55.3%; height: 10px; background-color: black;"></div> <div style="width: 44.7%; height: 10px; background-color: gray;"></div> </div> <div style="text-align: right;"> 837 (55.3) 677 (44.7) </div> </div>
Americas	<div style="display: flex; justify-content: space-between;"> <div style="width: 40.0%;"> <div style="width: 40.0%; height: 10px; background-color: black;"></div> <div style="width: 60.0%; height: 10px; background-color: gray;"></div> </div> <div style="text-align: right;"> 226 (40.0) 339 (60.0) </div> </div>
Asia/Pacific	<div style="display: flex; justify-content: space-between;"> <div style="width: 65.8%;"> <div style="width: 65.8%; height: 10px; background-color: black;"></div> <div style="width: 34.2%; height: 10px; background-color: gray;"></div> </div> <div style="text-align: right;"> 531 (65.8) 276 (34.2) </div> </div>
TOTAL	<div style="display: flex; justify-content: space-between;"> <div style="width: 55.7%;"> <div style="width: 55.7%; height: 10px; background-color: black;"></div> <div style="width: 44.3%; height: 10px; background-color: gray;"></div> </div> <div style="text-align: right;"> 1,728 (55.7) 1,374 (44.3) </div> </div>

■ Women ■ Men

¹Data without apprentices and temporary workers.

In 2014, 64.4% of the new employees were below the age of 30, 25.9% were aged between 30 and 40, 6.9% between 40 and 50, and 2.8% were more than 50 years old.

04|08 NEW HIRES BY AGE AND REGION¹

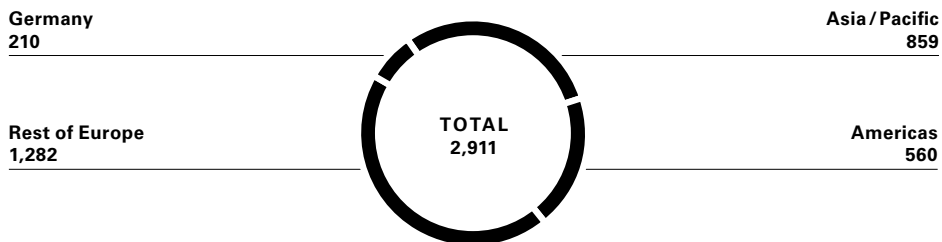
Region (headcount)	<30	30≤x<40	40≤x<50	≥50
Germany	92	83	31	10
Rest of Europe	1,037	378	84	15
Americas	348	123	58	36
Asia/Pacific	521	219	42	25
TOTAL	1,998	803	215	86

Region (in %)				
Germany	42.6	38.4	14.4	4.6
Rest of Europe	68.5	25.0	5.5	1.0
Americas	61.6	21.8	10.3	6.4
Asia/Pacific	64.6	27.1	5.2	3.1
TOTAL	64.4	25.9	6.9	2.8

¹Data without apprentices and temporary workers.

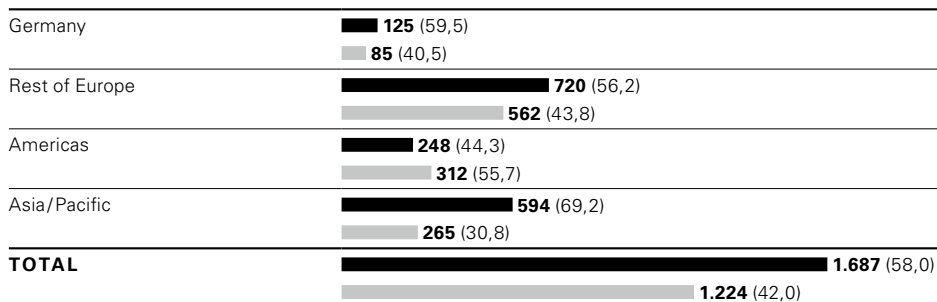
Over the same period, 2,911 employees left the Company. Out of these employees, 2,050 employees left of their own accord, and this corresponds to an employee-related turnover rate of 17.5%. The Company is working proactively on reducing the very high turnover in retail which is typical of the market in various regions. The turnover rate for all cases was 24.9%.

04|09 TURNOVER BY REGION¹ (headcount)



¹Data without apprentices and temporary workers.

04|10 TURNOVER BY GENDER AND REGION¹ (headcount, in %)



■ Women ■ Men

¹Data without apprentices and temporary workers.

04|11 TURNOVER BY AGE AND REGION¹

Region (headcount)	< 30	30 ≤ x < 40	40 ≤ x < 50	≥ 50
Germany	48	98	34	30
Rest of Europe	755	409	92	26
Americas	292	131	73	64
Asia/Pacific	559	234	39	27
TOTAL	1,654	872	238	147

Region (in %)

Region	< 30	30 ≤ x < 40	40 ≤ x < 50	≥ 50
Germany	22.9	46.7	16.2	14.3
Rest of Europe	58.9	31.9	7.2	2.0
Americas	52.1	23.4	13.0	11.4
Asia/Pacific	65.1	27.2	4.5	3.1
TOTAL	56.8	30.0	8.2	5.0

¹Data without apprentices and temporary workers.

04|12 TURNOVER BY REASON AND REGION¹ (in %)

	Employee-specific	Employer-specific	Redundancy	Retirement	Other ²	TOTAL
Germany	4.8	2.7	0.0	0.3	0.1	7.9
Rest of Europe	15.6	5.0	0.3	1.0	0.1	21.9
Americas	22.1	13.5	0.1	0.1	0.2	35.9
Asia/Pacific	41.1	8.7	3.1	0.1	0.0	53.1
TOTAL	17.5	6.1	0.6	0.6	0.1	24.9

¹Data without apprentices and temporary workers.

²Other: death, emigration.

04|13 TURNOVER RATE BY REGION¹ (in %)

Germany	7.9
Rest of Europe	21.9
Americas	35.9
Asia/Pacific	53.1
TOTAL	24.9

¹Data without apprentices and temporary workers.

VALUE-BASED CORPORATE CULTURE

The Company’s corporate philosophy “commit” is made up of the Company’s vision “HUGO BOSS inspires people towards success” and the values of quality, passion, respect, cooperation, and innovation. “commit” therefore reflects the enterprise culture and the basis for daily cooperation at HUGO BOSS.

In 2012, the values of employees and managers were developed in workshops. During the year under review, the human resources department implemented various measures on the international level.

In 2014, one focus of activities was on expanding **knowledge and innovation management**. For example, an online platform was implemented on which employees are able to exchange ideas and proposals for improvement. The best ideas were given awards and implemented. The EVOLUTION initiative was launched in 2013 and intensified during the reporting period. HUGO BOSS trains selected employees from all areas of the value chain in the organization as so-called “EVOLUTION Managers”. The focus of their function is on analyzing and optimizing company processes, as well as providing assistance to change projects for implementing holistic optimization measures. They also pass on their knowledge to colleagues and act as knowledge multipliers in the Company within the framework of the Continuous Improvement Process (CIP). This creates a fast-growing network of specialists which contributes to achieving cost savings by increasing the efficiency of processes. So far, 20 Evolution Managers have been trained in a process lasting 20 days. These have in turn trained a further 35 colleagues in short training sessions.

HUGO BOSS aims to offer its employees an **attractive and inspiring environment** in return for motivation and creativity. In past business years, several anonymous **staff surveys** were carried out at HUGO BOSS Ticino in order to assess how the workforce perceives this environment, their areas of work, and the Company. During the year under review, this survey was also conducted for the first time at HUGO BOSS AG. The participant rate of around 70% and the overall satisfaction of nearly 80% demonstrate the commitment and the high level of satisfaction of the workforce¹. The respondents evaluated as extremely well implemented the issues of fairness with respect to sexual orientation, the maintenance of physical safety, and fairness to cultural origin. They identified a need for improvement in areas like optimization of processes. The human resources department discussed the results with employees and managers in meetings and workshops from each specialist

RESPECT.

QUALITY.

PASSION.

INNOVATION.

COOPERATION.

80% of the surveyed employees are satisfied to very satisfied.

¹All industrial workers, office staff and apprentices were able to take part in the staff survey, if they had been working at HUGO BOSS AG (Germany) for longer than three months on the reference date of June 30, 2014. This corresponds to 2,719 employees.

area, and measures for implementing the feedback are going to be initiated. In future, the survey is going to be repeated on a regular basis and carried out in other regions. 80% of the workforce should have been surveyed by the business year 2020.

Communication between management and employees is actively promoted and carried out over a variety of different communication pathways. In compliance with the conventions of the International Labour Organization (ILO), HUGO BOSS respects the right of employees to join organizations which represent their interests. Naturally, HUGO BOSS complies with the right to collective bargaining negotiations within the framework of the relevant national legislation. Employees throughout the Group are provided with timely information about fundamental changes in compliance with the statutory requirements under regional legislation. At many locations, an intensive dialog takes place with employee representatives. The staff council at HUGO BOSS AG issues an invitation to an annual company staff meeting at which the Managing Board discusses the strategy and financial development of the Company. Within this framework, the Managing Board, the works council and human resource officer provide answers to questions and ideas from employees. These are submitted in writing in advance or during the course of the meeting. The Managing Board also updates the managers in the Company about the financial and strategic development of the Company every quarter. The managers are required to pass on this information to their employees afterward. All employees can exchange views on current issues with the Managing Board in a discussion forum that takes place in the Group's dedicated Intranet. A staff breakfast is also held on a regular basis with individual members of the Managing Board. This provides an opportunity to meet individual members of the Managing Board in smaller groups and a relaxed atmosphere.

During the year under review, the working conditions for 41.4% of the employees were regulated by collective bargaining agreements (collective wage agreements and company agreements) with unions or company employee representative bodies. Appropriate provisions were established in particular relating to working hours, compensation, and occupational safety and health. Collective bargaining agreements on employment relationships were applied for 100% of the employees at HUGO BOSS AG. Agreements are also in place at the following companies: HUGO BOSS Switzerland Retail AG, HUGO BOSS S&A Italia S.p.A., HUGO BOSS France SAS, HUGO BOSS Cleveland, Inc., HUGO BOSS Fashions, Inc., and HUGO BOSS Australia Pty. Ltd.

A GLOBAL AND INSPIRING CORPORATE CULTURE

“commit” embodies the mission statement of HUGO BOSS: It comprises the corporate vision and mission which highlight the trajectory of the Group, and the values which form the foundation for daily cooperation and therefore the enterprise culture.

As an internal hallmark of the HUGO BOSS mission statement, “commit” enjoys a high level of awareness among the entire workforce. Following its development and introduction over recent years, the goal in the business year 2014 was to continue establishing “commit” among the employees. A further objective was to make use of the activities as a platform to present the sustainability strategy to the employees and connect it with the key message of “commit”.

This objective was implemented at HUGO BOSS by inviting employees to special workshops. Particularly new employees, but also interested employees from various company divisions participated in one of the events, held every two to three months at the head office in Metzingen and at European locations; familiarizing themselves with the philosophy, the corporate values, and the sustainability strategy.

For example, up to 30 participants developed their individual understanding of the values in interactive workshops lasting around three hours. This revealed that respect for many employees meant talking to colleagues and contacts on an equal level.

Passion in turn can mean working with dedication and enthusiasm and at the same time having enough time for family, friends, and personal interests. Participants also emphasized that they often find it easier to get assignments done, if they are working together in a team.

A second part involved employees becoming familiar with the six fields of action in the HUGO BOSS sustainability strategy. This involved a tangible presentation of the targets, which the Company would like to achieve by consistently making the values a reality in everyday business. It also included indicators as to how each individual employee could play an active role in target attainment. Developing a sense of awareness about making sustainable action a reality in the everyday lives of each individual received an extremely positive reception from the majority of the participants. An additional schedule of dates will be offered up until the end of 2015. The next stage involves HUGO BOSS establishing workshops with subsidiaries in the American and Asian regions.

In order to increase employee awareness, HUGO BOSS has extended “commit” beyond workshops to presenting the concept with a uniform design and profile, in order to focus on engagement with the corporate values. Interactive offers such as the HUGO BOSS “Value Campaign” enabled employees to complement corporate values on postcards with personal ideas and statements, and then link them with their own life.



commit

VOCATIONAL TRAINING AND EMPLOYEE DEVELOPMENT

A key element of human resources work at HUGO BOSS is to recruit the best employees, create loyalty over the long term, and develop them continuously. The selection of an applicant for a job profile is based on a large number of different criteria. Specialist qualification is the primary criterion. The fundamental objective of the HUGO BOSS Group is to appoint both local and international employees at all locations. Naturally enough, a lot of the employees working at a particular location come from the corresponding region.

HUGO BOSS invests in vocational training for young people, in order to cover the need for skilled employees over the long term. The Company provides a broadly based package of training vocations and dual courses of study with training in the Company and study at university. During the training period, HUGO BOSS places great emphasis on general and specialist career and development opportunities, for example in the form of practical, job-oriented projects, training sessions, and secondments abroad in an international Group company. Within the human resources department, a separate team deals exclusively with the topic of talented young people. At least one training officer is available for each specialist area. The officer supports young employees when they are on practical placements, gives them assignments to carry out, and holds feedback discussions.

The Company works closely together with regional, national, and international universities in order to identify talented candidates at an early stage and recruit them to the Company. HUGO BOSS also communicates with students in schools and universities on a regular basis. For example, HUGO BOSS AG maintains a close relationship with Reutlingen University and has been working with the State Fashion School in Stuttgart since 1986. At an international level, the company launched a joint venture with Parsons The New School for Design in New York in 2014 and is in close contact with the Central Saint Martins College of Art and Design, and Bocconi University in Milan. HUGO BOSS Australia Pty. Ltd. has a link with the Melbourne College of Fashion, and in the United Kingdom there is a joint venture with the London College of Fashion and Westminster College.

Recruiting talented employees at an early stage through collaboration with universities.

Furthermore, HUGO BOSS enables a large number of young talents to gain work experience in different areas on internships. In 2014, HUGO BOSS made arrangements for internships to accommodate nearly 400 people. A strategic promotion program allows outstanding interns to extend their time within the Company, in order to develop their talents further and allow them to develop an affinity for HUGO BOSS with the objective of recruiting them as qualified employees at a later stage.

The **employer branding campaign** was launched in 2013 and it positions HUGO BOSS as an attractive employer in the marketplace. This campaign was developed further during the course of the last business year. This further development is reflected in the revised career website and in the introduction of a new applicant management system.

The Group aims to improve the knowledge and skills of its employees with a varied program of career training and development for personnel which is based on a transparent model of expertise. This increases the performance of the organization overall and enhances the motivation of individual employees. All supervisors hold annual structured **feedback interviews** with their employees with the aim of evaluating the performance, expertise, and development potential of each individual and providing transparent documentation of these areas. The interviews review the functions and personal targets in the past and record them for the coming year. The training and advanced training requirement derived from the interviews is defined together with the employee for setting individual targets. In 2014, a total of 6,483 employees underwent talent and performance assessment¹ at the locations that were analyzed. This amounts to 54.9% of the employees. The interviews have been system-based in Germany and since 2014 include all Swiss companies. In all other reporting companies, they are paper-based. The roll-out of the talent management system is planned for other markets.

The **HUGO BOSS University** delivers a broadly based and versatile portfolio of training and career-training opportunities. The portfolio is intended to build up, consolidate and improve personal, specialist and management-related expertise. Alongside a large number of classroom-based training sessions, online-based training is being used increasingly, particularly in own retail outlets. This enables uniform career training of employees to be carried out globally. The blended learning approach is applied here, thus providing an optimal combination of online and classroom training.

The quality of early-career and advanced training measures at HUGO BOSS is continually being optimized. Training efficiency incorporates formalized processes to support review and ensure the success of early-career and advanced training measures. All training sessions offered online are completed with a knowledge test. Supervisors and employees of HUGO BOSS AG work together to define targets for selected advanced training measures in the area of personality development, and achievement in this area is reviewed retroactively.

¹ Data consider only white-collar and blue-collar employees.

In 2014, online training courses were held in 13 different languages on the subject areas of corporate identity, product, sales, operational management and requirements for compliance, workplace safety and occupational safety. The online training offering at the analyzed locations¹ was successfully completed over 32,400 times in 2014. 81% of the employees working in retail and registered for training sessions took part in online sessions. The program of flexible, self-directed learning was further expanded by the mobile learning app in own retail. HUGO BOSS AG also equipped its own stores with tablet PCs. All employees are given the opportunity to find out about different thematic areas in a flexible approach and complete online training sessions. This allows the newly acquired knowledge to be implemented promptly and effectively.

32,400 online training courses completed successfully on a range of different issues.

In 2014, 2,246 **classroom-based training sessions** were carried out at the analyzed locations. Uniform presentation of training hours for each employee on a global level in the reporting year was not possible for administrative reasons. HUGO BOSS is planning the introduction of a system-based learning management solution, which should enable this indicator to be presented again in the future.

All employees from HUGO BOSS must comply with the applicable corporate-wide Code of Conduct and supplementary, specific **compliance rules**. For example, employees who are in contact with external business partners receive special training sessions on compliance with statutory regulations. During the year under review, 5,026 employees (2,982 in online training sessions and 2,044 in classroom-based training sessions) received training on compliance topics and were familiarized with the rules relating to human rights, which raised their awareness on the need for compliance.

As an international company, HUGO BOSS offers its employees a broad **range of responsibilities and assignments** in different regions. The career and development opportunities for individuals are systematically enhanced by opportunities to move to other departments and functions, expansion of functional responsibilities, or promotion to a management position. Employees who are interested in an international career at HUGO BOSS are able to access global internal job vacancies and they are actively supported on their career journey. Existing processes and offers for employees working abroad will be an increasing focus for the human resources department in the future. HUGO BOSS AG offers extensive support programs for employees who are planning to **retire**, so that they are in a position to structure the transition to retirement in accordance with their individual needs. This also includes pre-retirement planning.

¹ Data do not include the supplementary requirements for compliance, workplace safety, and occupational safety.

COMPENSATION AND BENEFITS

The **compensation system** in the HUGO BOSS Group is based on fair and transparent rewards for employees and is designed to promote a culture of motivation and commitment. The platform for this compensation system is provided by job profiles for each specialist and managerial career. The companies operating at international locations base their pay structures on the corresponding national statutory framework conditions.

The compensation for employees in Germany employed under collective payscale agreements is based on the collective payscale agreement for the garment industry in south-western Germany. Personnel with retail jobs are paid in accordance with the German retail collective payscale agreement. All employees (with the exception of departmental, section, and all executive employees) participate in the corporate success of HUGO BOSS AG through an annual bonus payment. The amount of the payment is regulated through a transparent calculation formula. All employees working under a collective payscale agreement are entitled to an annual bonus payment.

Non-payscale employees receive a bonus in addition to their basic salary. Half of this bonus is linked to corporate targets and half to the achievement of individual qualitative and quantitative targets. HUGO BOSS offers departmental and section managers a performance-based compensation model in the form of a **mid-term bonus** geared toward motivating them to cooperate on longer-term, sustainable corporate development. The bonus program is based on an assessment horizon over a number of years. The amount of the mid-term bonus is calculated from the attainment score for the corporate targets which were previously defined by the Managing Board.

HUGO BOSS AG rewards long-serving employees from ten years of working for the Company. They receive a number of benefits including special payments which are paid out in incremental amounts after 10, 25 or 40 years of service. When employees get married, the Company also pays a one time bonus.

In general, HUGO BOSS provides comprehensive **company benefits** for its employees at all sites. In Europe, Asia, and Australia, virtually all the packages are applicable, irrespective of the type of contract, while at locations in the USA they only apply to employees paid on a full-time basis. However, the benefits generally exceed the country-specific regulations and include, for example, life and occupational disability insurance, parental leave, health-related benefits, and retirement pension.

HUGO BOSS AG concludes a mandatory employer-financed, company-based direct pension plan for employees who have worked with the Company for longer than six months. HUGO BOSS AG offers employees the opportunity for building up additional retirement provision through the company-based direct pension plan. Furthermore, all employees are entitled to a travel cost allowance, purchase of HUGO BOSS products at favorable prices, and participation in the art and cultural offerings that form part of sponsorship activities.

DIVERSITY

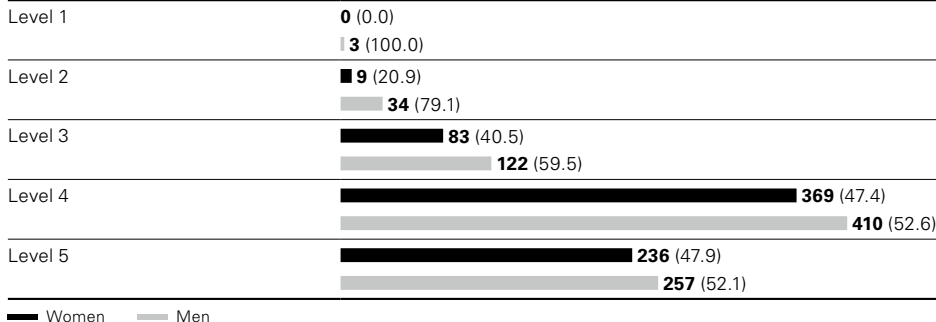
As a company operating in the international environment, diversity is naturally part of the corporate culture at HUGO BOSS. The Company promotes **equal opportunities** for all its employees during the course of its day-to-day activities – irrespective of nationality, gender, religious and political convictions, sexual orientation, age, or potential disability. HUGO BOSS is convinced that diversity in the workforce exerts a positive impact on corporate culture and is an attribute creating a more differentiated profile. This fundamental conviction is also reflected in the corporate values which have been further reinforced by workshops and measures to raise awareness at various levels of the Company during the course of the year under review. The Group highlighted the high status occupied by diversity within the Company with its accession to the “Charter of Diversity” in 2008.

Equal treatment of men and women is deeply rooted in the self-image of HUGO BOSS. The Company strives to create a balance between genders at all levels. During the year under review, the **proportion of female employees** in the Group was 60.3%, 45.8% at management level, and 58.3% among apprentices. In 2014, one woman was represented on the Supervisory Board of HUGO BOSS. The Company intends to have three female members on the Supervisory Board from 2015.

The proportion of women in management positions within the Group is 45.8%.

04|14 MANAGEMENT LEVEL BY WOMEN AND MEN (headcount, in %)

Management level



The Australian subsidiary HUGO BOSS Australia Pty. Ltd. has made a special contribution in the area of age diversity. During the year under review, an appraisal of its own retail stores was carried out to see how the proportion of experienced employees could be increased.

Fostering the **work-life balance between family and career** is an important issue that HUGO BOSS is keen to promote throughout the Group. The Company offers its employees a varied package and financial support in this area. This is the seventh year that HUGO BOSS AG has been involved in the nationwide network “Success Factor Family” and the Group offers its workforce support for families based on four pillars: nursery placement, a financial allowance, support from a professional family service and vacation care for children. The employees at the Metzingen location have an option on a total of 35 reserved places in two daycare nurseries. They also receive financial support for these, as well as alternative care packages. Additionally, the first vacation care was arranged at the Metzingen location for 50 employees in December 2014. Due to the consistently positive response it will be repeated in 2015 and extended to two weeks during summer vacation. An external partner supports employees free of charge in looking for suitable childcare when parents return to work after their parental leave.

Nursery places and financial support are also provided at HUGO BOSS AG in Switzerland, at HUGO BOSS Ticino and at HUGO BOSS International Markets AG. Another module for combining work and family is promotion of flexible working hours models and the home-office concept in individual cases. The objective is to further establish the home-office concept by means of standardized processes in the near future.

In 2014, 311 employees took parental leave at HUGO BOSS AG (Germany), including 279 women and 32 men. Furthermore, 71 women and 31 men returned to work in the year under review after their parental leave came to an end.

OCCUPATIONAL SAFETY

As a responsible employer, the operational health and safety of its employees is a top priority for HUGO BOSS. Guaranteeing a healthy and safe working environment contributes to all employees being able to meet their full potential and demonstrate their abilities on a daily basis. As an internationally operating company, the Group observes numerous cultural and statutory requirements on issues relating to occupational safety and health.

Conditions for occupational health and safety are generally applicable throughout the Company in order to guarantee safe workplaces and workflows. They are applied at all German locations of the Group.

The workplaces of HUGO BOSS AG are regularly evaluated for specific risks in cooperation with the company medical officer, the works council, and the health and safety officer. The employees of HUGO BOSS AG in Germany and Austria are given important training sessions on health, safety, and ergonomic matters in the form of specific online training, direct instructions and extensive options for accessing comprehensive information relating to important content on the Intranet. In the employee survey carried out in 2014, the issue of occupational safety and health in the workplace was given the best assessment so far with a positive evaluation of 91% by employees at HUGO BOSS AG in Germany.

At the Turkish subsidiary in Izmir, the employees are also informed about risks in the workplace through various communication channels, such as articles in the staff newspaper, notices on a variety of blackboards and a company radio station. HUGO BOSS AG Switzerland, International Markets AG, S&A Italia S.P.A., Ticino S.A. and Canada Inc. place particular emphasis on ergonomic workstations.

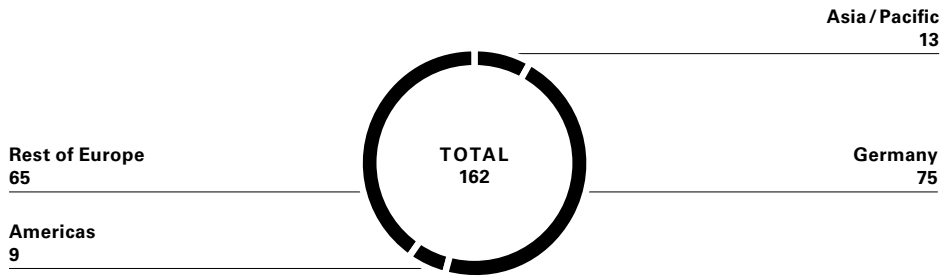
An occupational safety committee was set up at HUGO BOSS AG as an advisory committee which discusses occupational safety and health at regular intervals. The mandate of this committee is to discuss issues relating to occupational health and safety, accident prevention and work on sustainable solutions. Members of the occupational safety committee are officers of the company, members of the works council, company medical officers, specialists in occupational safety and safety officers. There are similar officers at the locations in Turkey and Italy.

HUGO BOSS has set itself the goal of defining a uniform standard in the area of workplace and occupational safety, and health. The portfolio is to be optimized on the basis of existing parameters and applied throughout the world in order to control implementation and effectiveness over the long term. This optimization process was initiated during the reporting year. Various subsidiary companies of the Group were surveyed in the course of a comprehensive survey of current standards and packages. In the course of revising the strategy on workplace safety and occupational safety, HUGO BOSS will strive to also report data on selected external contract partners. The goal is to communicate relevant quantitative data from 2017.

During the year under review, there were 162 occupational accidents which in each case led to absence of more than one working day. This resulted in 1,786 lost days. Furthermore, 101,896 sick days were reported. This corresponds to a sick rate of 3.9% in relation to the planned annual working days. There were also 10,995 working days lost for other unforeseen absences. The total absence rate which includes lost days, sick days, and other unforeseen absences amounts to 4.4%.

04|15 WORK-RELATED ACCIDENTS BY REGION¹

(Injuries > 1 lost day)



¹ Commuting and sport accidents are included, if these are declared as work-related accidents in accordance with local framework conditions. HUGO BOSS UK Ltd., HUGO BOSS Ireland Ltd. and HUGO BOSS Canada Inc. are not included.

OCCUPATIONAL HEALTH MANAGEMENT

The **operational healthcare management** comprises numerous packages and services which contribute to employees retaining and strengthening their physical and mental health. The conferment of the Corporate Health Award demonstrates the exceptional commitment of the Company to the health and performance of its employees. The high standards of HUGO BOSS in the area of operational health services were rewarded with the “Quality Seal”. The thematic focuses were on offers relating to fitness, relaxation and family.

Awarded with the “Quality Seal” of the Corporate Health Award.

An employee health day takes place every year at the head office in Metzingen and at HUGO BOSS Ticino SA. This is intended to raise the awareness of employees for issues such as healthy nutrition, physical exercise and stress reduction, and the aim is to foster a healthy lifestyle. Employees of HUGO BOSS at the Metzingen location receive information on the various health and fitness packages in and around Metzingen through workshops, presentations and at information stands – the opportunities available range from sports and individual nutritional advice, to medical support, counselling, and psychotherapy. Employees also had access to various consultation and fitness packages at other locations of the Company, such as HUGO BOSS Ticino SA and HUGO BOSS Australia Pty. Ltd. The Company provides information on risks in the workplace at locations in Turkey. Employees can also take advantage of training sessions on stress, diabetes and have health checks.

HUGO BOSS believes that an important lever for maintaining and promoting the health of its employees lies in **structuring workplaces** and daily workflows in an employee and team friendly manner. Structuring the working environment this way is intended to promote knowledge transfer and communication and simultaneously be compliant with statutory regulations and guidelines established by employers’ liability associations. The offices should therefore support a sense of community and creation of identity that is cascaded to the national subsidiaries. This is reflected in the architectural concepts of existing buildings and is also taken into account when planning new locations. A unique working atmosphere in buildings suffused with light, landscaped areas and contemporary, sustainable architecture, such as the locations of HUGO BOSS AG, HUGO BOSS Ticino SA and HUGO BOSS Switzerland, also contribute to the well-being of employees. At the head office in Metzingen, employees have the opportunity to take advantage of a time-out area, known as the power-napping room.

Many locations of the Group offer corresponding packages in order to guarantee **optimum workflows**. A central focus is avoidance of disorders to the musculoskeletal system – this might be through special strength exercises similar to those at the production site in Izmir or ergonomic checks at workplaces. An internal ErgoTeam made up of specially trained employees was established for this purpose at HUGO BOSS Ticino SA in Switzerland.



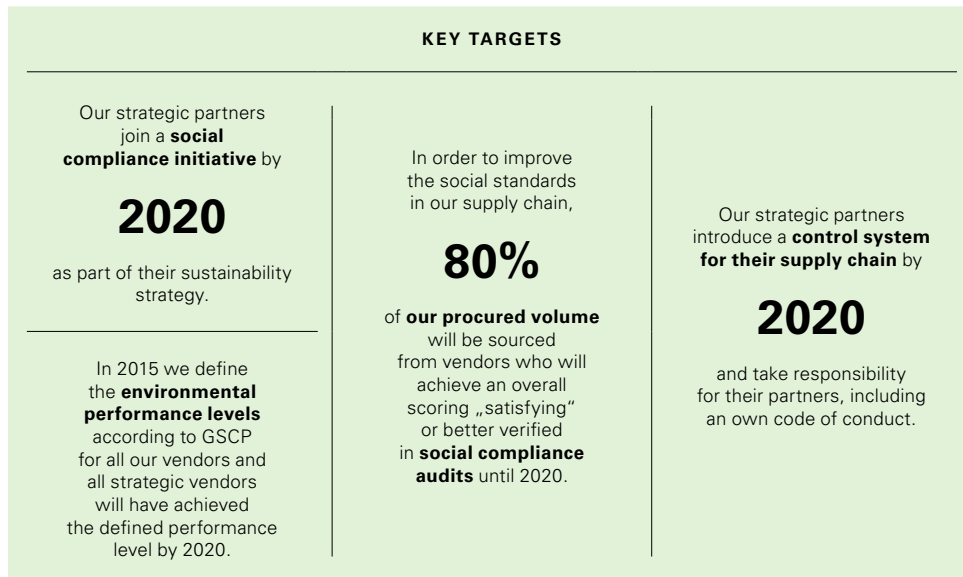
PARTNERS ACHIEVING JOINT RESPONSIBILITY

PARTNERS – ACHIEVING JOINT RESPONSIBILITY

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PARTNERS – ACHIEVING JOINT RESPONSIBILITY

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



MANAGEMENT APPROACH

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

Apart from the Group's own production, a large proportion of the total procurement volume amounting to 80% is attributable to products which were manufactured by independent suppliers in contract manufacturing or sourced as merchandise. HUGO BOSS carries out careful selection of suppliers and is committed to capacity building in a relationship of cooperation and a spirit of trust. The Company pursues a policy of building up strategic supplier relationships over the long term, which are based on a platform of international standards.

HUGO BOSS and its suppliers are committed to upholding human rights and complying with internationally recognized **labor and social welfare standards** in accordance with the conventions of the International Labour Organization (ILO) and the Universal Declaration of Human Rights of the United Nations. The HUGO BOSS social standards based on these benchmarks form a constituent element of the contractual provisions concluded with all suppliers. These social standards commit the suppliers to meeting local and national environmental laws. Suppliers also have to raise the awareness required to identify the environmental impacts of their business activities at the individual locations and work continually to reduce these impacts over the long term. HUGO BOSS advises its partners on these matters wherever possible and establishes a continual process of knowledge transfer.

Compliance with HUGO BOSS social standards is safeguarded through **regular audits** at the Company's own facilities and with suppliers. The audit process is supported by experts from the Company and they play a role as contacts to foster ongoing development of suppliers in the area of social management.

HUGO BOSS passes on its findings based on experience in the context of joint ventures and works together with other companies and organizations in the **development of sector-wide standards** to create a sustainable structure for the textile supply chain. These include establishment of a fair remuneration policy and HUGO BOSS is participating in this initiative through its membership with the Fair Labor Association (FLA). Work is also being done on developing pollutant management systems through membership in the AFIRM sector association. The Company is also working on the establishment of a process for the management of environmental impacts in the supply chain within the framework of the environmental module of the Global Social Compliance Programme (GSCP), a global corporate initiative to improve labor and environmental conditions in the supply chain. In 2014, HUGO BOSS started working on a pilot project to implement improvement processes with selected suppliers and this is being expanded to other suppliers in the course of 2015. The long-term aim is to advance all business partners in a gradual process to a defined level of performance in the environmental area by 2020.

PROTECTING HUMAN RIGHTS

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

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

In countries where national legislation only provides inadequate definition for working hours and appropriate wages, HUGO BOSS social standards then ensure the minimum standard.

Sustainability factors are taken into account in the **selection of new business partners**, and compliance with social standards is one of the primary mandatory enablers for the commencement of business relations. The validation of social standards is carried out either in a process of self-assessment or by means of local audits. Business relations only commence once all the requirements have been complied with and the Group approves the supplier. HUGO BOSS attempts to ensure as a matter of principle that all its decisions result in a reduction of environmental impacts. This approach includes giving precedence to local sourcing where offers are equivalent. Analysis includes the life-cycle costs of a product, the use of sustainable materials, and a responsible use of chemicals. In 2014, 792 contractual relationships existed with suppliers in 43 countries where the HUGO BOSS social standards were confirmed without exception. Out of these suppliers, 617 were engaged in an active supplier relationship with HUGO BOSS. Cooperation was rejected in a total of nine cases with potential business partners.

Social Compliance Audits are carried out on an ongoing basis in order to guarantee that suppliers also observe HUGO BOSS social standards during the course of business relationships. The reviews are carried out by our own auditors (2014: 44%) and in cooperation with experienced external service providers (2014: 56%). The selected business partners are provided with detailed, advance information on the procedure and expectations of HUGO BOSS for the review. When suppliers are selected for the audits, defined criteria are taken into account. Suppliers are audited if they are engaged in active cooperation and if they generate a relevant level of sales with HUGO BOSS. All new and existing suppliers producing finished goods throughout the world are audited if they generate sales volume of more than EUR 30,000 in six months. New suppliers of raw materials from the Asian region and existing suppliers are audited from a sales volume of EUR 10,000 in six months. Audits of raw-material suppliers concentrate on businesses based in Asia on account of risk perspectives. These form a significantly smaller group in the context of the total number of raw-materials suppliers since the Group mainly sources its raw materials from Europe. Suppliers of raw materials in Europe are primarily evaluated on the basis of self-assessments since higher standards of social compliance prevail in Europe.

Review of social standards with all relevant suppliers through audits.

266 audits based on these principles were carried out at 221 production facilities in 2014. This represents a coverage rate of approximately 30% out of all the suppliers engaged in an active supplier relationship (617). Each individual visit to the production facilities is counted separately for the reviews carried out.

When the **Social Compliance Self-Assessment** was introduced in 2014, HUGO BOSS was able to significantly increase the transparency in its supply chain. The comprehensive analytical tool means that all the key elements of the HUGO BOSS social standard can be evaluated with the Company's partners and their compliance monitored. The tool is primarily directed toward raw-materials suppliers based in Europe and more specifically those companies which have a purchasing volume of less than EUR 10,000 every six months. The medium-term aim of the Company is to use this tool to create maximum transparency in its supply chain. During the year under review, 54% of the major suppliers were evaluated using Social Compliance Self-Assessment. This meant that approximately 84% of significant business partners were reviewed for compliance with HUGO BOSS social standards.

54% of the significant suppliers took part in a self-assessment on social standards

05|01 NUMBER OF BREACHES OF THE CODE OF CONDUCT

	Egypt	China	Indonesia	Italy	Ukraine	Turkey
Social Compliance Management	0	16	0	1	1	1
Child Labor & Young Laborers	0	1	0	0	0	0
Forced Labor	1	1	0	1	0	0
Freedom of Association & Collective Bargaining	0	0	0	0	0	0
Hours of Work	1	11	1	0	0	1
Worker Treatment	0	1	0	0	0	0
Compensation & Benefits	0	6	0	0	0	1
Health & Safety	0	4	1	0	0	1
Discrimination	0	0	0	0	0	0
TOTAL	2	40	2	2	1	4

The **audit results** are entered in the half-yearly supplier evaluation carried out by HUGO BOSS. If any breaches of the social standards or statutory regulations are identified, the Company works together with the supplier to draw up a binding action plan. A supplementary implementation check is also agreed. In exceptional cases, such as repeated warnings without the introduction of any improvements, or serious infringements of social standards, HUGO BOSS reserves the right to bring cooperations to an end. However, HUGO BOSS is basically committed to jointly defined, continuous improvement measures in the context of partnerships established on a long-term basis. This objective is assisted by experts made available to suppliers by HUGO BOSS. They have know-how and are able to provide assistance on the ground as necessary.

The HUGO BOSS Group noticed in its audits in 2014 that one supplier had infringed the minimum age of 16 with one employee on account of falsified identity documents. The employment relationship was ended immediately and measures to improve the process of verification for the age of employees were introduced. The return of the affected employee to school was immediately ensured and financial support was provided through payment of school fees until the student reached the age of 16. The three incidents relating to forced labor involved the retention of identity documents and wages and the misinterpretation of statutory conditions for serving notice. In the case of the retained identity papers, the documents were immediately returned to the employees and the management was requested to take immediate measures and institute adjustments to processes. Successful implementation is checked by external creditors. The payments relating to outstanding wages with a supplier from Italy were made immediately. If legally permissible, HUGO BOSS tracks additional salary payments intensively while also taking employees' needs into account. An agreement was reached with the employees affected by the misinterpretation of statutory conditions for serving notice and a company-wide training measure was carried out with the supplier to ensure that the correct statutory requirements are applied when serving notice on employees. Furthermore, the process was adjusted to match the statutory requirements. The analysis of the audits carried out has demonstrated that the key risks for good working conditions are in the area of social compliance management, health and safety, as well as in monitoring of the suppliers. The development of the management systems of its suppliers is a top priority for HUGO BOSS.

FAIR REMUNERATION

HUGO BOSS joined the Fair Labor Association (FLA) in the year under review in order to play a role in structuring the sector-wide standards and launched the definition of a **compensation strategy** for employees of its suppliers. This is based on the principles of the FLA and acknowledged academic publications. HUGO BOSS believes that fair compensation with suppliers improves the standard of living for employees and their relatives as well as forming the platform for a long-term business relationship based on partnership. Furthermore, the HUGO BOSS Group assumes that maintenance of the FLA principles and projects in cooperation with other members of the FLA exerts a positive impact on other sectors of the supply chain – for example on strengthening the productivity and product quality or the improvement of working conditions.

In the year 2014, the first steps were taken with the objective of collecting and analyzing fundamental data from selected suppliers in a pilot phase. When partners were selected for continuing the project in the business year 2015, a number of different criteria were taken into account with particular emphasis on those which pursue a high degree of transparency and demonstrate an interest in cooperation with HUGO BOSS. In 2015, the fundamental components for fair compensation were defined on the basis of the findings. Over the upcoming years, the compensation strategy will initially be applied to the finished-goods suppliers before being extended to the raw-materials suppliers and other groups of suppliers in 2020.

FAIR LABOR ASSOCIATION

The Fair Labor Association (FLA) is a cross-sector collaboration with the objective of improving the quality of life for workers across the world.

44 participating companies
across different sectors.

Exerted an influence for more
than **5.5 million** workers.

Collaboration with up to
200 universities worldwide.

The focus of the association is on maintenance of workers' rights and fair working conditions along the supply chain in compliance with international standards. Since its establishment in 1999, the FLA has already been able to improve conditions for millions of workers, concentrating particularly on factory workers in emerging economies.

The initiative follows a multi-stakeholder approach. This involves companies, civil society organizations and educational institutions working together with the FLA to prevent abusive labor practices, and develop solutions to systemic problems in global supply chains.

FLA Participating Companies implement two key foundational commitments in their supply chains: the FLA's "10 Principles of Fair Labor and Responsible Sourcing" (at the headquarter level) and the "FLA Workplace Code of Conduct" (at the factory level), which align with the standards of the UN International Labour Organization (ILO).

The FLA also promotes advanced training measures for factory workers and management, provides factory assessments for Participating Companies, and publicly reports the findings of these assessments to increase transparency around the conditions under which companies' products are made.

MINIMIZING ENVIRONMENTAL IMPACT

HUGO BOSS commits its business partners to maintenance of high environmental standards and transparency, and supports them by providing training sessions and communication in the future development of their business practices. HUGO BOSS held a “Vendors Day” in 2014 to inform selected suppliers about key innovations and targets in the area of sustainability.

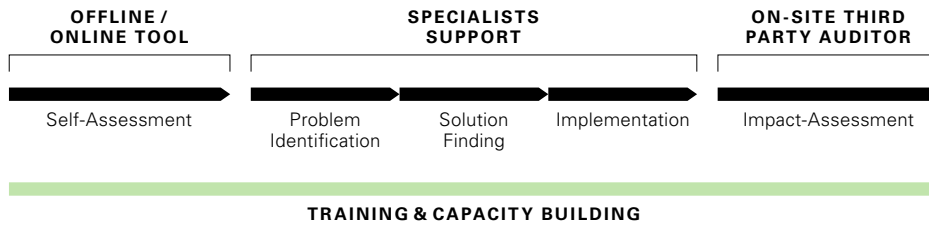
The Group developed a new environmental standard and implemented the first phase with selected partners for effective monitoring and management of **environmental impacts in the supplier chain**. In future, business partners of HUGO BOSS will have to enter information on environmental aspects in the supplier database in order to improve analysis and monitoring of compliance with environmental objectives within the database of the supplier chain. The platform is provided by the methodology of the Global Social Compliance Programme (GSCP), a global corporate initiative to improve occupational and environmental conditions in the supply chain. HUGO BOSS has expanded the content of the existing qualitative initiative of the GSCP with indicators from other standards such as the GRI, and adjusted it to the specific internal requirements. Future and existing partners provide information about environmentally related data in at least five core areas. Indicators for the consumption of energy, water, and the emission of greenhouse gases, as well as individually relevant information are recorded.

The new initiative also permits an allocation of partner companies to a specific performance level in the database. This enables HUGO BOSS to create an image of the environmental impacts of the business activity of its suppliers and also to develop and record plans incorporating measures for long-term improvement in their level of performance.

During the introduction of the new process, HUGO BOSS provides its business partners with comprehensive support and ensures that the new requirements can be correctly implemented. Internal contact partners are available for this purpose. However, the Group also provides contacts with experts in the individual regions. The engagement of HUGO BOSS actively supports the target of the GSCP directed toward providing uniform minimum requirements in the area of environmental protection with suppliers and harmonizing existing standards.

Successful pilot project concerning environmental monitoring for suppliers.

05|02 MANAGEMENT PROCESS FOR ENVIRONMENTAL PERFORMANCE OF BUSINESS PARTNERS



Over the coming years, all suppliers of HUGO BOSS will be introduced into the process. A performance level to be achieved will also be defined for each supplier. The intention is for this to be achieved by all strategic partners of the company by 2020.

Nine selected suppliers participated in the development and application of new methodology during the pilot phase in 2014. The first stage involved data recording and carrying out a self-assessment of the relevant environmental indicators. Five of the companies were then audited by external audit institutes. In 2015, the pilot phase is being continued with additional partners. The results flow into the ongoing development of supplier management.

GLOBAL SOCIAL COMPLIANCE PROGRAMME

The Global Social Compliance Programme (GSCP) is a global, cross-sector initiative of almost 40 companies for the improvement in occupational and environmental conditions in the supply chain.

40 companies involved
from different sectors.

Continuous improvements
through **exchange &
cooperation**, based on best
practice.

Added value
for all participants along
the supply chain.

The program pursues the objective of standardizing existing initiatives and standards and developing a globally valid framework for quantifying the progress of companies in these areas. The GSCP does not perceive itself as a standard competing with existing systems but as a platform on which divergences and similarities can be discussed and best practice examples can be passed on.

The GSCP also includes players from civil society. The advisory board is made up of influential experts from non-government organizations, international organizations, unions, and players from the area of socially responsible investment. They advise the chairman of the GSCP on the strategic direction of the program and evaluate advances.

In 2010, the GSCP expanded its original focus on socially compatible working conditions with the open standard of the environmental module. The aim was to expand the area of environmentally friendly production processes.

AVOIDANCE OF HARMFUL SUBSTANCES

In the area of **pollutant management**, HUGO BOSS has been seeking sector-wide exchange and cooperation with other companies for many years. As an active member in the company association AFIRM, HUGO BOSS engages with a range of different working groups. The ongoing development of pollutant management is the central focus here, for example the definition of a sector-wide list of hazardous substances, joint approaches, or identification of best practice. As part of membership with AFIRM, HUGO BOSS offered its suppliers training sessions free of charge relating to the handling of chemical substances and the regulations associated with them. Furthermore, HUGO BOSS is in active communication with companies from the premium and luxury segment and is working on drawing up a uniform Restricted Substances List (RSL).

Development of different solutions for avoidance of pollutants.

In 2014, HUGO BOSS launched a project which is intended to avoid the use of substances that are hazardous to humans and the environment. This extends beyond the products themselves to the production processes. An internal analysis assessed the application, chemical structure, and relevance for HUGO BOSS of a number of substances relevant to textiles and leather. → **Section on Product: Product Safety** Opportunities for elimination or reduction of these substances were identified on the basis of this analysis by appropriate adjustment of the production processes. The next stage involved defining a strategy from the findings of the analysis phase which is intended to be applied for all relevant suppliers together with a monitoring system. By 2020 and beyond, this initiative is aimed at gradually avoiding the use of defined substances in production processes.



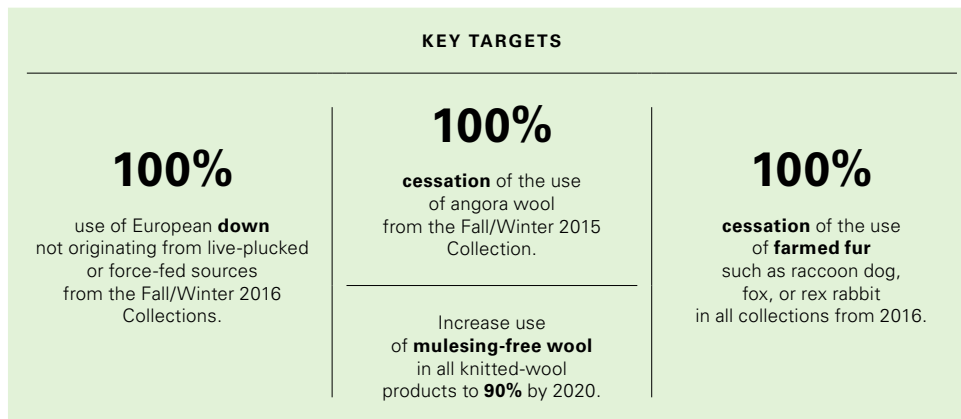
PRODUCTS

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PRODUCTS – IDEAS FOR TOMORROW

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



MANAGEMENT APPROACH

As a leading international company in the premium and luxury segment of the apparel industry, it is a matter of course for HUGO BOSS to live up to its responsibility to consumers. HUGO BOSS defines the focuses along the entire life cycle of its products. During the year under review, the Group developed a comprehensive set of criteria for the future direction of sustainable product management and defined sustainability categories. Furthermore, the strategic goals for relevant business units were developed up to the year 2020. This means that HUGO BOSS has established a clear framework for a responsible approach to products within the Group and for business partners. The Group is committed to long-term expansion of its sustainability management in the following categories:

- Animal and species protection
- Product safety and
- Environmentally friendly products.

HUGO BOSS applies systematic adjustment of management processes and implementation in key business areas to ensure that all comply with legal and internal objectives in the Group and in the supply chain, while developing new targets at the same time.

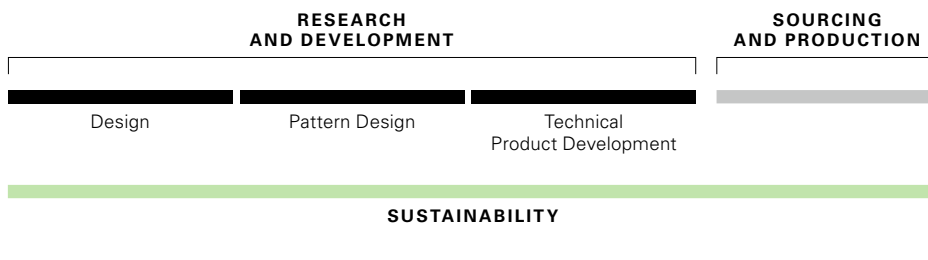
HUGO BOSS respects **animal and species protection** and upholds the principles of biodiversity. The Company rejects any animal testing, inhumane treatment of animals, non-species appropriate animal breeding and animal husbandry methods. In future, the Group will consistently restrict purchase of furs to materials that are byproducts of the food industry. Furthermore, cooperation will be expanded with suppliers who practice species-appropriate animal husbandry. Strict internal regulations govern the use of all animal materials throughout the Group. HUGO BOSS also works on future-oriented processing methods. HUGO BOSS has been in dialog with several animal and consumer protection organizations for many years, for example with People for the Ethical Treatment of Animals (PETA), and the Company integrates external requirements when developing internal standards.

HUGO BOSS places great value on the quality of its products and has the expectation that they are free from hazards to the **safety and health** of its employees in production and for its customers. Product tests enable products to be tested for compliance with standards which are applied to avoid harmful effects. HUGO BOSS has summarized these standards in a Restricted Substances List (RSL) which includes statutory and even more extensive requirements. HUGO BOSS is in dialog with other market participants through the company association AFIRM for advanced development of sector-wide guidelines on the management of hazardous substances. HUGO BOSS is also engaged in a working group of companies in the luxury and premium segment which has been working on developing a uniform Restricted Substances List (RSL) since June 2014. → **Section on Partners: Management approach**

HUGO BOSS implements **environment-related measures** along the entire life cycle of its products. In concrete terms, this entails protecting natural resources as much as possible through intelligent concepts and environmentally friendly technologies, as well as continuously reducing environmental impacts. When selecting materials and procedures, criteria such as water consumption and CO₂ footprint are taken into account. The requirements of external stakeholders are also integrated. During the year under review, HUGO BOSS therefore initiated a joint venture with the global nature and species protection organization “International Union for Conservation of Nature” (IUCN) and this will be implemented in 2015. Risks and issues in the area of biodiversity and environment which are relevant to the Company are identified and initiatives for solutions developed jointly. In future, the results will be channeled into the product strategy as external expert knowledge. Information is provided in the section on Partners relating to the management of social standards for the products. → **Section on Partners: maintenance of human rights**

In the design phase, the use of high-quality renewable materials and long-life fabrics is playing an increasingly important role, as is the optimization of the use of material during product planning and the avoidance of waste in production. The ecological effects of packaging are reduced through the use of recycling material and by optimization of weight, measurements, and reusability.

06|01 PRODUCT DEVELOPMENT PROCESS AT HUGO BOSS



In June 2014, the Company carried out a survey with 8,000 participants in five European markets, the USA and Canada, in order to gain a better understanding of the **expectations of consumers** for sustainability in the premium and luxury segment for fashion articles and in the collections of HUGO BOSS, and to implement the findings. The panel was made up of three groups: consumers who are familiar with the HUGO BOSS brand by name, active customers, and particularly loyal customers. The results showed that sustainability has now become an important factor for consumers. Around 70% of the people surveyed expect fashion companies to have sustainability as a fixed component in their business activity. Animal protection, environmental impacts, and working conditions are listed as particularly important fields of action. When purchasing fashion articles and products, a robust 44% of participants stated that sustainability was important or very important as far as they were concerned. This trend is particularly strongly marked in the German market, where 77% of the people surveyed were also prepared to pay a markup for sustainable fashion. The HUGO BOSS Group received good scores in the survey. The survey participants perceived the Company as one of the leading companies among the segment of fashion companies in the premium and luxury segment. The results of the survey were discussed with internal and external experts and analyzed for market opportunities and risks.

Implementation of a consumer survey on sustainability in the fashion sector.

DESIGN

The organizational structure of the HUGO BOSS Group is directed towards ensuring that product design, product development, and procurement processes are closely integrated. This directly connects the creative areas with the product divisions responsible for model development and technical development on the one hand, and procurement and production activities on the other. Sustainability is integrated in all phases of product development. The processes are implemented in several stages. Initially, creative management defines the collection statement, designs the concepts for color, theme, shape and outer fabric, and defines product prices. The model department then carries out a second stage with a review of the ideas to assess the feasibility of the tailoring pattern. The models are then developed further to create prototypes in the technical development department and assess their suitability for the industrial production process. Finally, sampling takes place with the production of a sample collection followed by series production for sale in the stores.

During the year under review, the Company established a **database on environmental aspects** of materials and processes in order to support the design teams with facts relevant for the environment. This was drawn up in cooperation with institutes, universities, suppliers, and experts. This knowledge flows into all phases from product development to the end of the usage phase.

Establishment of a database on environmental aspects for the internal design team.

Computer-based visualization is another measure relating to the integration of environmentally friendly technologies within product development. This is increasingly being used in categories including shirts, jerseys, knitwear, outerwear, trousers, and shoes. The 3D environment simulates design concepts so that numerous versions and processing procedures can be presented. The number of physical patterns and the resources required for this are reduced in this way. Over the coming years, the plan is to expand the procedure to all product categories so that it can already be used at the agreement stage with suppliers.

An important aspect of product responsibility is also the last phase in the product life cycle, **disposal and recovery**. If possible, the materials used should be recoverable. When selecting the materials and product procedures the product design is therefore also geared to ascertaining the recyclability of the components.

INNOVATIONS NEED CONVICTION

Interview with Bernd Keller on sustainable product development: for many years, HUGO BOSS has been monitoring how customer preferences change. Their purchase decisions increasingly include values and sustainability aspects. This development necessitates new initiatives and designs in creating products. Bernd Ludwig Keller, Brand and Creative Director Sportswear at HUGO BOSS, speaks about persuasion and innovation.



What demands do customers make of HUGO BOSS?

We see the future of HUGO BOSS there in the direction in which our customers are developing – we want to convince, surprise, and inspire our customers. At the beginning of 2014, we carried out a survey to find out about the expectations that customers have of HUGO BOSS. In this connection, we succeeded in carrying out an analysis, which established that quality and sustainable values are important to them. They are particularly interested in the topic of animal protection. Therefore, if we connect our quality requirements with sustainability, our customers receive a special statement which they are able to pass on: luxury imbedded with values.

What role do ethics and environment play in fashion at HUGO BOSS?

Contemporary customers are part of a generation which is reevaluating their ethical and fundamental values. We want to include this generation among HUGO BOSS consumers. We demonstrate through our products that premium and luxury are able to integrate ethical and environmental issues. I see sustainability in this connection as a great enrichment and inspiration for innovative initiatives.

Which approach does HUGO BOSS apply to integrating animal protection into its product design?

As one of the leading companies in the premium and luxury segment, we have a great deal of responsibility. In our view, sourcing down feathers from the plucking of live animals is not ethical and we have therefore taken the decision to reject this practice. When purchasing merino wool, we give preference to suppliers, who do not use the painful mulesing procedure on their animals. We also have high standards

for the use of fur from farmed animals: from our Fall/Winter 2016 Collection onward, we will no longer be using raccoon dog or rex rabbits. This means we will not be using any farmed fur in any of our HUGO BOSS clothing collections and are sending out a clear signal.

How does HUGO BOSS convince with its initiatives, particularly in the luxury segment?

We are aware that we may lose some customers with this new positioning. In this context, we are talking about customers who traditionally associate luxury with farmed furs – there is definitely a market for this. However, acting sustainably sometimes means saying “No”. Appropriate alternatives also need to be developed. Today, we are therefore also successfully supplying “friendly fur” and “friendly leather” products. We want to use these products to inspire the present generation and especially the next generation with a new kind of luxury.

What are the most difficult challenges, in order to drive forward animal protection through products?

At the start of each new season, we integrate market analyses into the framework planning for collections alongside trend factors. This allows us to plan on the basis of valid data. However, the easiest route is not always the best trajectory. As already described, we have significant expertise in developing luxury articles with fur applications among HUGO BOSS luxury articles. However, we have decided to adopt a different route and we are therefore giving our sustainable corporate strategy – in this case animal protection – precedence over the “fast” and “simple” route to success. We are delighted to embrace innovative challenges in relation to the planning and design of a collection.

What alternatives and initiatives does HUGO BOSS utilize?

Innovation and expertise are key strengths of HUGO BOSS. Renouncing farmed furs does not inevitably entail giving up a luxury look. Innovative outer fabrics, special forms of processing for leather derived from livestock, or types of embossing, such as a reptile imprint, enable us to achieve an extremely luxurious and contemporary product. We believe that conveying values through clothing increasingly meets our vision for the demands of a consumer who espouses contemporary values.



Where do you see HUGO BOSS and the fashion sector in relation to sustainability five years from now?

Being creative also means carrying out research on the future. I am convinced that sustainability issues like animal protection or a more frugal approach to resources are more than simply trends. The argumentation I use in discussion with designers and market players is expressed in terms of having trust in the future. This is why HUGO BOSS will confer the “Sustainability Innovation Award” for the first time in 2015. We want to use this to provide an even stronger motivation for our experts and designers in the future and to promote the fun in developing future-oriented alternatives.

MATERIALS

HUGO BOSS exclusively uses high-quality materials which meet customers' expectations for high levels of wearing comfort, long life, excellent fit, and color fastness. Sustainability criteria are becoming increasingly relevant in this area and are already being taken into account when shoppers make purchases. Alongside quality and price, shoppers also look at manufacturing conditions, including the origin and processing. Many materials originate from raw materials of natural origin: In the reporting period, cotton made up almost half of the total materials with 46%, wool was a share of 18%, and leather represented a proportion of 13%. The majority of the fabrics produced in our own facilities and in contract manufacture originates from Europe. Materials are generally sourced from longstanding partners in Italy. Components like inner lining, buttons, yarns, and zips are sourced directly.

06|02 MOST USED MATERIALS IN 2014

(Weight in t, proportion in %)

Cotton	6,659 (46)
Wool	2,565 (18)
Leather	1,923 (13)
Synthetic fibers	1,775 (12)
Rubber	566 (4)
Regenerated fibers	440 (3)
Polyurethane	147 (1)
Silk	132 (1)
Linen	93 (1)
Compressed wood fibers	61 (0)

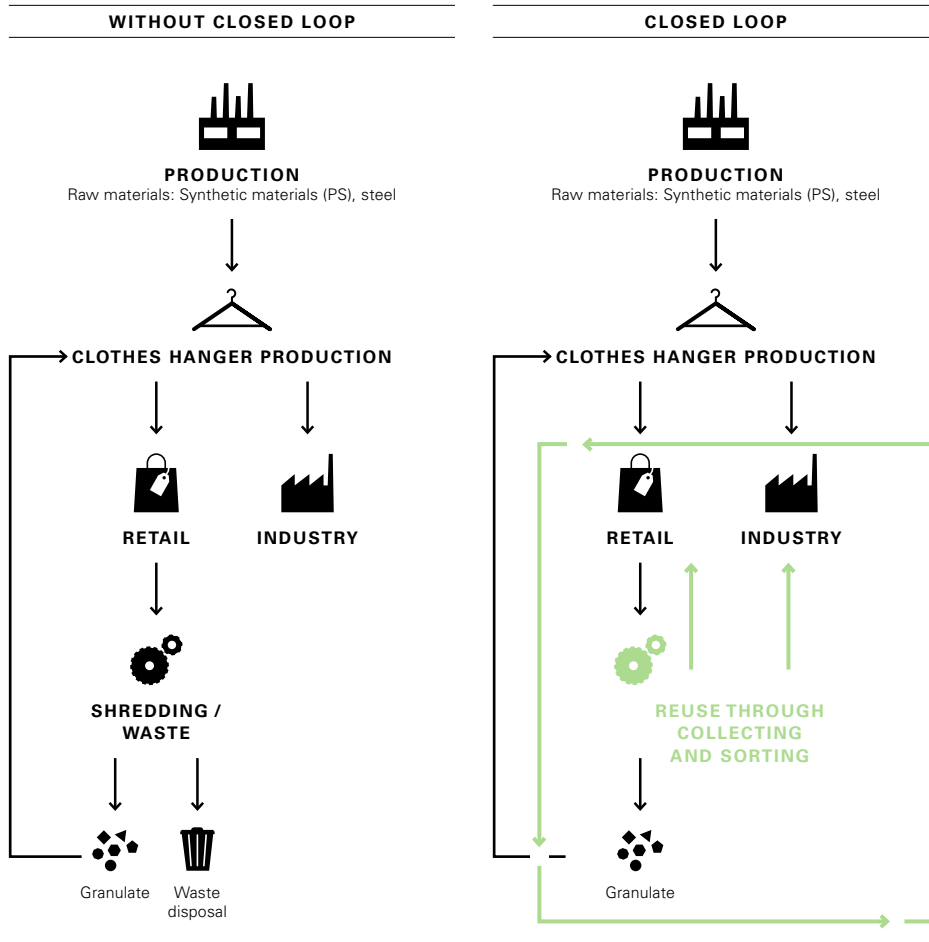
HUGO BOSS sees **recycling** as an important lever for reducing the volume of material used and for closing the circle for material flows. At the moment, the Company purchases a relatively low volume of recyclable materials for the manufacture of its products, due to the high quality requirements. Nevertheless, resources are continually being reviewed in order to identify where secondary raw materials can be used, most importantly in the area of operating resources.

06|03 USE OF RECYCLED MATERIALS

Category	Material	Type of packaging	Description
Clothing	Polystyrene	Hangers	9% of the used hangers for suits are annually reused. It is possible to have a lifecycle of 5 times and each hanger collected is 50% cheaper as original.
	Polyurethane	Hanger's foam	
Bodywear	Paper	Recycled	Proportion of recycled paper: 6%
		Certified	Proportion of certified paper: 82%
Sportswear	Paper	Hang Tags, Waist Tags and Packaging	50% of the shipping boxes are reused in warehouses. Requirements for certified paper i.e. FSC or recycled materials (i.e. hang tags, waist tags and boxes, recycled poly bags), shipment in reusable boxes
		Sustainability Criteria	100% of the shopping packaging (bags and boxes) are designed or being redesigned in 2015 according to sustainability criterias (certified, recycled, redesigned and under redesign)
Non-Production Materials	Shopping Packaging	Recycled/Certified	49% of the packaging material is recycled and/or certified (25% is made of recycled material and 24% of the packaging have a FSC certified)
		Re-designed Material	Current status: 45% of the packaging has been redesigned

Using recyclates in the manufacture of coat hangers offers great potential for reducing the use of materials. Current estimates indicate that one billion coat hangers are brought into circulation each year, just in the German apparel industry. In 2014, HUGO BOSS was responsible for approximately 4.5 million hangers. Since 2012, the Company has been able to increase the proportion of coat hangers that have been sourced from a closed loop process by more than 300%. This has increased not only the recycling rate, but also reduced costs: while a majority of the coat hangers continues to be disposable products, plastic hangers used in the closed loop process can be reused up to five times and entail on average less than half the costs. The use of recycled plastics enabled HUGO BOSS to save substantial amounts of primary raw materials in 2014. The proportion of recycled hangers is currently at 6.7% and the intention is to continuously increase this. At the moment, the aim is to increase the proportion of recycled hangers to 10% by 2015 and to 30% by 2020.

06|04 CLOTHES HANGER LIFECYCLE



During the year under review, HUGO BOSS set up a database and a toolbox for sustainable products in order to reduce the **environmental impacts** of its products as much as possible. The toolbox was developed in line with the initiative “Product Environmental Footprint” established by the European Union.

The manufacturing efficiency of the products is being improved by regularly reviewing and optimizing processes. In the reporting period, various procedures in the refinement process were analyzed to assess potential energy savings.

ANIMAL WELFARE

Animal and species protection are key principles of product responsibility at HUGO BOSS. During the year under review, the Company has optimized various standards and defined concrete measures for the upcoming years.

HUGO BOSS is concentrating on **furs** that are byproducts of the food industry. A decision was taken in 2014 only to source furs from operations with high animal husbandry standards, starting in the business year 2016 (Fall/Winter Collection). Pelts and furs from farm animals are generally only used to a small extent in collections, usually for applications and trimmings on collars, hoods and sleeves. From 2016, no fur from raccoon dogs, foxes or rex rabbits will be used in the collections. This material is commonly used throughout the sector for decorative effects on hoods and hats. The Company has also identified innovative materials which meet customers' high quality expectations and provide a premium alternative to conventional furs. These standards will enable the Group to reduce the use of furs in all its apparel collections.

During the year under review, HUGO BOSS decided to cease **purchasing angora wool** in all areas, and this policy will take effect with the Fall/Winter 2016 Collection. Like many other textile manufacturers, HUGO BOSS faces a major challenge when **purchasing merino wool**. The practice of mulesing often used in the primary source markets of Australia and New Zealand with the intention to prevent deadly flystrike infestations is painful for sheep. Today, HUGO BOSS is already giving preference to suppliers of knitwear who do not use wool from sheep subject to the mulesing practice. In future, suppliers of knitwear will have to provide transparency about the operational procedures for animal husbandry and care, for example by means of certification. In the business year 2014, the Group made a commitment to continuously leverage the use of mulesing-free wool in all pure-woolen products. The target is 90% by the year 2020. In addition, HUGO BOSS works together with manufacturers on applying procedures for harvesting quality fibers from renewable plant raw materials.

From the Fall/Winter 2016 Collection, HUGO BOSS will not be using any **down** from live-plucked or force-fed birds. All the sourced materials will originate from producers in Europe and are 100% traceable. At the same time, the company is working on optimizing the filling quantities and reviewing alternative fibers for high quality requirements. All products from HUGO BOSS where down is used are appropriately labeled.

Furthermore, HUGO BOSS has the commitment to not use any materials from **animal species** that are under **threat of extinction**. The demand for equivalent textiles and accessories is being provided through a variety of procedures, such as relief prints and imitations.

PRODUCT LIFE CYCLE

The standards of product responsibility described in the management approach apply worldwide for HUGO BOSS. The aim is to assess the products over their entire life cycle for health and safety impacts, as well as in light of potential opportunities for making environmental savings. Since the business year 2009, the Group has carried out regular **Life Cycle Assessments** (LCA) for relevant products. HUGO BOSS has thereby created a system for tracking and reducing the environmental impacts of its products.

HUGO BOSS created an innovative information platform in the Life Cycle Assessment **project "ecologtex"** launched in 2012. This platform is based on a research methodology for product design based on sustainability. The platform is geared to the standard of the International Reference Life Cycle Data System (ILCD). The cooperation partners integrated in this project include the Swiss Commission for Technology and Innovation (KTI), The Swiss Federal Institute of Technology Zurich (ETH), organizations such as Helvetas, and companies from the entire value chain. During the reporting year, 35 Life Cycle Inventories were created for the products shirt and knitwear. The analysis ranged from the cultivation of the raw materials to the use of the products. On this basis, the aim is to structure the value creation processes in accordance with even more environmentally friendly principles in the future.

Expansion of Life Cycle Assessments by 35 datasets for the products shirt and knitwear.

The **"ecoshoe" project** is being implemented by the HUGO BOSS Center of Shoe Competence in cooperation with Ancona Polytechnic (Italy) and was successfully completed in the business year 2014. It follows the "cradle-to-cradle approach" and takes account of all environmental factors along the supply chain – from the breeding of animals, through the tanning process and the actual manufacture of the shoe, to the potential reuse of the materials used. As a result of the research project, three innovative and more sustainable leather soles were developed. For example, synthetic dyes were replaced by natural substances like cocoa and the method of inner soles was applied. A number of other initiatives were also tested including more environmental alternatives to solvents, different tanning techniques, shoe cream based on cosmetic ingredients, and optimization of shoes for potential composting. The central LCA database was developed on the basis of the ecologtex platform and has been expanded by the modules of retraceability and simulation. This provides product design with a procedure that simulates the numerous design and production options and then pinpoints the effective supply chain for the individual production slots.

Since 2014, HUGO BOSS has been involved in the initiative of the European Union for the **ecological footprint of products**, Product Environmental Footprint (PEF). The Group is part of the reference group for the "T-shirt" pilot project. The Company is analyzing two different supply chains for the production of T-shirts with 100% actual data from the cotton field to the end of the life cycle in order to identify the individual environmental impacts.

PRODUCT SAFETY

The collections of HUGO BOSS meet the highest **quality and safety standards**. Comprehensive guidelines and harmonized processes ensure that there are no potential health and safety risks for employees in the production phase or for customers while they are using the products.

In order to achieve this, the products are reviewed for **harmful impacts** along their life cycle. During the business year 2014, numerous internal analyses were carried out in the key phases, and potential improvements were identified. As a result, 45 so-called Life Cycle Inventories (LCI) provided detailed data, which were supplemented with hotspot analyses and scientific evaluations. On this basis, concrete potential improvements were identified in product development, research and development, and production. Standards are applied for potential health and safety impacts in product tests carried out by accredited organizations. In 2014, 4,061 of these tests were carried out and only 4% of the tested products failed to meet the high standards defined by HUGO BOSS.

Suppliers and business partners have to sign a warranty declaration on compliance with the **Restricted Substances List (RSL)**. This is a method of checking that the chemicals and materials used comply with the individual national and international statutory regulations and the specific requirements of the Group. For example, HUGO BOSS regulates all the elements from the substance group of isocyanates for which there are no statutory requirements. The specification ensures that there are no health hazards in the production process or the end product. In many cases, the specification goes beyond the statutory regulations and is updated on an annual basis. During the year under review, the Company was committed to reducing substances posing a hazard to the environment and humans in all product cycles, replacing them with alternatives and completely eliminating them over the medium term.

In the year 2014, HUGO BOSS also initiated a group-wide project for avoiding hazardous substances for people and the environment. In an internal analysis, several substances relevant to textiles and leather were assessed for their application, their chemical structure, and the relevance for HUGO BOSS. In the coming business year, a strategy will be derived, which in combination with a monitoring system will be applied at relevant suppliers and cover important product groups. By 2020, the use of defined substances will be avoided in products.

The Group has ceased to use **sand blasting**, in order to protect employees at the production facilities from health hazards. The procedure describes the use of blasting streams of sand as a method of refining denim products in order to achieve a “used” effect. If quartz sand is used in this process without adequate protective measures, this can result in serious health hazards. Furthermore, the Group is not using any other form of blasting technique and also refrains from using alternative blasting agents.

The HUGO BOSS Group meets all the statutory requirements for **labeling its products**. All products must be provided with information on material composition, care instructions, country of origin and product and supplier numbers. Clear washing instructions on the care labels makes it easier for consumers to carry out environmentally friendly cleaning. However, during the year under review there were five cases where the labeling obligation was inadequately dealt with. The affected product batches with faulty or illegible product labels were returned to production and the nonconformities were immediately eliminated. In 2014, a Chinese subsidiary of HUGO BOSS was fined a penalty of EUR 13,662¹ on account of defective product labeling for a delivery under Chinese law.

Customers provide personal data when they make purchases through online stores. Data protection guidelines ensure that the relevant statutory **data protection regulations** are complied with in all countries. During the year under review, there were no complaints about breaches of data protection regulations for customer data.

¹ According to the exchange rate as of April 28, 2015.



SOCIETY

**SOCIETY –
PROMOTING PERSPECTIVES**

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SOCIETY – PROMOTING PERSPECTIVES

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



MANAGEMENT APPROACH

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

The Code of Conduct defines the framework for the community engagement of the Company. It prohibits donations to political parties and their representatives, as well as to organizations where conflicts of interest might arise. This includes trade unions, consumer protection and environmental organizations. No donations are permitted to individuals and payments to private accounts are prohibited. Donations must not cause any reputational damage to the Company and must be transparent and traceable. Each donation by HUGO BOSS AG requires approval by the Chief Executive Officer of the Managing Board.

The community engagement of HUGO BOSS is directed toward empowering vulnerable children to achieve a better life, particularly through access to education. This is in alignment with the corporate vision of inspiring people towards success. The Company works to achieve this goal on the international level with selected child protection organizations. HUGO BOSS is also dedicated to promoting children and young people on the national level. The company has a long track record of joint ventures in this area with educational institutions, hospitals, and aid organizations. It also provides short-term aid for specific situations in crisis zones. 2014 was one such example when a donation of EUR 50,000 was made to help Syrian refugee children.

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

GLOBAL COMMITMENT

Access to education is at the center of the social engagement of HUGO BOSS. The Company promotes education projects to create the foundations for a self-determined and successful life. As a long-time partner of the international child protection organization UNICEF, HUGO BOSS supports educational institutions throughout the world, including the initiative “Schools for Africa” since many years. The grants made it possible to refurbish several educational institutions in Angola, Malawi, Ruanda, Mozambique, Zimbabwe and South Africa or completely rebuild them. The program also equips children with school materials and provides solid educational training for teachers. In the year 2014 alone, HUGO BOSS supported the initiative with funds amounting to EUR 50,000.

Access to education
is a strategic focus
of social engagement.

During the year under review, HUGO BOSS made a donation of EUR 70,000 to an education program in Bangladesh in the district of Satkhira. The project prepared pre-school children for elementary school and provides them with a safe and child-friendly learning environment – with impressive results. Since the beginning of 2014, 11,228 children have benefited from one year of pre-school education at more than 400 participating learning centers. Nearly 60% of these children were girls and more than 500 children had special needs requirements.

On the national level, HUGO BOSS is an established partner of the “Off Road Kids Foundation” since 2011. This is a nationwide aid organization for street children in Germany. The company sponsors child care workers with three full scholarships. They study education management at the Bad Dürkheim Hochschulinstitut run by the Off Road Kids Foundation, while continuing their jobs. They are also given professional clothing for job interviews.

Another important component is the **community engagement of the employees** of HUGO BOSS. In different projects on a local level, they volunteer to assist in educating children and teenagers. Since 2014, a cooperation has existed with the Dreifürstensteinschule School in the Stuttgart metropolitan area. This is a state-approved supplementary school for children with physical disabilities. Apprentices and dual students combining a degree with in-service training at the Metzingen location supported young people in activities at the students' enterprise during the year under review. They shared their experience with them, for example in the manufacture of products, local sales campaigns, or in public relations work and marketing. A maximum of three projects per year are planned where up to four talented young employees from HUGO BOSS work together with the children for several days during their working hours.

The employees at the Metzingen location can also participate in various **donation campaigns**. These were organized in 2014 by the works council and the youth and apprentice representatives. The proceeds generated were used for the benefit of the pediatric hospital of the University of Tübingen and were also used for a HUGO BOSS blood donor drive. Donating blood was also a top priority at the HUGO BOSS location in Australia. Office staff at HUGO BOSS Australia Pty. Ltd. participated in an initiative by the Australian Red Cross aimed at increasing the willingness to donate blood. This created a group of employees who since then have regularly taken part in blood donation campaigns. Similar campaigns were also carried out by other subsidiaries, for example HUGO BOSS China Retail Company Ltd.

HUGO BOSS CANADA Inc. has been cooperating with the Toronto International Film Festival (TIFF) for several years now and collects donations for the "TIFF Pocket Fund". In 2014, a unique, limited-edition TIFF breast pocket handkerchief was designed and offered for sale over a limited period of time in six directly operated stores. All sales generated were paid directly into the TIFF Pocket Fund, which is primarily used to finance educational training opportunities for disadvantaged teenagers.

In the area of **vocational training**, HUGO BOSS has had a close cooperation with the State School of Fashion Design in Stuttgart for more than 25 years. This partnership allows students and teachers to gain insights into the company and its culture, as well as selectively transferring know-how. Each year, the HUGO BOSS Fashion Award salutes the best works by ambitious emerging designers and product developers at the fashion school. Apart from financial support of EUR 3,000, the winners are also given an introduction to the working environment at HUGO BOSS through internships, which last several months. In 2014, 20 young product developers worked on their designs in a creative phase lasting four weeks and produced their own collections for womenswear and menswear.

For the first time in the history of the company, HUGO BOSS commissioned a group of students for the concept and design development for its prestigious Christmas shop window in 2015. 150 emerging designers from the Central Saint Martins College of Arts and Design took part in a pitch for this and submitted a total of 74 concepts. An expert jury selected the three most impressive designs, which received a total prize money of GBP 4,000.

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

Collaboration with
Parsons The New School
for Design in New York.

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

IMPACTING LOCAL COMMUNITIES

An initiative by HUGO BOSS Textile Industry Ltd. in Izmir demonstrates how the Company can make a **positive contribution to the local community**, as well as its employees. Free shuttle services are provided for employees free of charge. The buses are scheduled several times a day based on the shift times in production and travel along fixed routes. Workers using the shuttle service cut down the volume of traffic and generate fewer environmental impacts compared with individual traffic.

STRONG COMMUNITY IN TURKEY

HUGO BOSS

IZMIR PROMOTION OF THE LOCATION

Local cooperation is one of the most important factors for HUGO BOSS Izmir in Turkey. The Company's biggest production location runs a number of projects with a local focus on emerging talents, the Company's own employees, as well as people outside the Company.

HUGO BOSS and its employees collect money through the "Education Association" to finance grants for talented school children and college students. Since 2008, the Company has reached more than 500 young people through this initiative. The "BOSS Campus" program enables HUGO BOSS to hold lectures at universities and gives students practical insights into the production facility. "We are proud of the well-established cooperation with universities and students. Both sides have benefited from this initiative for many years", explained Mahmut Demirkapi, Sustainability and Social Compliance Leader for HUGO BOSS Izmir.

The "Operational Excellence Day" also focuses on an exchange of expertise: numerous companies from Turkey and all over the world come together there in order to discuss their ideas on excellence and present best practices. The most successful supplier of the year is also honored with an award.

HUGO BOSS Izmir provides a comprehensive recreational program for employees. The activities offered include theater, fishing, dancing, music and running – there is a club for virtually any interest. The HUGO BOSS

Olympic Games provide an annual highlight. More than 1,000 employees and their families compete against each other in various ball and board games.

Over the past five years, employees have received more than 30,000 hours of advanced career training. Around 65% of the training was carried out by managers and employees of HUGO BOSS as internal trainers. This highlights the pool of know-how within the company and further enhances identification of employees with the Company. In 2014, the content focused on the issues of personnel leadership, management systems, improvement management, and health protection and workplace safety.

Moreover, HUGO BOSS in Izmir also creates career training opportunities for people outside its own workforce. The objective is to make it easier for upcoming tailors and seamstresses to gain a permanent job. HUGO BOSS has joined forces with the Turkish Employment Authority (ISKUR) and the local training center to provide potential tailors and seamstresses with a three-month work placement and introduce them to the vocation. HUGO BOSS provides the workplaces and the trainers in cooperation with the training center. The content covers health and safety measures, procedures and quality criteria, and effective application of production facilities. Since 2010, more than 880 students have participated in the program for career training. A large proportion was subsequently hired by HUGO BOSS: in 2014 almost 83%.

SPONSOR OF CONTEMPORARY ART

HUGO BOSS believes that contemporary art is an important element of cultural education. It inspires people to be inspired by **new ideas**, promotes **tolerance**, and fosters a **spirit of innovation**. Contemporary art is therefore a fixed element in the company culture, which HUGO BOSS has supported with passion and energy through an international cultural sponsoring program for nearly 20 years.

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

HUGO BOSS also supports selected exhibitions through a range of **sponsorship activities**. Since 2014, the Company has been the sponsor of the exhibition “Konstantin Grcic – Panorama” at the Vitra Design Museum. HUGO BOSS employees with a particular interest visited the exhibition in an art trip sponsored by the Company. Grcic is one of the leading contemporary designers and presents various contemporary issues in the exhibition, such as quality of life, sustainability, and new technologies. As a partner of London’s National Portrait Gallery, HUGO BOSS also participated in “Bailey’s Stardust”. This has been the biggest solo exhibition of British photographer David Bailey with approximately 250 portraits by the famous artist.

The Company’s commitment to art also gives **young artists** the opportunity to show their works to a broad public. As a longstanding partner of the Berlin International Film Festival, HUGO BOSS presented the photographic exhibition “a personal touch – young photo journalists at the red carpet” at the Berlinale 2014. The exhibition showed selected works from a competition for young photojournalists. In Australia, the Company supported the annual “Primavera” exhibition staged by the Museum for Contemporary Art in Sydney. Since 1992, the exhibition series has presented works by young Australian artists.



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FACTS AND FIGURES

PERFORMANCE INDICATORS WE

ORGANIZATIONAL PROFILE

EC1 SALES BY REGION (in %)

	2014	2013	2012	2011	2010
Europe ¹	61	60	59	61	62
Americas	23	24	24	22	22
Asia/Pacific	14	14	15	15	13
Licenses	2	2	2	2	3

¹Including Middle East and Africa.

2.6 SHAREHOLDER STRUCTURE AS OF DECEMBER 31 (in % of share capital)

	2014	2013
Free float	66	42
Red & Black Lux S.à r.l.	32	56
Own shares	2	2

PERFORMANCE INDICATORS ENVIRONMENT

ENERGY AND EMISSIONS

EN3 & EN4 DIRECT AND INDIRECT ENERGY CONSUMPTION (in MWh)

Energy consumption	HUGO BOSS GROUP			
	2014	2014 ¹	2013 ²	2012 ²
Direct energy consumption	35,297	33,935	33,866	32,984
Indirect energy consumption	40,498	38,689	36,713	37,064
TOTAL	75,795	72,624	70,579	70,048

EN3 & EN4 DIRECT AND INDIRECT ENERGY CONSUMPTION BY ENERGY SOURCE (in MWh, change in %)

Direct energy consumption	2014	2014 ¹	2013 ²	2012 ²	2014 ¹ (%)	2013 (%)
Heating oil	1,917	1,843	2,232	2,247	-17.4	-0.7
Liquefied petroleum gas (LPG)	21.2	21.2	21.4	25.6	-1.0	-16.6
Natural gas	32,848	31,559	31,613	30,711	-0.2	2.9
Photovoltaic	511	511	0	0		
Total direct energy consumption	35,297	33,935	33,866	32,984	0.2	2.7
Indirect energy consumption						
Certified green electricity	19,173	19,173	17,984	16,835	6.6	6.8
Cooling (using electricity, market mix)	2,941	2,941				
Electricity	18,384	16,575	18,728	20,229	-11.5	-7.4
Total indirect energy consumption	40,498	38,689	36,713	37,064	5.4	-0.9
TOTAL	75,795	72,624	70,579	70,048	2.9	0.8

EN16 & EN17 DIRECT AND INDIRECT AND OTHER GREENHOUSE GAS EMISSIONS (in t CO₂)

Greenhouse gas emissions	HUGO BOSS GROUP			
	2014	2014 ¹	2013 ²	2012 ²
Scope 1 (direct energy consumption)	7,791	7,486	7,610	7,417
Scope 1 (fleet consumption)	3,035	2,744	2,900	2,751
Scope 1	10,826	10,230	10,510	10,169
Scope 2 (indirect energy consumption)	12,374	11,529	10,938	11,267
Scope 1-2	23,200	21,760	21,448	21,436
Scope 3 (air travel)	5,239	4,456	4,437	4,485
TOTAL Scope 1-3	28,439	26,216	25,885	25,921

¹ Data for the reporting period 2014 on the basis of the consolidated reporting units of the reporting period 2013.

² Data have been slightly adjusted compared to the Sustainability Report 2013 due to altered data collection and definitions. This has not led to fundamental changes of trends.

EN17 GREENHOUSE GAS EMISSIONS THROUGH FLEET VEHICLES AT THE IZMIR LOCATION (in t CO₂)

	2014	2013	2012
Greenhouse gas emissions caused by fleet vehicles ¹ of HUGO BOSS Textile Industry Ltd.	1,045	1,172	1,379

¹Greenhouse gas emissions in t CO₂ caused by own fleet vehicles as well as taxi and courier trips and company buses of HUGO BOSS Textile Industry Ltd.

WATER AND WASTE

EN8 WATER CONSUMPTION (in m³)

Water consumption	HUGO BOSS GROUP			
	2014	2014 ¹	2013	2012
TOTAL	132,648	122,808	125,675	129,532

¹Data for the reporting period 2014 on the basis of the consolidated reporting units of the reporting period 2013.

Among other reasons, the increased water consumption is due to the temporary parallel operation of the warehouses in Filderstadt, Wendlingen and Frickenhausen, the higher number of employees and a leakage in the "O2" warehouse. The latter was identified by an environmental management tool and subsequently repaired.

EN22 WASTE VOLUMES BY TYPE (in t)

Waste volumes by type	HUGO BOSS GROUP			
	2014	2014 ¹	2013 ²	2012 ²
Nonhazardous waste	3,944	3,889	3,685	3,857
Hazardous waste	28	27	29 ³	14
TOTAL	3,972	3,917	3,714	3,871

¹Data for the reporting period 2014 on the basis of the consolidated reporting units of the reporting period 2013.

²Data have been slightly adjusted compared to the Sustainability Report 2013 due to altered data collection and definitions. This has not led to fundamental changes of trends.

³Adjusted data due to legal provisions concerning threshold values for the disposal of chemicals.

The increased waste volume can be explained by the start-up of the Filderstadt warehouse and a related three-month testing phase.

PERFORMANCE INDICATORS EMPLOYEES

All data for 2014 include permanent, as well as temporary workers. Figures for 2013 and 2012 relate to permanent workers only. Information provided concerning type of employment, more concretely work contract by gender, in the reporting period refer solely to HUGO BOSS AG (Germany), HUGO BOSS Textile Industry Ltd. and HUGO BOSS Ticino SA.

EMPLOYMENT

LA1 TOTAL WORKFORCE (headcount)

	HUGO BOSS GROUP			
	2014	2014 ¹	2013	2012
TOTAL	13,043	7,101	6,789	6,709
Change (in %)		+ 4.6	+ 1.2	

LA1 TOTAL WORKFORCE (headcount)

	2014 ¹	2013	2012
Men	2,600	2,501	2,482
Women	4,501	4,288	4,227
TOTAL	7,101	6,789	6,709
Change (in %)	+ 4.6	+ 1.2	

LA1 EMPLOYEES BY EMPLOYEE CATEGORY AND REGION

Region (headcount)	Management	White-collar workers	Blue-collar workers	Apprentices	Temporary workers
Germany	348	1,616	689	92	617
Rest of Europe	644	1,740	3,483	16	281
Americas	301	1,004	254	0	318
Asia/Pacific	230	1,322	67	0	21
TOTAL	1,523	5,682	4,493	108	1,237
Region (in %)					
Germany	10.4	48.1	20.5	2.7	18.4
Rest of Europe	10.4	28.2	56.5	0.3	4.6
Americas	16.0	53.5	13.5	0.0	16.9
Asia/Pacific	14.0	80.6	4.1	0.0	1.3
TOTAL	11.7	43.6	34.4	0.8	9.5

¹ Data for the reporting period 2014 on the basis of the consolidated reporting units of the reporting period 2013.

LA1 EMPLOYEES BY GENDER AND REGION (headcount, in %)

Region	Female employees	Male employees	Female employees in %	Male employees in %
Germany	2,159	1,203	64.2	35.8
Rest of Europe	3,667	2,497	59.5	40.5
Americas	882	995	47.0	53.0
Asia/Pacific	1,162	478	70.9	29.1
TOTAL	7,870	5,173	60.3	39.7

LA1 EMPLOYEES BY AGE AND REGION

Region (headcount)	<30	30≤x<40	40≤x<50	≥50
Germany	943	1,008	798	613
Rest of Europe	2,391	2,599	922	252
Americas	758	458	308	353
Asia/Pacific	848	623	116	53
TOTAL	4,940	4,688	2,144	1,271

Region (in %)

Germany	28.0	30.0	23.7	18.2
Rest of Europe	38.8	42.2	15.0	4.1
Americas	40.4	24.4	16.4	18.8
Asia/Pacific	51.7	38.0	7.1	3.2
TOTAL	37.9	35.9	16.4	9.7

LA1 EMPLOYEES BY EMPLOYMENT RELATIONSHIP AND REGION (headcount, in %)

Region	Full time	Part time	Full time in %	Part time in %
Germany	2,717	645	80.8	19.2
Rest of Europe	5,450	714	88.4	11.6
Americas	1,321	556	70.4	29.6
Asia/Pacific	1,464	176	89.3	10.7
TOTAL	10,952	2,091	84.0	16.0

LA1 EMPLOYEES BY EMPLOYMENT RELATIONSHIP AND GENDER¹ (headcount)

2014	Men	Women	
Full time	2,650	4,118	
Part time	132	614	
TOTAL	2,782	4,732	7,514

¹Data given apply only for the locations of HUGO BOSS AG, HUGO BOSS Ticino SA and HUGO BOSS Textile Industry Ltd.

LA1 EMPLOYEES BY CONTRACT TYPE AND REGION (headcount, in %)

Region	Unlimited	Limited	Unlimited in %	Limited in %
Germany	2,532	830	75.3	24.7
Rest of Europe	5,945	219	96.4	3.6
Americas	1,877	0	100.0	0.0
Asia/Pacific	636	1,004	38.8	61.2
TOTAL	10,990	2,053	84.3	15.7

LA1 EMPLOYEES BY CONTRACT TYPE AND GENDER¹ (headcount)

Employees by work contract in 2014	Men	Women	
Unlimited	2,464	4,176	
Limited	318	556	
TOTAL	2,782	4,732	7,514

¹Data given apply only for the locations of HUGO BOSS AG, HUGO BOSS Ticino SA and HUGO BOSS Textile Industry Ltd.

NEW HIRES, TERMINATIONS AND TURNOVER

For the first time information on new hires and terminations by age can be presented. However, these data differ from the reporting scope and do not include apprentices and temporary workers.

LA2 NEW HIRES BY REGION¹ (headcount)

Region	
Germany	216
Rest of Europe	1,514
Americas	565
Asia/Pacific	807
TOTAL	3,102

LA2 NEW HIRES BY GENDER AND REGION¹ (headcount, in %)

Region	Women	Men	Women in %	Men in %
Germany	134	82	62.0	38.0
Rest of Europe	837	677	55.3	44.7
Americas	226	339	40.0	60.0
Asia/Pacific	531	276	65.8	34.2
TOTAL	1,728	1,374	55.7	44.3

¹Data without apprentices and temporary workers.

LA2 NEW HIRES BY AGE AND REGION¹

Region (headcount)	<30	30≤x<40	40≤x<50	≥50
Germany	92	83	31	10
Rest of Europe	1,037	378	84	15
Americas	348	123	58	36
Asia/Pacific	521	219	42	25
TOTAL	1,998	803	215	86

Region (in %)	<30	30≤x<40	40≤x<50	≥50
Germany	42.6	38.4	14.4	4.6
Rest of Europe	68.5	25.0	5.5	1.0
Americas	61.6	21.8	10.3	6.4
Asia/Pacific	64.6	27.1	5.2	3.1
TOTAL	64.4	25.9	6.9	2.8

LA2 TURNOVER RATE BY GENDER, AGE AND REGION^{1, 2} (in %)

Turnover rate	2014
Proportion of men	26.4
Proportion of women	23.9
Proportion of Germany	7.9
Proportion of region Rest of Europe	21.9
Proportion of region Americas	35.9
Proportion of region Asia/Pacific	53.1
Proportion of employees under 30 years	41.7
Proportion of employees between 30–40 years	19.2
Proportion of employees between 40–50 years	11.7
Proportion of employees over 50 years	12.6

LA2 TURNOVER RATE BY REGION¹ (in %)

Germany	7.9
Rest of Europe	21.9
Americas	35.9
Asia/Pacific	53.1
TOTAL	24.9

¹Data without apprentices and temporary workers.

²Turnover rate by gender, this means in relation to the total amount of female respective male employees as of December 31.

Turnover rate by age, this means in relation to the total amount of employees in the respective age category as of December 31.

LA2 TURNOVER BY REASON AND REGION¹ (in %)

Region	Employee-specific	Employer-specific	Redundancy	Retirement	Other ²
Germany	4.8	2.7	0.0	0.3	0.1
Rest of Europe	15.6	5.0	0.3	1.0	0.1
Americas	22.1	13.5	0.1	0.1	0.2
Asia/Pacific	41.1	8.7	3.1	0.1	0.0
TOTAL	17.5	6.1	0.6	0.6	0.1

LA2 TERMINATION BY REGION¹ (headcount)

Region	
Germany	210
Rest of Europe	1,282
Americas	560
Asia/Pacific	859
TOTAL	2,911

LA2 TERMINATION BY REASON AND REGION¹ (headcount)

Region	Employee-specific	Employer-specific	Redundancy	Retirement	Other ²
Germany	127	72	0	8	3
Rest of Europe	913	295	15	56	3
Americas	344	211	1	1	3
Asia/Pacific	666	141	50	2	0
TOTAL	2,050	719	66	67	9

LA2 TERMINATION BY GENDER AND REGION¹ (headcount, in %)

Region	Women	Men	Women in %	Men in %
Germany	125	85	59.5	40.5
Rest of Europe	720	562	56.2	43.8
Americas	248	312	44.3	55.7
Asia/Pacific	594	265	69.2	30.8
TOTAL	1,687	1,224	58.0	42.0

¹Data without apprentices and temporary workers.

²Other: death, emigration.

LA2 TERMINATION BY AGE AND REGION¹

Region (headcount)	<30	30≤x<40	40≤x<50	≥50
Germany	48	98	34	30
Rest of Europe	755	409	92	26
Americas	292	131	73	64
Asia/Pacific	559	234	39	27
TOTAL	1,654	872	238	147

Region (in %)	<30	30≤x<40	40≤x<50	≥50
Germany	22.9	46.7	16.2	14.3
Rest of Europe	58.9	31.9	7.2	2.0
Americas	52.1	23.4	13.0	11.4
Asia/Pacific	65.1	27.2	4.5	3.1
TOTAL	56.8	30.0	8.2	5.0

¹Data without apprentices and temporary workers.

DIVERSITY

LA13 MANAGEMENT LEVEL BY GENDER (headcount, in %)

Management level	Women	Men	Women in %	Men in %
L1	0	3	0.0	100.0
L2	9	34	20.9	79.1
L3	83	122	40.5	59.5
L4	369	410	47.4	52.6
L5	236	257	47.9	52.1

LA13 MANAGEMENT LEVEL BY AGE

Management level (headcount)	<30	30≤x<40	40≤x<50	≥50
L1	0	0	1	2
L2	0	7	26	10
L3	1	77	88	39
L4	80	361	235	103
L5	139	249	80	25

Management level (in %)	<30	30≤x<40	40≤x<50	≥50
L1	0.0	0.0	33.3	66.7
L2	0.0	16.3	60.5	23.3
L3	0.5	37.6	42.9	19.0
L4	10.3	46.3	30.2	13.2
L5	28.2	50.5	16.2	5.1

LA12 PERFORMANCE REVIEWS BY GENDER (headcount)

Gender	HUGO BOSS AG	HUGO BOSS TICINO SA	HUGO BOSS Textile Industry Ltd.
Male employees	1,428	205	231
Female employees	783	116	199

LA13 COMPOSITION OF THE SUPERVISORY BOARD BY GENDER AND AGE (headcount, in %)

Gender	Headcount	%
Male employees	11	92
Female employees	1	8
TOTAL	12	

Age	Headcount	%
Age group "under 30 years"	0	0
Age group "between 30 and 39 years"	1	8
Age group "between 40 and 49 years"	2	17
Age group "older than 50 years"	9	75
TOTAL	12	

OCCUPATIONAL HEALTH AND SAFETY

LA7 WORK-RELATED ACCIDENTS BY REGION¹

Region	Injuries > 1 lost day
Germany	75
Rest of Europe	65
Americas	9
Asia/Pacific	13
TOTAL	162

¹HUGO BOSS UK Ltd., HUGO BOSS Ireland Ltd and HUGO BOSS Canada Inc. are not included. Commuting and sport accidents are included if these are declared as work-related accidents by local framework conditions.

LA7 ABSENTEE AND SICKNESS DAYS¹ (working day equates 8h)

Region	Sickness days	Absentee days	Lost days > 1
Germany	35,140	1,638	940
Rest of Europe	29,101	8,556	587
Americas	29,490	0	9
Asia/Pacific	8,165	801	250
TOTAL	101,896	10,995	1,786

¹HUGO BOSS UK Ltd., HUGO BOSS Ireland Ltd and HUGO BOSS Canada Inc. are not included.

LA7 ABSENTEE AND SICKNESS DAY RATES¹ (in %)

Region	Sickness day rate	Absentee day rate	Lost day rate
Germany	5.2	5.6	0.1
Rest of Europe	2.2	2.9	0.0
Americas	9.8	9.8	0.0
Asia/Pacific	2.2	2.5	0.1
TOTAL	3.9	4.4	0.1

¹Calculations are based on contractually fixed working days. HUGO BOSS UK Ltd., HUGO BOSS Ireland Ltd. and HUGO BOSS Canada Inc. are not included.

PERFORMANCE INDICATORS PARTNERS

PROTECTION OF HUMAN RIGHTS

AF9-AF14/ HR4-HR7 NUMBER OF BREACHES OF THE CODE OF CONDUCT

	Egypt	China	Indonesia	Italy	Ukraine	Turkey
Social Compliance Management	0	16	0	1	1	1
Child Labor & Young Laborers	0	1	0	0	0	0
Forced Labor	1	1	0	1	0	0
Freedom of Association & Collective Bargaining	0	0	0	0	0	0
Hours of Work	1	11	1	0	0	1
Worker Treatment	0	1	0	0	0	0
Compensation & Benefits	0	6	0	0	0	1
Health & Safety	0	4	1	0	0	1
Discrimination	0	0	0	0	0	0
TOTAL	2	40	2	2	1	4

PERFORMANCE INDICATORS PRODUCTS

MATERIALS AND RECYCLING

EN1 MATERIALS USED (in t)

Material	Usage	Renewability	Amount
Cotton	Raw material	Renewable	6,659
Wool	Raw material	Renewable	2,565
Leather	Raw material	Renewable	1,923
Synthetic fibers	Raw material	Renewable	1,775
Mixed materials	Packaging (Products)	Non-renewable	854
Plastic	Packaging (Products)	Non-renewable	854
Paper	Packaging (Shopping)	Renewable	850
Paper	Packaging (Products)	Renewable	658
Rubber	Raw material	Non-renewable	566
Regenerated fibers	Raw material	Renewable	440
Composites	Packaging (Shopping)	Non-renewable	275
Plastic	Packaging (Shopping)	Non-renewable	222
Polyurethane	Raw material	Non-renewable	147
Silk	Raw material	Renewable	132
Linen	Raw material	Renewable	93
Compressed wood fibers	Raw material	Renewable	61
Cashmere	Raw material	Renewable	37
Ethylene vinyl acetate	Raw material	Non-renewable	31
Acrylic	Raw material	Non-renewable	30
Textile	Packaging (Products)	Non-renewable	23
Polycarbonate	Raw material	Non-renewable	16
Metal	Packaging (Products)	Non-renewable	12
Brass	Raw material	Non-renewable	9
Alpaca	Raw material	Renewable	5
Various materials ¹	Various	Other renewable	21
Various materials ¹	Various	Various materials	7
TOTAL			18,265

¹ Various materials cover all materials with an amount of less than 5 tonnes each.

EN2 RECYCLED FRACTION OF RETAIL PACKAGING

Type of Packaging	Material Type	Gross weight (in kg)	Recycled fraction (in kg)	Certified fraction (in kg)	Recycling rate (in %)
Boxes	Paper	133,801			0
Shopping bag	Composite	274,980	274,980	274,980	100
	Paper	716,168	60,272	52,431	8.4
Suit bag	Plastic	221,564			0
	Textile	7			0
TOTAL		1,346,519	335,252	327,411	24.9



GRI INDEX¹

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2.8 Scale of the reporting organization	fully	9
2.9 Significant changes in the reporting period	fully	12
2.10 Awards received in the reporting period	fully	29
3 REPORTING PARAMETERS		
3.1 Reporting period	fully	3
3.2 Date of previous report	fully	3
3.3 Reporting cycle	fully	3
3.4 Contact for questions on the report	fully	115
3.5 Processes for defining report content	fully	3–4
3.6 Boundary of report	fully	3–4
3.7 Specific limitations on scope	fully	3–4
3.8 Joint ventures, subsidiaries, outsourcing	fully	3–4
3.9 Data acquisition	fully	3–4
3.10 Explanation of any restatements of information	fully	4
3.11 Significant changes in scope, boundary or measurement methods	fully	4
3.12 GRI Index	fully	108–112
3.13 External verification	fully	113–114
4 GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1 Governance structure	fully	15–16, 25
4.2 Independence of the supervisory board chairperson	fully	15–17
4.3 Supervisory board or independent directors	fully	16–17
4.4 Mechanisms to provide shareholder and employee recommendations to the board/supervisory board	fully	28–29
4.5 Link between senior management compensation and company performance	fully	17
4.6 Processes to ensure conflicts of interest are avoided	fully	17
4.7 Sustainability expertise of the board/supervisory board	fully	15–16
4.8 Vision, corporate values, and codes of conduct	fully	20, 49, 51
4.9 Board-level processes for overseeing sustainability performance	fully	25–26
4.10 Processes for evaluating board performance	fully	15, 17
4.11 Implementation of the precautionary principle	fully	18
4.12 External initiatives that the organization endorses	fully	29

¹The statement covers all core-indicators. Skippings within the numeration are explained by the fact that only GRI-additional indicators and sector allegations are being covered by the index. Referring to the GRI G3.1-Guidelines, HUGO BOSS assesses its degree of fulfillment to a A+. This assessment was audited and confirmed by the GRI (see page 108).

INDEX BY GRI (G3.1)

Indicator	Status	Page
4.13 Memberships in industry and business associations	fully	29
4.14 Stakeholder groups engaged by the organization	fully	27–28
4.15 Basis for identification and selection of stakeholders to engage	fully	27–28
4.16 Approaches to stakeholder dialog	fully	28
4.17 Response to key concerns raised by stakeholders	fully	27–29
ECONOMIC PERFORMANCE INDICATORS		
Management approach	fully	21–22
EC1 Direct economic value created and distributed	fully	9–11
EC2 Financial implication of climate change	fully	18
EC3 Coverage of benefit pension plan obligations	fully	55
EC4 Financial assistance received from government	fully	The company did not receive significant financial assistance in the reporting period.
EC5 Ratio entry level wage to minimum wages	partially	55
EC6 Payments to locally-based suppliers	partially	64; HUGO BOSS distinguishes between global and international sourcing.
EC7 Local hiring for senior management positions	partially	42, 56; HUGO BOSS supports a high diversity within its workforce. The company applies primarily criteria such as qualification and work experience in the recruitment process.
EC8 Infrastructure investments and services for public benefit	fully	89–92
ENVIRONMENTAL PERFORMANCE INDICATORS		
Management approach	fully	74–76
EN1 Weight/volume of materials used	fully	80–81, 83, 107
EN2 Percentage of secondary raw materials used	partially	80–82, 107; data regarding the share of secondary raw materials used are not yet available and will be reported approx. as of 2017.
EN3 Direct energy consumption	fully	33–34, 96
EN4 Indirect energy consumption	fully	33–34, 96
EN5 Savings of energy due to efficiency improvements	fully	33–36
EN7 Reduction of indirect energy consumption	fully	33–36
EN8 Total water withdrawal by source	fully	37, 97
EN9 Water sources significantly affected by withdrawal of water	fully	No significant impacts in the reporting period.
EN11 Land use in protected areas	fully	No land use in protected areas.
EN12 Impacts of activities on protected areas	fully	Siehe EN11
EN14 Managing of impacts on biodiversity	fully	22, 27, 33
EN16 Direct and indirect greenhouse gas emissions	fully	33–35, 96–97
EN17 Other relevant greenhouse gas emissions	fully	33–35, 96–97
EN18 Initiatives to reduce greenhouse gas emissions	partially	33–36
EN19 Ozone-depleting substances by weight	fully	No release of ozone-depleting substances.
EN20 NO _x , SO _x and other significant airborne emissions by weight	fully	No release of NO _x , SO _x or other significant airborne emissions in the reporting period.
EN21 Water discharge	fully	37, WS ¹
EN22 Waste by type and disposal method	fully	37, 97

¹Additional information can be found under <http://group.hugoboss.com/en/sustainability/>

INDEX BY GRI (G3.1)

Indicator	Status	Page
EN23 Number and volume of significant spills	fully	No significant releases in the reporting period.
EN24 Total weight of transported waste	fully	No transport of hazardous waste according to the Basel Convention (annex I, II, III and VIII) in the reporting period.
EN25 Water Sources affected by water discharge	fully	No significant impacts in the reporting period.
EN26 Initiatives to mitigate environmental impacts of products and services	partially	72, 84–85; quantitative data concerning the mitigation of environmental impacts are not yet available and will be reported approx. as of 2017.
EN27 Percentage of recycled products and their packaging materials	not reported	Used products and packaging can usually be reclaimed in a more efficient and ecological way through external service providers. Especially for textile and shoes, humanitarian organizations have well-established networks.
EN28 Fines and sanctions for non-compliance with environmental regulations	fully	37
EN29 Environmental impacts of transporting	fully	38

SOCIAL PERFORMANCE INDICATORS LABOR PRACTICES AND DECENT WORK

Management approach	fully	40–43
LA1 Total workforce	fully	43–45, 98–100
LA2 Employee turnover	fully	46–49, 100–103
LA3 Benefits provided to full-time employees	fully	55
LA4 Employees covered by collective bargaining agreements	fully	50
LA5 Minimum notice periods regarding operational changes	fully	50
LA6 Coverage of total workforce in health and safety committees	partially	58
LA7 Injuries, absentee rates and work-related fatalities	partially	59, 104–105; data by gender are not yet available and will be reported approx. as of 2017.
LA8 Prevention and risk-control programs	fully	60
LA9 Health and safety topics covered in formal agreements with trade unions	fully	58–60
LA10 Training hours by employee category	partially	52–54; data concerning the average training hours per employee are not yet available. First figures for selected business units will be available approx. as of 2016.
LA11 Programs for skills management and lifelong learning	fully	52–54
LA12 Percentage of performance and career development reviews	fully	53, 104
LA13 Composition of senior management and breakdown of employees (age/gender/ethnicity)	partially	56–57, 98–100, 104; data by minorities are not applicable for HUGO BOSS. The company considers nobody as a part of a minority.
LA14 Ratio of basic salary of men to women by employee category	fully	55; HUGO BOSS pays men and women equally. Remuneration is based on performance and qualification of the employees.
LA15 Return to work and retention rates after parental leave	fully	57

INDEX BY GRI (G3.1)

Indicator	Status	Page
HUMAN RIGHTS		
Management approach	fully	62–63
HR1 Investment agreements with HR clauses or screening	fully	64; no significant investments in the reporting period.
HR2 Proportion of suppliers that underwent screening on human rights and action taken	fully	64–65
HR3 Employee training on policies and procedures concerning aspects of human rights	partially	54; data concerning the average training hours per employee are not yet available. First figures for selected business units will be available approx. as of 2016.
HR4 Incidents of discrimination and actions taken	fully	20, 65
HR5 Operations with significant risks to freedom of association	fully	65
HR6 Operations with higher risk of child labor and action taken	fully	64–66
HR7 Operations with higher risk of forced labor and action taken	fully	64–66
HR10 Percentage and total number of business units that have been subject to human rights reviews	fully	20
HR11 Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	fully	20; no known grievances in the reporting period.
SOCIETY		
Management approach	fully	19–20, 88–89
SO1 Policy and programs to manage impacts on communities	fully	27–28, 88–89
SO2 Proportion of business units analyzed for risks of corruption	fully	20
SO3 Employees trained in anti-corruption	partially	54; 43.9% of the employees were trained in 2014. Data by employee category are not yet available and will be reported approx. as of 2017.
SO4 Action taken in response to instances of corruption	fully	No known incidents in the reporting period.
SO5 Positions and participation in public policy development and lobbying	fully	29
SO6 Contributions to political parties, politicians, and related organizations	fully	19
SO7 Legal actions for anti-competitive behaviour	fully	20
SO8 Fines/sanctions for non-compliance with laws and regulations	fully	No known incidents in the reporting period.
SO9 Operations with significant potential or actual negative impacts on local communities	not reported	Not relevant as the company's operations do not have significant potential or actual negative impacts on local communities.
SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	not reported	Not relevant as the company's operations do not have significant potential or actual negative impacts on local communities.
PRODUCT RESPONSIBILITY		
Management approach	fully	74–76
PR1 Product life cycle stages in which health and safety impacts are assessed	fully	84
PR2 Non-compliance with regulations concerning product and service information	fully	85
PR3 Principles and measures related to product labelling	fully	86
PR4 Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	fully	86
PR5 Customer satisfaction	fully	76

INDEX BY GRI (G3.1)

Indicator	Status	Page
PR6 Programs for compliance with laws and voluntary codes in advertising	fully	HUGO BOSS complies with all laws and voluntary codes in advertising.
PR7 Incidents of non-compliance with regulations concerning marketing	fully	No incidents in the reporting period.
PR8 Complaints regarding breaches of customer privacy and losses of customer data	fully	86
PR9 Significant fines for non-compliance with regulations governing the use of products and services	fully	86
APPAREL AND FOOTWEAR SECTOR SUPPLEMENT (PILOT VERSION) SUPPLY CHAIN		
AF7 Number and location of workplaces covered by code of conduct	fully	64
AF8 Number of audits conducted and percentage of workplaces audited	fully	64–65
AF9-AF14 Number of incidents of non-compliance with the code of conduct	fully	65
AF15 Analysis of data from code compliance audits	fully	66
AF16 Remediation practices to address non-compliance findings	fully	66
LABOR PRACTICES AND DECENT WORK		
AF31 Initiatives and programs to reduce, and prevent the occurrence of musculoskeletal disorders	fully	60

INDEPENDENT ASSURANCE REPORT

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

To the Management Board of HUGO BOSS AG, Metzingen

OUR ENGAGEMENT

We have been engaged to perform a limited assurance engagement on the quantitative statements in the chapters

We – Combining Excellence and Sustainability (page 8–29)

Environment – Conserving Natural Resources (page 30–38)

Employees – Promoting Fair Employment and an Ethical Culture of Responsibility (page 39–60)

Partners – Achieving Joined-up Responsibility (page 61–72)

Products – Ideas for Tomorrow (page 73–86)

Society – Promoting Perspectives (page 87–93)

Facts and Figures (page 94–107)

of the Sustainability Report of HUGO BOSS AG (hereinafter: the report) for the reporting period from 1 January to 31 December 2014.

The report is published as a PDF version on <http://group.hugoboss.com/en/nachhaltigkeit/sustainability-report/>.

LIMITATIONS OF OUR ENGAGEMENT

Our engagement is exclusively limited to the German PDF version of the report published on the website <http://group.hugoboss.com/en/nachhaltigkeit/sustainability-report/>. Our engagement did not include any prospective statements or statements relating to prior years.

CRITERIA

We assessed the report against the criteria set out in the Sustainability Reporting Guidelines G3.1 issued by the Global Reporting Initiative (GRI). We believe that these criteria are suitable for our assurance engagement.

MANAGEMENT'S RESPONSIBILITY

The Managing Board of HUGO BOSS AG is responsible for the preparation and the content of the report in compliance with the above-mentioned criteria. This responsibility includes the design, implementation and maintenance of internal controls for the preparation of a report that is free from material misstatements, in accordance with the above mentioned criteria and based on suitable methods for gathering source data including judgments and estimates of the individual sustainability data.

OUR RESPONSIBILITY

Our responsibility is to issue an assurance report on the quantitative statements in the above mentioned chapters of the report for the reporting period from 1 January to 31 December 2014 based on our work performed for a limited assurance engagement.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This standard requires that we comply with our professional duties and plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the quantitative statements of the above mentioned chapters of the report are not in accordance, in material respects, with the aforementioned criteria. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

We are independent from the company in compliance with the IESBA Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and have complied with other professional requirements of the IESBA Code.

KEY PROCEDURES

The performance of our engagement mainly involved the following work:

- Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management including the stakeholder dialogue of HUGO BOSS AG,
- Inquiries of employees responsible for data capture and consolidation for the topics Economic Contribution, Environment, Employees, Partner, Products and Society to assess the data capture and compilation methods as well as internal controls of the extent relevant for the review of the quantitative statements in the above mentioned chapters,
- 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 during site visits 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,
- Review of the draft report with regard to plausibility and consistency in relation to the quantitative statements.

OUR CONCLUSION

Based on our procedures performed to obtain a limited level of assurance, nothing has come to our attention that causes us to believe that the quantitative statements in the above mentioned chapters of the Sustainability Report 2014 of HUGO BOSS AG has not been prepared, in all material respects, in accordance with the aforementioned criteria.

Munich, 19 May 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Annette Johne
Wirtschaftsprüferin
(German Public Auditor)

LEGAL NOTICE

PUBLISHER

HUGO BOSS AG
Dieselstraße 12
72555 Metzingen

Phone +49 (0) 7123 94 – 2375

Fax +49 (0) 7123 94 – 2051

E-Mail corporate_responsibility@hugoboss.com
www.hugoboss.com

ONLINE SUSTAINABILITY REPORT 2014

<http://group.hugoboss.com/en/nachhaltigkeit/sustainability-report/>

CONTACT

Dr. Hjördis Kettenbach, Head of Corporate Communication
hjoerdis_kettenbach@hugoboss.com

PROJECT MANAGER

Edda Dankmeyer, Senior Manager Corporate Sustainability
edda_dankmeyer@hugoboss.com

CONCEPT AND TEXT

akzente kommunikation und beratung gmbh, Munich

ART DIRECTION

hw.design, Munich

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