SUSTAINABILITY

HUGO BOSS acts responsibly. The Group faces up to the challenges that this principle entails both operatively and strategically. The principle of excellence that has its origins in the Company’s self-imposed product-related standards also drives the Company’s actions along the entire value added chain – beginning with development and production processes, continuing through to sourcing and human resources management and ending with social commitment.

With its products, HUGO BOSS wishes to inspire people worldwide to express their individual lifestyle and fully live out their success potential. On their part, customers expect excellent products that also take into account the aspect of sustainability as a permanent element of all processes. By acting responsibly and thinking in the long term, the Group creates added value – for customers, shareholders, business partners, employees and the society as a whole. Sustainability is thus a permanent part of HUGO BOSS’ mission statement, its strategy and its business processes.

In fiscal year 2013, sustainability objectives at HUGO BOSS were derived from the principle “we act responsibly” and existing fields of action were specified and extended. These fields of action form the strategic framework for activities targeted to address the challenges and the expectations of its global stakeholders and to translate them into responsible actions.

02|22 SUSTAINABLE ACTIVITIES

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The fields of action were specified as part of a materiality analysis. They define the central sustainability challenges for HUGO BOSS and, together with the reporting standard of the Global Reporting Initiative (GRI), form the basis for future reporting on sustainability achievements and objectives of the Group.
The Group aims to improve in all fields of action and has set itself ambitious goals in accordance with the priorities derived from the materiality analysis. As a means of measuring the Group’s progress and the degree of implementation of these objectives, HUGO BOSS is working towards inclusion in the Dow Jones Sustainability Index in the medium term.

As part of its sustainability management, HUGO BOSS maintains continuous dialogue with its stakeholders. The Company sees stakeholders’ diverse expectations and demands as an opportunity to create value for all concerned. In 2014, HUGO BOSS will intensify ongoing dialog with scientific institutions, in cross-industry initiatives and in its cooperation with non-government organizations. This also includes the extended reporting on own activities.

The propagation of the concept of sustainability similarly is given high priority within the organization. For this reason, management is planning to establish the Company’s objectives set out in the fields of action of environment, employees, partners, product and social responsibility in executives’ individual target agreements as of the coming year.

Environmental and climate protection is given high priority at HUGO BOSS. Against this backdrop, the environmental footprint is to be reduced over the entire value chain – from sourcing of raw materials through to the development and manufacturing of products and on to transportation and retail. HUGO BOSS pursues the aim of significantly reducing its specific CO2 emissions (Scope 1 and 2 Greenhouse Gas Protocol) in relation to sales by 2020. The Group is taking a wide range of measures to this end.

For example, the administrative buildings of HUGO BOSS AG already obtain 84 percent of their energy from renewable sources. HUGO BOSS Ticino (Switzerland) has been supplied with electricity stemming completely from renewable sources already since 2010. Energy management to ISO 50001 introduced for HUGO BOSS’ administrative buildings in 2012 was successfully re-audited in 2013. HUGO BOSS has set itself the objective of continually improving building efficiency. The Group aims to attain recognized sustainability certificates for all newly built operating properties. An important milestone in this respect was reached in 2013. The German Sustainable Building Council (DGNB) awarded the new administrative building in Metzingen with its “Gold” certificate as one of the three most sustainable new office and administrative buildings in Germany. HUGO BOSS seeks to obtain “Gold” certification for the new flat-packed goods distribution center in Filderstadt as well.

Furthermore, the Group has taken measures to reduce the volume of CO2 emissions from logistics and distribution processes (Scope 3). Changes in global transport routes have already brought about a significant reduction in this context.
Similarly, the environmental compatibility of the packaging used was subject to critical analysis. As a consequence, the Company will switch over to using a type of environmentally friendly recycled paper (post consumer recycled) for all paper carrier bags of the BOSS core brand in 2014, which means they meet the strictest ecological standards.

HUGO BOSS’ corporate vision – inspiring people to live out their success potential – is the principle for how the Company treats its employees.

HUGO BOSS’ code of conduct forms the basis for cooperation within the Company and with external partners. It is binding for all employees. Among other things, the code puts into words the general demands placed on conduct in business activities, contains regulations on avoiding conflicts of interest, governs the topics of data protection, health and industrial safety and forbids corruption and bribery. Within the framework of these regulations, executives are responsible for creating, together with employees, a culture characterized by the corporate values of quality, passion, respect, cooperation and innovation.

Various projects contribute to translating HUGO BOSS’ corporate values into concrete action. For example the INNOVATION initiative offers employees the opportunity to contribute their own ideas for improving aspects of corporate culture and existing processes and services. The proposals are assessed by a specialist committee applying transparent criteria and awards are presented if the ideas are implemented. By doing so, HUGO BOSS promotes an appreciative and constructive dialog with employees over all levels of the hierarchy. Furthermore, the EVOLUTION project makes it possible for employees to contribute to improving and accelerating processes within the Company. Borne by the pillars of participation and personal responsibility on the part of employees, this initiative boosts the flexibility and efficiency of the Company and promotes sparing use of resources.

Diversity is brought to life at HUGO BOSS as a Company with international operations and an international culture. For the Group, this means recognizing the diversity of society and safeguarding equal opportunities for all employees in the Company – irrespective of nationality, gender, religious and political opinion, sexual orientation, age or any disability. Diversity therefore enriches the corporate culture and is a clear success factor in international competition. The Company has further underlined the importance attached to diversity by its becoming a signatory to the “Charter of Diversity”.

A wide range of training and further education possibilities provide support to employees and executives in their personal further development. With a wide range of sport and health offers and a program to improve the compatibility of career and family, HUGO BOSS supports its employees in achieving a healthy work-life balance.
Social compliance and environmental protection are the focal points of commitment to sustainability in the global supply chain of HUGO BOSS. Ensuring compliance with human rights and environmental standards especially in emerging markets is of central importance to the Company.

Accordingly, HUGO BOSS subjects itself and its suppliers to the obligation to comply with internationally recognized labor and social standards following the conventions of the International Labour Organization (ILO) and the Universal Declaration of Human Rights of the United Nations. The resulting social standards are a fixed component of contracts with suppliers. Before the Company enters into ongoing business relationships with new suppliers, they are always audited with regard to compliance with social standards. The social standards govern the following points: compliance with local law, prohibition of child labor, prohibition of forced labor, maximum working hours, humane working conditions, prohibition of discrimination, payment of fair wages, healthy and safe working conditions, freedom of association and collective wage bargaining and conscientious use of the environment. If there are deficiencies in local legislation where, for example, working hours and reasonable wages are not specified, HUGO BOSS’ social standards become the minimum standard.

Contract manufacturers and suppliers of merchandise that generate a relevant level of sales with HUGO BOSS are reviewed worldwide in regular audits. These audits are performed both by the Company’s own auditors and by external, experienced service partners. These audits ensure compliance with social standards and serve to assist the efforts of HUGO BOSS’ suppliers to make improvements in the field of social management.

The audit findings are included in a bi-annual supplier evaluation. If infringements of the social standards or legal regulations are identified, a binding package of measures is agreed with the supplier and a repeat check of implementation scheduled. In exceptional cases, such as repeated warnings without improvements being initiated or serious breaches of the social standards, HUGO BOSS retains the right to terminate cooperation. In principle, however, the Company places an emphasis on mutually defined, ongoing improvement measures as part of supplier development within the scope of long-term partnerships.

HUGO BOSS’ social standards oblige suppliers to comply with local and national environmental legislation and to establish a conscientious mindset at their sites that seeks to continually improve the environmental footprint. In doing so, HUGO BOSS provides advice to its partners wherever possible in order to ensure an ongoing knowledge transfer.

In order to have even more influence on compliance with good working and social conditions, the Group is striving towards having HUGO BOSS’ social standards introduced into the transparent and universally binding standard of a social compliance initiative and jointly working towards compliance with it in HUGO BOSS’ global supply chain. For this reason, HUGO BOSS is planning to sign up to such an initiative in the course of 2014.
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. For its collections, the Group uses exclusively materials that meet high quality standards and it ensures that HUGO BOSS products do not pose a health risk.

Correspondingly, HUGO BOSS obliges its suppliers to sign a guarantee declaration on compliance with the Restricted Substances List (RSL). The RSL stipulates that the materials used must comply with the respective national legislation and the Group’s internal guidelines, which are often more stringent than legal minimum standards, and must not pose a health risk either in the production process or to the consumer. HUGO BOSS supports such preventive measures with active tests for hazardous products performed in accredited laboratories which ensure the safety and quality of the products over the long term.

Likewise, HUGO BOSS attaches great importance to avoiding health hazards in the production companies. In this respect, the Group abstains from a procedure known as sandblasting. This procedure refers to the use of sand jets as a method of refining denim products to achieve a “used” look. Using quartz sand for this method without sufficient protective measures can lead to serious damage to employees’ health. The Group does not use any other sandblasting technology and therefore does not employ any other blasting agents.

Animal welfare and protection of biodiversity are similarly central principles of HUGO BOSS’ product responsibility. The Company respects wildlife conservation and thereby supports diversity of species. Any animal testing as well as animal breeding and rearing methods that are not appropriate for the species in question are consequentially rejected. Fur products only account for a very small share of the overall collection. If applied, fur is mostly used for appliqués and trimming on collars, hoods and sleeves.

In addition, HUGO BOSS has been in dialogue with several animal and consumer protection organizations for many years. As a result, the Company has decided, for example, to divert the sourcing of merino wool to sources able to prove that mulesing, which is a painful treatment for sheep, is not being applied.

HUGO BOSS is aware that its success as a company also depends on an intact society. The Company’s economic strength empowers and obliges it to support society and work towards improvements. Corporate social responsibility is therefore a matter of course for HUGO BOSS.

The framework for corporate social responsibility is likewise set by HUGO BOSS’ code of conduct. It prohibits donations to political parties and its representatives and to organizations such as trade unions, consumer rights groups and environmental protection groups, with which conflicts of interests might arise. Furthermore, the code provides for specific criteria for HUGO BOSS’ charitable donations.
In line with its vision of inspiring people to success, the Group has aligned its corporate social responsibility to helping disadvantaged children lead a better life particularly by granting them access to education. To this end, the Group works together with selected child welfare organizations. For example, UNICEF and HUGO BOSS have been partners for quite some time. For many years now, the Company has been successfully supporting the UNICEF initiative “Schools for Africa” and additionally provides aid in crises, when assistance is needed at short notice. This was the case, for example, in 2013 within the scope of an emergency relief action for the victims of the typhoon in the Philippines. At a national level, HUGO BOSS champions children and young people and since 2011 has supported the Off Road Kids foundation as a permanent sponsor. This is an organization providing relief to street children throughout Germany.

Furthermore, HUGO BOSS and its employees at the headquarters are firmly embedded in the community in Metzingen. For example, the Company has joined forces with the works council in numerous regional charitable works and supported medical, societal and charitable organizations. Additionally, the Company has for many years worked closely with the children’s cancer ward in Tübingen, which it supports with unwavering commitment by giving donations in cash and kind.