COMPENSATION REPORT

This report is based on the recommendations of the German Corporate Governance Code and contains disclosures based on the requirements of German Accounting Standard (GAS) 17, the HGB ["Handelsgesetzbuch": German Commercial Code] and International Financial Reporting Standards (IFRS). The disclosures pursuant to IAS 24 are presented in the notes to the consolidated financial statements.

MAIN FEATURES OF THE COMPENSATION SYSTEM FOR THE MANAGING BOARD

Decisions concerning the compensation system for the Managing Board as well as regular consultation and review of the compensation system are the responsibility of the Supervisory Board. The Personnel Committee is charged with preparing proposals. The compensation system applicable for the members of the Managing Board of HUGO BOSS AG since fiscal year 2010 was approved with a clear majority by the Annual Shareholders’ Meeting on May 10, 2011. Without in principle altering this system approved by the Annual Shareholders’ Meeting, agreements with all members of the Managing Board were adjusted effective January 1, 2013 such that the performance-related compensation component is solely oriented toward quantitative targets. Consequently, personal objectives are no longer included in the objectives agreed with members of the Managing Board.

Total compensation of the Managing Board comprises a non-performance-related (fixed) compensation component and a performance-related (variable) compensation component. The compensation structure is partly 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 is specified by the Supervisory Board based on a performance assessment, taking into account any payments made by Group companies. Criteria for determining the appropriateness of the compensation are based on the responsibilities of the individual member of the Managing Board, their personal performance, the economic situation, the performance and outlook of the Company, as well as the level of compensation usually paid, taking into account peer companies and the compensation structure in place in other areas of society. At its professional discretion, the Supervisory Board can make decisions as regards special payments for the outstanding achievements or success of a member of the Managing Board.

Pursuant to a resolution of the Annual Shareholders’ Meeting of June 21, 2010, the individual amounts paid to members of the Managing Board are not disclosed. Accordingly, the disclosures required under Sec. 285 Sentence 1 No. 9 a) Sentences 5 to 8 HGB and Sec. 314 (1) No. 6 a) Sentences 5 to 8 HGB are not made for a period of five years. This applies to the fiscal year beginning on January 1, 2010 and the following four fiscal years, i.e., until December 31, 2014. As a consequence, the total compensation is disclosed as an aggregate amount and broken down into the individual compensation components.
NON-PERFORMANCE RELATED COMPENSATION

The fixed compensation components consist of a fixed basic compensation, fringe benefits and contributions to retirement benefits. The fixed basic compensation is paid as a monthly salary. The members of the Managing Board receive fringe benefits such as company cars, supplementary payments to health and nursing care insurance, conclusion of and contributions to an accident and directors and officers (D&O) liability insurance as well as other benefits in kind integral to the salary and other equipment and services needed to fulfill their duties as members of the Managing Board. In accordance with Sec. 93 (2) Sentence 3 AktG ["Aktiengesetz": German Stock Corporation Act], the deductible for the D&O insurance is 10% of the relevant loss but no more than one-and-a-half times of the fixed annual compensation. Each member of the Managing Board is responsible for the taxation of the taxable benefit resulting from the private use of the company car.

PERFORMANCE-RELATED COMPENSATION

In fiscal year 2013, the performance-related compensation, comprising an annual bonus and a bonus assessed over a multiple-year period, was adjusted such that only quantitative targets are taken into account. In future, personal objectives will no longer be included in the objectives agreed with members of the Managing Board.

SHORT-TERM VARIABLE INCENTIVES

The annual bonus is determined by reference to the development of a target indicator defined for each fiscal year. Trade net working capital (total of inventories and trade receivables less trade payables) was set as the assessment base for the annual bonus for all members of the Managing Board. At the beginning of each fiscal year, the Managing Board and the Supervisory Board agree on the target to be reached as well as the maximum and minimum thresholds for trade net working capital as a percentage of sales as a basis for determining the annual bonus. If the target is achieved in full, 100% of the amount contractually agreed with each member of the Managing Board is paid out. The maximum amount of 150% of the target annual bonus is paid out if a specified threshold set below the annual target is reached. No annual bonus is paid if a specified threshold set above the annual target is reached or exceeded. The annual bonus is payable within a week of the Supervisory Board approving the consolidated financial statements for the fiscal year in question.

LONG-TERM VARIABLE INCENTIVES

The multiple-year bonus is assessed over a period extending over several years and is measured by reference to the development of quantitative targets over a three-year period. The quantitative targets are oriented towards increasing the enterprise value and are tied to the development of the indicators sales and EBITDA before special items over a period of three years. The amount of variable compensation for a fiscal year depends on the degree to which a predefined target sales and target EBITDA before special items are achieved over a period of several years. For the multiple-year period, targets as well as maximum and minimum thresholds are defined for both earnings indicators for each of the three fiscal years. The degree of target achievement is determined separately for each of the three fiscal years. The payout is determined based on the weighted average annual target achievement for the three fiscal years. If the target is achieved in full, 100% of the amount contractually agreed with each member of the Managing Board is paid out. The maximum amount of
150% of the target multiple-year bonus is paid out if a specified maximum threshold is reached or exceeded. No multiple-year bonus is paid out if the indicators reach or drop below a specified minimum threshold.

Installments for the expected target multiple-year bonus are paid within a week of the Supervisory Board approving the consolidated financial statements for the first fiscal year of the three-year period. The actual target realization for the multiple-year bonus is determined at the end of the third fiscal year. If the amount of the multiple-year bonus determined based on actual target realization exceeds the installment amounts, the member of the Managing Board in question receives the difference within a week of the consolidated financial statements for the third fiscal year being approved. If the installment amounts exceed the amount of the vested multiple-year bonus, the member of the Managing Board in question repays the difference to HUGO BOSS AG within a week of the consolidated financial statements for the third fiscal year being approved.

TOTAL COMPENSATION AND AMOUNTS PAID OUT IN THE REPORTING YEAR

Total compensation of the Managing Board in fiscal year 2013 came to EUR 5,211 thousand (2012: EUR 7,053 thousand). Of this amount, EUR 3,466 thousand was attributable to fixed salary components including fringe benefits (2012: EUR 3,303 thousand), which were paid out in full in the reporting year 2013. An amount of EUR 855 thousand (2012: EUR 0 thousand) is attributable to the annual bonus agreed for fiscal year 2013; this will be paid in fiscal year 2014 within a week of the Supervisory Board approving the consolidated financial statements for 2013.

In addition, the compensation for fiscal year 2013 contains an amount of EUR 890 thousand (2012: EUR 3,750 thousand) that is related to the multiple-year bonus for 2010–2012 determined based on actual target realization and constitutes the difference between the amount of EUR 4,640 thousand paid out in 2013 and the amount of EUR 3,750 thousand proportionately provided for in prior years.

In fiscal year 2013, the Managing Board did not receive any advance installments of the multiple-year bonus for 2013–2015.

SHARE-BASED PAYMENTS

Active members of the Managing Board do not hold any participation rights from the tranches of the stock appreciation rights program issued in the fiscal years 2001 to 2009.

BENEFITS IN THE EVENT OF TERMINATION OF EMPLOYMENT

In the event of early termination, the service agreements include provisions that comply with the recommendations of the German Corporate Governance Code, with the exception of the deviation stated in the declaration of compliance of December 2013. The service agreements do not stipulate any provisions in the event of regular termination, with the exception of the provisions governing pensions.
The Company has entered into pension obligations for members of the Managing Board. The post-employments benefits are based on the years of service and the basic salary.

| 03|42 PENSION EXPENSES (in EUR thousand) | 2013 | 2012 |
|----------------------------------------|------|------|
| Service Costs (IFRS)                   | 1,638| 1,793|
| Present value provision (IFRS) after offsetting of the plan assets | 4,432| 3,897|
| Expenses of earned pension commitments (HGB) | 3,908| 2,259|
| Present value provision (HGB) after offsetting of the plan assets | 411 | 1,386 |

**OTHER DISCLOSURES**

In 2013, former members of the Managing Board and their surviving dependents received total compensation of EUR 3,967 thousand (2012: EUR 15,226 thousand). This contains payments of EUR 3,774 thousand to former members of the Managing Board in connection with post-employment benefits and the exercise of outstanding participation rights from the stock appreciation rights program (2012: EUR 15,035 thousand). Through the sale of the purchase option obtained to hedge against the participation rights there is no additional cash outflow for the Group.

**COMPENSATION OF THE SUPERVISORY BOARD**

The compensation of the members of the Supervisory Board set by the Annual Shareholders’ Meeting is governed by Art. 12 of Articles of Association of HUGO BOSS AG. The compensation is based on the company size and the scope of work of Supervisory Board members. Compensation of supervisory board members is split into fixed and variable components. The variable component is measured based on the amount of earnings per share in the consolidated financial statements. The position of chairman of the Supervisory Board and that of the deputy chairman are taken into account in the calculation of the compensation. The fixed and variable compensation is paid out after the end of the Annual Shareholders' Meeting that decides on the exoneration of the Supervisory Board for the fiscal year in question. Members of the Supervisory Board, who have been members of the Supervisory Board or a committee for part of the fiscal year are paid compensation proportionately to the duration of their office. Members of the Supervisory Board are reimbursed expenses incurred in connection with the performance of their duties. Any VAT is reimbursed by the Company if the members of the Supervisory Board have been authorized to provide the Company with a separate invoice for VAT, and exercise this right. The Supervisory Board received compensation for its activities in 2012 amounting to EUR 2,058 thousand. For fiscal year 2013, total compensation is expected to come to EUR 2,163 thousand. This figure includes a provision for the variable component of EUR 1,408 thousand (2012: EUR 1,259 thousand), which is calculated on the basis of the expected earnings per share in the consolidated financial statements.