CORPORATE GOVERNANCE REPORT

PURSUANT TO SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE

HUGO BOSS has always been convinced that good and transparent corporate governance that adheres to German and international standards constitutes a significant determinant of the Company’s success in the long term. Good corporate governance is therefore a matter of course and a benchmark that is set for all activities of the Company and the Group. The Managing Board and Supervisory Board consider themselves duty-bound to secure the continuation of the Company as a going concern and sustainable value added through responsible corporate governance that is geared to the long term. HUGO BOSS wants to justify the trust placed in it by investors, financial markets, business partners, employees, and the public, and continue to enhance the Group’s corporate governance.

In fiscal year 2013, the Managing Board and the Supervisory Board dealt in detail with compliance with the requirements of the German Corporate Governance Code (GCGC). As a consequence, it was possible to issue the declaration of compliance dated December 2013, which is included at the end of this report and published on the website of HUGO BOSS AG together with past declarations of compliance. Apart from the exceptions discussed below, HUGO BOSS AG complies with the recommendations of the Code as amended June 15, 2012 – and, since its entering into effect, in the version dated May 13, 2013 – published in the Bundesanzeiger [German Federal Gazette] on June 10, 2013. Details are contained in the following report by the Managing Board and Supervisory Board.

COOPERATION, COMPOSITION AND ACTIVITIES OF THE MANAGING BOARD AND SUPERVISORY BOARD

The Managing Board and Supervisory Board cooperate closely for the benefit of the Company. Their shared objective is to increase the enterprise value in the long term. The Managing Board regularly informs the Supervisory Board in a timely manner and in detail on issues of importance for the Company concerning strategy, planning, the development of business, the risk position, risk management and compliance. 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.

HUGO BOSS has long required the independence of members of the Supervisory Board as emphasized by the German Corporate Governance Code. The members of the Supervisory Board of HUGO BOSS have the knowledge, skills, and professional experience necessary for the respective committees. None of the current members of the supervisory board member had previously held a Managing Board position within the Company. There were also no advisory or other service agreements in place between members of the Supervisory Board and the Company in the reporting year.
In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has also set specific targets for its composition and for the composition of the Managing Board, details of which were already provided in the Corporate Governance Report for 2011. No changes have been made to these targets. The Supervisory Board should have two non-German members, none of the members are permitted to have potential conflicts of interest and none of the Supervisory Board members can be older than 69 years of age when they are elected (one deviation in the past from this rule was justified upon election). As regards diversity, the aim is still to have at least two women on the Supervisory Board after the scheduled elections in 2015 (it currently has one). In addition, the Supervisory Board has set itself a specific target as regards the number of “independent” members of the Supervisory Board within the meaning of the German Corporate Governance Code. Accordingly, of the twelve members of the Supervisory Board, at least eight members, including the six employee representatives, will have to be independent in future. In view of the fact that HUGO BOSS AG is a majority owned company, the Supervisory Board considers this figure and the corresponding number of independent employer representatives (two) to be appropriate.

The German Corporate Governance Code also prescribes that the Managing Board is committed to diversity when filling management positions in the Company and specifically that women are given appropriate consideration. The Managing Board is committed to this objective. It had already paid attention in the past to diversity in the composition of employees and an adequate proportion of women and will continue to do so in the future.

When making decisions and in performing their duties for HUGO BOSS, members of the Managing Board and Supervisory Board are not permitted to pursue their personal interests or grant other persons unjustified advantages. In fiscal year 2013, there were no conflicts of interest of members of the Managing Board or Supervisory Board. The offices of the Managing Board and Supervisory Board are listed in the notes to the financial statements under “Supervisory Board and Management Board”. The offices held by the Managing Board and Supervisory Board members in statutory supervisory boards or comparable oversight committees of commercial organizations in Germany and abroad are presented on page 254. No member of the Managing Board sits on more than three supervisory boards of listed companies that are not members of the Group. The same applies to members of the Supervisory Board, who sit on the management boards of other listed companies. Related party disclosures are provided in the notes to the consolidated financial statements on page 222 et seq.

**RISK MANAGEMENT AND RISK CONTROLLING**

Responsible handling of risks by the Company constitutes a key element of good corporate governance. The systematic risk management anchored in value-based Group management permits the Company to identify and assess risks at an early stage and to optimize risk positions using appropriate measures. Ensuring appropriate risk management and controlling
in the Company is a key task. The Audit Committee set up by the Supervisory Board regularly deals with the financial reporting processes, the effectiveness of the systems of internal control, risk management and internal audit, partly in consultation with the external auditors. The systems in place are continually enhanced and adapted to changing circumstances. By their nature, however, they cannot provide complete protection from losses resulting from business transactions or fraud. More information on the topic of systems of internal control, risk management and internal audit are provided in the “Risk report” section on page 112 et seq.

**FINANCIAL REPORTING AND AUDIT OF THE FINANCIAL STATEMENTS**

Since fiscal year 2001, the financial reporting of HUGO BOSS AG has been prepared in accordance with International Financial Reporting Standards (IFRSs). The Audit Committee set up by the Supervisory Board regularly deals with oversight of the financial reporting process and the audit of the financial statements. It was agreed for the reporting year with the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, that the chairman of the Audit Committee would be informed without delay of any grounds for disqualification or factors affecting impartiality that arise during the audit, unless they are remedied immediately. The external auditors are also obliged to report on any findings or events arising during the performance of the audit which are of importance to the duties of the Supervisory Board. It was also agreed that the external auditor would inform the Supervisory Board and indicate in its audit report if findings are made during the audit that are in contravention of the declaration of compliance made by the Managing Board and Supervisory Board pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act]. The Supervisory Board also obtained a declaration of independence from the external auditor in accordance with No. 7.2.1 of the German Corporate Governance Code and verified the independence of the external auditor; the declaration also encompassed the engagement of the external auditor for non-audit services.

**CORPORATE COMPLIANCE**

HUGO BOSS AG and the companies of the Group operate in different countries and regions, and, accordingly, different legal environments. At HUGO BOSS, corporate compliance in the sense of measures designed to ensure compliance of the Group and its companies with laws and regulations issued by public authorities, internal corporate guidelines and codes of conduct that the Group is committed to observing, is a key task of management. This includes antitrust and anti-corruption regulations. HUGO BOSS AG expects legally unobjectionable conduct from all employees in their daily work.
A compliance department that reports directly to the chief financial officer as chief compliance officer supports the Managing Board’s monitoring of an effective compliance management. The central compliance office and compliance officers in the Group companies ensure that the compliance program is implemented throughout the Group and that it has been continually enhanced since its introduction. The Audit Committee is regularly informed about the compliance office’s activities.

To ensure the legally unobjectionable conduct of employees and to establish a corresponding basis, HUGO BOSS has summarized principles of conduct applicable throughout the Group in a code of conduct and more in-depth corporate guidelines. The code of conduct and the corporate guidelines mainly focus on rules on conduct in competition, on avoiding conflicts of interest, on the appropriate handling of company information, on ensuring fair and respectful working conditions and on anti-corruption. HUGO BOSS does not tolerate conscious misconduct and persistent infringements of the code of conduct.

Employees are continually familiarized with the rules of the code of conduct and the corporate guidelines and thus sensitized to the observance of compliance rules. To this end, HUGO BOSS holds classroom training and has also set up a worldwide e-learning program that the employees concerned have to complete regularly. The e-learning program is being rolled out to all subsidiaries of HUGO BOSS.

Employees can obtain advice on issues concerning the correct conduct of employees from their supervisors and the compliance officer. As a supplementary reporting channel, HUGO BOSS also established a global ombudsman system. Employees, but also third parties (suppliers, customers), can confidentially notify an ombudsman if there are indications of fraud, infringements of antitrust law or breaches of compliance guidelines. If desired, it also possible to remain anonymous.

**CAPITAL MARKET COMMUNICATION**

In order to ensure utmost transparency and thereby strengthen the confidence of shareholders and investors as well as of the interested public, HUGO BOSS reports regularly and in a timely manner on the business development of the Company and on key strategic and operative initiatives. As part of investor relations activities, regular exchange with institutional investors, financial analysts and private shareholders must be ensured. Apart from an annual press briefing and an analysts conference on the annual results, conference calls are held with financial analysts when the first quarter, first half year and the nine months reports are published. At the annual Investor Day, the Group’s strategy and relevant developments are discussed in detail. Especially for private investors, the Annual Shareholders’ Meeting is an important and effective forum for obtaining comprehensive information on the development of the Company.
All key information and publications can be accessed on the Company’s website at group.hugoboss.com. Also posted on the website is the financial calendar, which provides an overview of the most important dates. This is always kept up to date and is also included in the annual and quarterly reports. Information on current developments and all press releases and ad hoc reports are also published on the website. As required by law, ad hoc reports within the meaning of Sec. 15 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] are published immediately by HUGO BOSS and can be accessed at the website’s “Investor relations” section under “News and releases”. In accordance with the principle of fair disclosure, this ensures that all shareholders and key target groups are treated equally and that new information is generally available to all shareholders and the interested public at the same time. Interested parties can also subscribe to an electronic newsletter to receive up-to-date information on news within the Group.

**PUBLICATIONS WITHIN THE MEANING OF SEC. 15a WpHG**

Translations conducted by parties within the meaning of Sec. 15a WpHG with shares of HUGO BOSS AG were published accordingly on the Company’s website.

The combined number of HUGO BOSS AG shares held by all members of the Managing Board and Supervisory Board as of December 31, 2013 account for less than 1% of the shares issued by the Company.

**COMPENSATION OF THE MANAGING BOARD AND SUPERVISORY BOARD**

The compensation report summarizes the principles underlying the total compensation of the members of the Managing Board and Supervisory Board of HUGO BOSS AG and explains the structure and amount of compensation paid to members of the Managing Board. In addition, it describes principles and the amount of compensation of the Supervisory Board members. The compensation report is part of the management report. [Compensation Report]

**CORPORATE GOVERNANCE STATEMENT**

The corporate governance statement (in accordance with Sec. 289a HGB ["Handelsgesetzbuch": German Commercial Code]) contains the declaration of compliance, disclosures relating to corporate governance practices and a description of the way the Managing Board and Supervisory work. It can be accessed at [group.hugoboss.com/Investor Relations/Corporate Governance]
DECLARATION OF COMPLIANCE

In accordance with Sec. 161 (1) Sentence 1 AktG the Managing Board and Supervisory Board of HUGO BOSS AG have to issue an annual declaration of compliance stating whether the recommendations of the government commission for the German Corporate Governance Code as published in the Bundesanzeiger [German Federal Gazette] were complied with and whether they will be complied with in the future. The recommendations that were not complied or will not be complied with in the future also have to be indicated stating the reason for non-compliance. The German Corporate Governance Code as most recently revised on May 13, 2013 was published in the Bundesanzeiger on June 10, 2013. Accordingly, the Managing Board and Supervisory Board issued the following declaration of compliance in December 2013:

“Declaration of compliance

DECLARATION OF THE MANAGING BOARD AND SUPERVISORY BOARD
OF HUGO BOSS AG PURSUANT TO SECTION 161 AKTG
(GERMAN STOCK CORPORATION ACT)

HUGO BOSS AG, Metzingen, Securities ID A1PHFF

The Managing Board and Supervisory Board of HUGO BOSS AG herewith declare pursuant to section 161 para. 1 sentence 1 AktG (German Stock Corporation Act) that since the Compliance Declaration of December 2012 the recommendations of the Government Commission “German Corporate Governance Code” initially as amended on May 15, 2012 – officially published in the Federal Gazette on June 15, 2012 – and since its effectiveness in the version as amended on May 13, 2013 – officially published in the Federal Gazette on June 10, 2013 – have been and are complied with except for:

• Deviating from the recommendation in section 3.8 sentence 5 GCGC, the D&O- (Directors’ & Officers’) -insurance for members of the Supervisory Board does not contain a deductible. HUGO BOSS AG covers the D&O-risk via an appropriate liability insurance in which also members of the Supervisory Board are included. The members of the Supervisory Board hold their offices responsibly and in the interest of the Company. HUGO BOSS AG is of the opinion that a deductible is no appropriate means for further improving the sense of responsibility. Further, the introduction of a deductible would not lead to a significant reduction of premium payments.

• Deviating from the recommendation in section 4.2.2 sentence 6 GCGC the total compensation of the members of the Managing Board complies with the statutory criteria without specifically taking into consideration the compensation of senior management and the staff overall, particularly in terms of its development over time because the Supervisory Board is of the opinion that the statutory criteria, namely the appropriateness of the tasks and the performances, the situation of the Company and the common level of compensation in the industry, are more important.
• Deviating from the recommendation in section 4.2.3 sentence 7 GCGC a cap is indeed specified regarding the total compensation of the members of the Managing Board. Insofar as section 4.2.3 sentence 7 DCGK must be understood in a sense that it also requires an explicit cap for variable compensation components, HUGO BOSS AG deviates from the recommendation, as it does not comply with this formality. However, materially also a cap for the variable compensation components exists because it can be calculated by deducting the fixed compensation component from the cap of the total compensation.

• Deviating from the recommendation in section 4.2.3 sentence 13 GCGC, the calculation of the severance pay cap was based on the total compensation of the past full financial year or, if the member of the Managing Board has already served on the board for two full financial years, on the average of the past two full financial years because the Supervisory Board was of the opinion that this constituted a broader and therefore better basis for assessment. The new service agreement for a member of the management board effective as of August 1, 2013, provides for a severance pay cap calculated in line with the GCGC, thus HUGO BOSS AG does not deviate from section 4.2.3 sentence 13 GCGC from this time on.

• Deviating from section 5.4.6 sentence 4 GCGC the compensation for members of the Supervisory Board based on the success is not oriented toward sustainable growth. The compensation for members of the Supervisory Board was resolved by the general assembly of the shareholders, the compensation based on the success is contained in section 12 para. 2 of the articles of association of HUGO BOSS AG and in the opinion of HUGO BOSS AG appropriate.

• Deviating from section 5.4.6 sentence 7 GCGC the compensation of the members of the Supervisory Board is not reported individually in the notes nor in the management report. Also, payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services, are not listed on an individual basis. The compensation paid to the members of the Supervisory Board is demonstrated in total in the notes. In the view of HUGO BOSS AG, individual reporting of compensation does not provide information relevant to the capital market.

Metzingen, December 2013”