CHAPTER 2 COMBINED MANAGEMENT REPORT

The chapter "Legal Disclosures" (pp. 191–194) is also part of the Combined Management Report.

BUSINESS ACTIVITIES AND GROUP STRUCTURE

New 2025 growth strategy "CLAIM 5" presented

Modern brand image to increase relevance of BOSS and HUGO

Expansion of omni-channel activities to ensure seamless brand experience

Business activity

HUGO BOSS AT A GLANCE

2.8
Sales (billion EUR)

~14,000
Employees

128
Countries

HUGO BOSS, a **global fashion and lifestyle company** positioned in the premium segment, is one of the leaders in offering high-quality women's and men's apparel. The Company pursues a portfolio strategy, currently consisting of two strong brands – **BOSS** and **HUGO**. While both brands are clearly distinguished by their individual attributes, they share the same high standards in terms of quality, innovation, and sustainability. The Company's "CLAIM 5" growth strategy, introduced in August 2021, aims to achieve the Company's vision and ambition of establishing HUGO BOSS as the leading premium tech-driven fashion platform worldwide and becoming one of the top 100 global brands. In 2021, the Company, based in Metzingen (Germany), employed approximately 14,000 people worldwide. > Group Strategy

PORTFOLIO STRATEGY OF HUGO BOSS

With the **BOSS** brand, the Company addresses customers in the premium segment who lead a self-determined life, show a clear attitude, and pursue ambitions with determination, embodying the motto – **"Be your own BOSS"**. As a 24/7 lifestyle brand, BOSS offers customers the perfect outfit for every occasion – from business to leisure – with casualness and comfort being key attributes. Brand lines such as BOSS Black, BOSS Orange, BOSS Green, and BOSS Camel are further strengthening the brand. In addition, the expansion of the casualwear range is primarily intended to appeal to new, younger customers, with a strong focus on further blurring the lines between casualwear and formalwear.

HUGO, on the other hand, targets customers who consider their way of dressing as an expression of their individual personality and who see themselves as trendsetters – clearly representing the motto **"HUGO your own way"**. As the first point of contact for younger customers, HUGO offers a broad range of trendy and modern products that reflect the brand's authentic and unconventional style. In doing so, HUGO will keep its finger on the pulse in the future and exploit its full potential with a strong focus on relevant product groups, including denim, jersey, bodywear, and outerwear. > Group Strategy, "Product is King"

In addition to a broad range of best-selling products and the **four annual BOSS and HUGO collections**, inspiring capsule collections and exceptional collaborations with well-known brands and personalities increase the relevance of BOSS and HUGO. By doing so, the Company aims to appeal primarily to a younger audience, above all Millennials and Gen Z, which is of particular relevance for the consumer goods industry. In this context, HUGO BOSS is pursuing two clearly distinguished **marketing strategies**, with particular focus on social media. > Group Strategy, "Boost Brands"

Design and development of the brand's collections is mainly carried out at the Group's headquarter in Metzingen (Germany). The **development centers** in Coldrerio (Switzerland) and Morrovalle (Italy) are responsible for certain product groups. In addition, HUGO BOSS has granted **licenses** for the development and distribution of products such as fragrances, eyewear, watches, and children's fashion. > Research and Development

HUGO BOSS currently produces 17% of its total sourcing volume at its own facilities. The Company's **own production** occurs at five production sites in Europe, with Izmir (Turkey) being by far the largest. Over there, HUGO BOSS intends to significantly expand its capacities in the coming years as part of "CLAIM 5", with an additional focus on the production of casualwear products. 83% of the sourcing volume is currently sourced from **external contract suppliers** or procured as merchandise. Partner operations are mainly located in Asia and Europe. > Sourcing and Production

For HUGO BOSS, **sustainable business activities** mean guaranteeing the high quality and durability of its products at all times, while at the same time ensuring that they are produced in a socially and environmentally responsible manner. The Company's ambitious sustainability targets are thus an integral part of its business operations and are firmly anchored in its "CLAIM 5" strategy. With its clear commitment to sustainability, the Company puts consumers and their increased expectations with regard to sustainability at the core of all activities. > Sustainability

BOSS and HUGO collections can be purchased in a total of **128 countries**. The Group divides its distribution activities into **three sales regions**, with Europe representing the largest region in terms of sales with a share of 63% in 2021. The Americas and Asia generated 20% and 15% of Group sales, respectively. The licensing business accounted for 3% of Group sales. > Earnings Development, Sales and Earnings Development of the Business Segments

HUGO BOSS DISTRIBUTION CHANNELS

Brick-and-mortar retail	Brick-and-mortar wholesale	Digital
Freestanding stores Freestanding stores operated by the Group in prime locations	**Multi-brand points of sale** General selling space in multi-brand stores	**Online store hugoboss.com** Digital flagship store with seperate brand environments for BOSS and HUGO
Shop-in-shops Shops operated by the Group on retail space of partners	**Shop-in-shops** BOSS and HUGO shops operated by partners	**Partnerships with pure online retailers** Distribution via digital pure players and leading marketplaces
Factory outlets Sale of prior season´s merchandise in specialist stores in high-traffic peripheral zones	**Franchise business** Freestanding BOSS and HUGO stores operated by partners	**Online distribution via bricks & clicks** Distribution via partners running both physical and digital businesses

To leverage brand power across all points of sale, HUGO BOSS will further optimize its distribution structure as part of "CLAIM 5". In particular, the Company aims to significantly expand its **omnichannel activities** in the coming years with the goal of ensuring a **seamless brand experience across all consumer touchpoints**. The distribution of BOSS and HUGO will thus continue to be carried out via the three distribution formats of brick-and-mortar retail, brick-and-mortar wholesale, and digital.

In 2021, the **brick-and-mortar retail business** continued to account for 54% of Group sales (2020: 54%). At year-end, HUGO BOSS operated **451 freestanding retail stores** globally (2020: 445). In order to fully exploit the potential of its brick-and-mortar retail business, the Group aims to significantly increase the productivity of its stores. In this context, around 80% of the Company's own stores will be modernized or further optimized within the next three years. In addition, HUGO BOSS operates outlets as well as self-managed shop-in-shops in department stores as part of the concession model. In total, HUGO BOSS operates **1,228 own brick-and-mortar points of sale** (2020: 1,157). Already today, the brick-and-mortar retail business is closely linked to the Group's own online business through a variety of omnichannel services.

The **brick-and-mortar wholesale business** accounted for 23% of Group sales in the past fiscal year (2020:24%). The Group's wholesale partners include department stores, specialist retailers and franchise partners. While department stores and specialist retailers sell the BOSS and HUGO products either in separate shop-in-shops or in a multibrand environment, franchise partners operate freestanding stores independently primarily in smaller markets not served by the Group's own retail business. In total, the wholesale business comprises **around 5,600 brick-and-mortar points of sale**, with 250 freestanding stores managed by franchise partners (2020: around 5,700 brick-and-mortar points of sale including 243 franchise stores). Including its own freestanding retail stores, shop-in-shops, and outlets, customers can thus purchase BOSS and HUGO products at around 6,800 brick-and-mortar points of sale worldwide (2020: 6,900).

In line with its strategic claim "Lead in Digital", HUGO BOSS is also striving for a strong presence at all **digital touchpoints** – from its own online flagship hugoboss.com to online partner businesses, including digital pure players, leading marketplaces as well as bricks and clicks. While total digital sales amounted to 20% of Group sales in the past fiscal year (2020: 18%), by 2025, the Company targets to increase digital sales to a level of between 25% and 30%. In 2021, the Company also made further progress in **expanding hugoboss.com globally**. As of today, the Company's own online store is active in **59 markets** (2020: 47 markets). In the medium term, HUGO BOSS aims at enabling customers in around 120 markets to be able to purchase the entire product range via hugoboss.com. > Group Strategy, "Rebalance Omnichannel", > Earnings Development

Group structure

All key management functions are based at the Group's headquarters in Metzingen (Germany). The Group is managed by the **parent company** HUGO BOSS AG, which – as a German stock corporation – has a dual management and control structure. Consequently, the Managing Board is responsible for managing the Group and successfully executing the Group strategy. The Managing Board's activities are monitored by the Supervisory Board, which is also on hand to advise the Managing Board. In addition to HUGO BOSS AG, the Group is made up of **65 consolidated subsidiaries** that bear responsibility for their local business activities. This includes 41 subsidiaries that are organized as distribution companies as well as four production companies. > Notes to the Consolidated Financial Statements, Basis of Consolidation

HUGO BOSS is **structured by region**. The Group's business segments are Europe including the Middle East and Africa, the Americas and Asia/Pacific as well as the license business.

HUGO BOSS GROUP STRUCTURE

	Managing Board			
Central departments	Brand Management		Investor Relations	
	Controlling/Risk Management		IT	
	Corporate Strategy		Legal/Compliance	
	Facility Management		License Management	
	Finance/Tax		Logistics	
	Global Corp. Responsibility & Public Affairs		Omnichannel	
	Global Marketing/Communications		Product Creation	
	Human Resources		Sourcing/Production	
	Internal Audit			
Operating segments	**Europe** incl. Middle East and Africa	**Americas**	**Asia/Pacific**	**Licenses**
Hubs/Individual markets	Northern Europe	United States/ Canada/ Latin America	China	
	Central Europe		South East Asia/ Pacific	
	Southern Europe			
	Emerging Markets/Russia			

The functions established in the **central departments** of HUGO BOSS AG cover all significant parts of the value chain, particularly the development, production, sourcing, and distribution of the collections to the respective markets. The Group strategy "CLAIM 5" is designed and successfully implemented on a market-level in order to ensure strict customer orientation and to be able to respond dynamically to market-specific developments. The **individual markets** are grouped into hubs, with local management reporting directly to the Chief Sales Officer (CSO). In doing so, the Company ensures close alignment between individual markets and central functions as well as short decision-making processes. In addition, certain functions are pooled in the hubs and in the central departments across countries to make the most effective use of specialist skills and to generate cost benefits.

KEY LOCATIONS/GLOBAL MARKET PRESENCE

AMERICAS

~1,600
Brick-and-mortar points of sale

98
Freestanding retail stores

11% Employees

USA (New York)
Headquarters Americas

USA (Midway)
Distribution center

EUROPE

(including Middle East and Africa)

~4,650
Brick-and-mortar points of sale

206
Freestanding retail stores

75% Employees

Germany (Metzingen and surrounding area) Headquarters Group, development and pattern design, production, distribution center

Switzerland (Coldrerio)
Development and pattern design, production

Turkey (Izmir)
Production

Italy (Morrovalle)
Development and pattern design, production

Poland (Radom)
Production

ASIA/PACIFIC

~550
Brick-and-mortar points of sale

147
Freestanding retail stores

14% Employees

China (Hong Kong)
Headquarters Asia/Pacific

China (Shanghai)
Headquarters China

GROUP STRATEGY

Vision to be the leading premium tech-driven fashion platform worldwide

Strengthening BOSS and HUGO with the ambition of becoming one of the top 100 global brands

"CLAIM 5" aims to double sales to EUR 4 billion by 2025

HUGO BOSS sees considerable **business opportunities** in the rapidly changing world. The Company intends to fully exploit these opportunities in the coming years making use of its high global brand awareness, its extensive expertise in product development, its diversified and vertically integrated business model, and its global distribution network. With its two brands, BOSS and HUGO, and their wide range of premium apparel and accessories, the Company is well positioned to profit in particular from a globally **growing middle and upper class**. HUGO BOSS is focusing especially on younger customer groups, such as **Millennials** and **Gen Z**. The latter is particular relevant for the consumer goods industry, as it is estimated to make up the largest customer group in that sector by 2030. In order to meet the high demands of this customer group, the Company has set itself the goal of significantly increasing the relevance of its BOSS and HUGO brands in the coming years, on the basis of first-class products as well as a seamless brand experience worldwide across all consumer touchpoints. In this context, HUGO BOSS intends to fully exploit the great potential of digitalization, make its value chain even more efficient and flexible, and consistently focus on the important topic of sustainability.

"CLAIM 5" growth strategy

Against this backdrop, HUGO BOSS presented its **new growth strategy – "CLAIM 5" –** in August 2021, and outlined its financial targets **until 2025**. Over the coming years, HUGO BOSS intends to substantially increase its relevance among customers, strongly accelerate top-line growth, and thus significantly increase the market shares of BOSS and HUGO.

> **"It is our vision to become the leading premium tech-driven fashion platform worldwide. We will revolutionize the way in which we interact with consumers," says Daniel Grieder, CEO of HUGO BOSS. "Our ambition is to double our business to EUR 4 billion in revenues by 2025 and to become one of the top 100 global brands."**

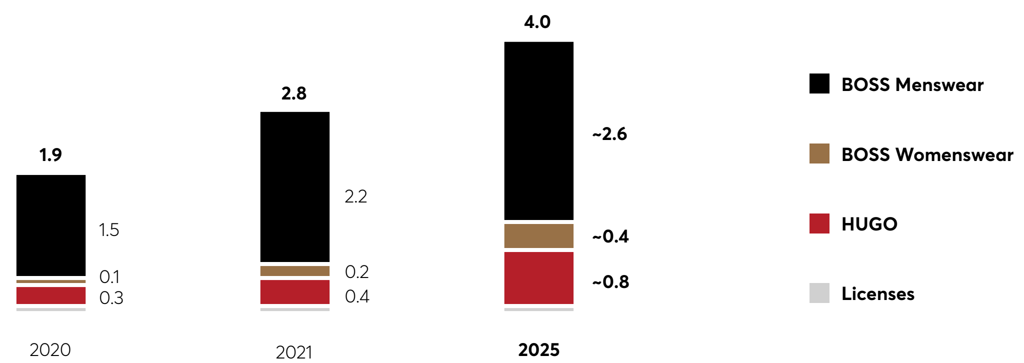
The strategy is closely linked to the Company's vision and ambition of being the **leading premium tech-driven fashion platform worldwide** and becoming one of the **top 100 global brands**. In this context, HUGO BOSS is putting the **customer** at the center of all its activities more than ever before. The Company aims at turning customers into true fans and retain their loyalty to BOSS and HUGO for as long as possible. "CLAIM 5" is based on five strategic pillars: "Boost Brands", "Product is King", "Lead in Digital", "Rebalance Omnichannel" and "Organize for Growth". It also includes a bold commitment to sustainability, together with a strong executional road map, and a strong commitment on empowering people and teams. > Employees and Teams

GROWTH STRATEGY "CLAIM 5"

CLAIM 1 – Boost Brands

In order to significantly increase the relevance and perception of its brands, the Company started to comprehensively renew the **brand image** of BOSS and HUGO in 2021 – from logos, to product and marketing up until a new design concept for the Company's digital business and brick-and-mortar retail. With the brands' Spring/Summer 2022 collections, which are available since early 2022, customers around the world are experiencing both brands with a completely new "look and feel" for the first time. Clear brand codes and design elements, among other characteristics, will make both brands even more recognizable and strengthen their younger and more confident image.

GROWTH AMBITION BY BRAND (IN BILLION EUR)



The **BOSS** brand's premium position is to be further strengthened across all wearing occasions – in both menswear and womenswear. As part of its ambition of becoming one of the top 100 global brands, **BOSS menswear** sales are expected to increase to around EUR 2.6 billion by 2025 and **BOSS womenswear** sales to around EUR400 million. This will be realized by strengthening the positioning of BOSS as a 24/7 lifestyle brand, increasing brand relevance for younger customer groups by means of a more emotional storytelling, and enhancing its significance in digital. For the **HUGO** brand, which aims to be the first point of contact for younger customers, sales are targeted to grow to around EUR 800 million by 2025. The main levers include further driving brand power, increasing brand awareness and fostering the geographical expansion, particularly in metropolitan regions. The Company's **license business**, which also includes fragrances, watches and eyewear, is expected to contribute up to EUR 200 million to sales by 2025.

As part of "CLAIM 5", HUGO BOSS has realigned its global **marketing activities** in 2021 and, in the process, has also reorganized itself. From now on, two clearly distinguished marketing strategies – with a clear focus on social media and exceptional collaborations – are to inspire customers and to exploit the full potential of BOSS and HUGO. Both brands will present themselves even bolder, more self-confident, younger, and more emotional than before. The **additional marketing investments** are expected to total more than EUR 100 million by 2025. As a result, marketing expenses are projected to amount to between 7% and 8% of Group sales going forward. The aim is to significantly increase the brand value of BOSS and HUGO in the coming years and thus make a significant contribution to the Company's vision of becoming one of the top 100 global brands. > Combined Non-Financial Statement, Brand Power

The launch of the new **global marketing campaigns** of BOSS and HUGO in early 2022 represents an important first milestone in this context. To attract new and younger customers to the brands, both campaigns follow a clear "social first" approach. The **#BeYourOwnBOSS campaign** is being showcased by a high-profile cast, including top models Kendall Jenner, Hailey Bieber and Joan Smalls, along with the two new BOSS brand ambassadors, tennis champion Matteo Berrettini and TikTok superstar Khaby Lame. The simultaneous **#HowDoYouHUGO campaign** focuses on stars such as top model Adut Akech, rappers Big Matthew and SAINt JHN, and dancer Maddie Ziegler. With a total of more than six billion views and over 300 million interactions on social media within only six days, both campaigns quickly became the most successful ones in the history of HUGO BOSS.

Already in 2021, by means of a combined offline/online event and extensive activation on social media, HUGO BOSS succeeded in significantly increasing **brand relevance**, particularly among younger target groups. As part of Milan Fashion Week, numerous stars such as models Gigi Hadid and Irina Shayk or TikToker Khaby Lame presented the second collection **developed jointly by BOSS and the American sportswear brand Russell Athletic** in a baseball stadium. The event generated huge attention worldwide, as reflected by almost four billion views and over 25 million interactions across all social media channels within just four days. Extraordinary events and collaborations like this will play a key role in attracting younger target groups and fully exploiting the great potential of both brands.

CLAIM 2 – Product is King

Products are at the very heart of HUGO BOSS' new strategy. In the coming years, the Company will strongly invest in **optimizing its price-value proposition** in order to ensure premium quality, a high level of innovation and sustainability, and to guarantee clear distinguishing features. This will particularly strengthen the positioning of **BOSS** in the premium segment. The Company has the clear ambition to establish BOSS as a **true 24/7 lifestyle brand** covering all wearing occasions. Casualness and comfort are its defining characteristics. At the same time, BOSS will also be strengthened by the introduction of the BOSS Camel line with the Fall/ Winter 2022 collection, along with the re-introduction of BOSS Black, BOSS Orange, and BOSS Green. As the **first point of contact for younger customers, HUGO** will from now on focus on a broad range of trendy and modern products that reflect the brand's authentic and unconventional style. In doing so, HUGO is striving to keep its finger on the pulse. With a strong focus on relevant product groups – including denim, jersey, bodywear, and outerwear, the brand is committed to exploiting its full potential. In addition to the **main collections** of both brands, which offer customers a wide range of basic and core products as well as a large number of seasonal and particularly fashion-conscious styles, **capsule collections** and exceptional **collaborations** will further increase the brand relevance of BOSS and HUGO in future. > Research and Development

HUGO BOSS is committed to **exploiting the full potential of casualwear** and thus also to being among the forerunners of the trend towards a more casual lifestyle. Already today, the casualwear business accounts for more than 50% of Group sales. In addition to a wide range of casualwear styles – from polo shirts, hoodies and jeans to knitwear, sweatshirts and sneakers – further expansion in this segment will also focus on further blurring the lines between casualwear and formalwear. As these two occasions have become increasingly interlinked, HUGO BOSS has been able to **seamlessly close the gap between tailoring and sportswear**. At the same time, the Company will further strengthen its important formalwear business. Tailoring is firmly anchored in the Company's DNA. Its modern interpretation and the continuing trend towards a more casual lifestyle thus represent enormous potential, which should enable HUGO BOSS to continue to be a leader in the upper premium segment of the global formalwear market.

CLAIM 3 – Lead in Digital

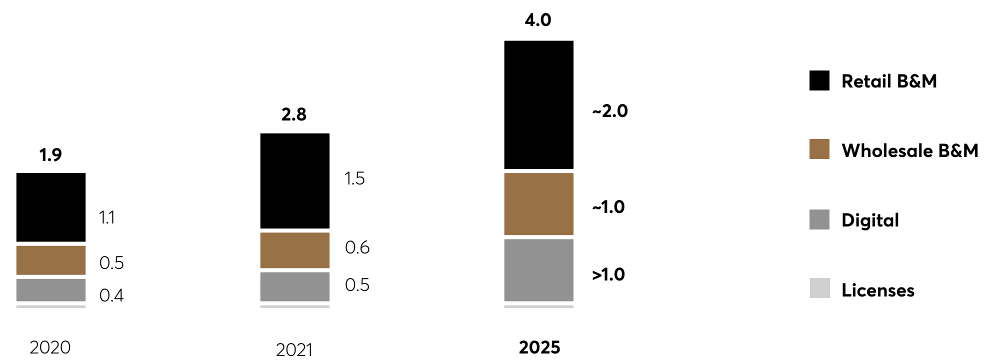
HUGO BOSS sees digitalization as key for a personalized, omnichannel customer experience. At the same time, it is a key enabler for implementing the vision of HUGO BOSS to be the leading premium tech-driven fashion platform worldwide. An essential part of "CLAIM 5" is therefore the clear commitment to further driving the **digitalization of the Company's activities** along the entire value chain – from digital trend detection and product development to AI-enabled pricing capabilities and the Company-wide rollout of digital showrooms. Overall, HUGO BOSS plans to increase its **investment in digitalization** by more than EUR 150 million by 2025.

The Digital Campus, which was established in 2021, will play a key role in this, as it will further expand the Company's digital expertise and take customer experience to a new level through the targeted use of data. The **HUGO BOSS Digital Campus**, based in Metzingen and Porto (Portugal), will further strengthen the global e commerce business as well as the Company's CRM and tech capacities. The Digital Campus complements the digital know-how of HUGO BOSS by combining the Company's own expertise with expert knowledge in the field of data processing. One of the Campus' first priorities was the successful implementation of the **global relaunch of hugoboss.com** in early 2022.

CLAIM 4 – Rebalance Omnichannel

In order to translate brand power into all consumer touchpoints, HUGO BOSS will further optimize its distribution structure as part of "CLAIM 5" and significantly advance its omnichannel activities in the coming years. In this context, the Company aims to ensure a **seamless brand experience across all consumer touchpoints**.

GROWTH AMBITION BY CHANNEL (IN BILLION EUR)



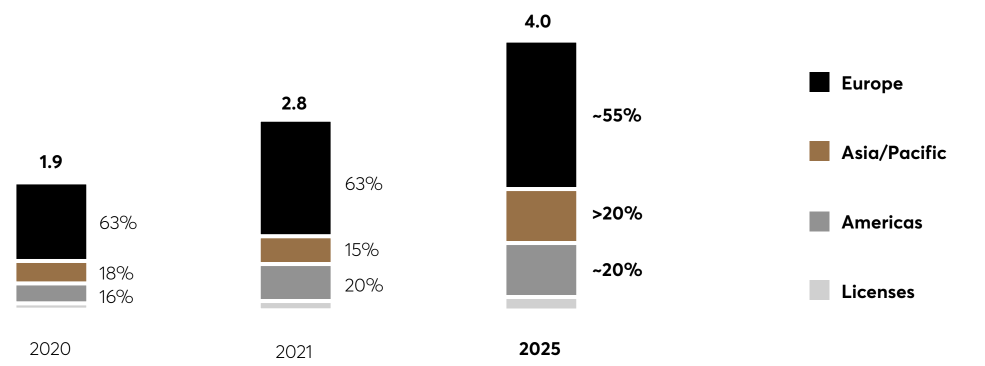
Digital revenues are expected to increase to more than EUR 1 billion by 2025. Accordingly, the share of digital business is expected to increase to a level of between 25% and 30% of Group sales (2021: 20%). The Company aims to establish **a strong presence at all digital touchpoints** – from its own online flagship hugoboss.com to online partner businesses, including digital pure players, leading marketplaces as well as bricks and clicks. The **online flagship hugoboss.com**, which was redesigned in early 2022, contains numerous elements intended to significantly improve the customer experience and further increase traffic and conversion. With a clear mobile-first approach, hugoboss.com now offers customers a leading e-commerce experience, with the new brand image of BOSS and HUGO also playing an important role. In addition, the Company plans to continue its successful **geographical expansion of hugoboss.com** from previous years. In the medium term, customers in around 120 markets will be able to purchase the entire product range via hugoboss.com (2021: 59 markets).

HUGO BOSS also aims at fully exploiting the potential of **brick-and-mortar retail** and increasing sales via this channel to a level of around EUR 2 billion by 2025. Growth is to be achieved by **growing productivity** in its own stores by around 3% per annum and by further **optimizing and modernizing** the global store network. In this context, around 80% of the Company's own stores will be re-designed in the next three years. The **new store concept**, which aims to be significantly more emotional, appealing, digital, and productive than the previous one, is intended to make a significant contribution to developing the stores into true points of experience. While customers have been able to experience the new BOSS and HUGO store concept in first stores in Germany and the United Arab Emirates since late 2021, the opening of a flagship store on Oxford Street in London, planned for the second quarter of 2022, represents an important milestone in this regard. In total, HUGO BOSS is planning **investments in its brick-and-mortar retail business** of around EUR 500 million by 2025.

In addition, HUGO BOSS plans to grow sales in **brick-and-mortar wholesale** to a level of around EUR 1 billion by 2025. The Company is firmly committed to fostering its position in this important distribution channel by **strengthening existing partnerships** and **increasing its market share** in key product categories. With a particular focus on its most important business partners, BOSS will establish itself as a true 24/7 lifestyle brand in the wholesale business. The introduction of the BOSS Camel line and the re-introduction of BOSS Black, BOSS Orange and BOSS Green also play an important role in this context. In addition, the Company also intends to fully exploit the great potential of digitalization in wholesale. For example, digital sales via a **new generation of virtual showrooms** will not only accelerate the sales process for both brands, but also make it more sustainable and more efficient in future. At the same time, it will enable a straightforward and emotional interaction with wholesale partners.

CLAIM 5 – Organize for Growth

GROWTH AMBITION BY REGION (IN %)



As part of "CLAIM 5", HUGO BOSS intends to drive growth across all regions, while continuing to further balance its global presence. In **Asia/Pacific**, revenues are set to grow at a low-teens compound annual growth rate (CAGR) between 2019 and 2025. As a consequence, the region's revenue share is expected to grow to more than 20% over the next five years. In this context, mainland China will continue to be of particular importance. At the same time, the Company will put a strong focus on consistently exploiting its growth opportunities in Southeast Asia in the coming years. With regard to **Europe**, HUGO BOSS is striving to foster its leading position in premium apparel. Here, sales are forecast to grow at a low to mid-single-digit rate per annum (CAGR 2019-2025). Key markets such as Germany, the UK, and France are all set to strongly contribute to growth by unleashing their full potential in retail, reclaiming wholesale with strong partners, and driving digital growth across all touchpoints. In addition, HUGO BOSS will place a strong focus on growth markets in Eastern Europe and the Middle East. In the **Americas**, revenues are projected to grow at a mid-single-digit CAGR between 2019 and 2025, as the Company will strongly push its 24/7 brand image by fully leveraging the casualization trend in the important U.S. market. HUGO BOSS has already achieved important milestones in this regard in fiscal year 2021. These include, above all, the strengthening of the product range at the point of sale, also supported by successful collaborations with Russell Athletic and the NBA, as well as the expansion of the shop-in-shop network with important retail partners.

"Organize for Growth" also means leveraging the Company's existing operations infrastructure as the future platform for speed and growth. In order to further increase **efficiency and flexibility along the value chain** and to push digitalization here as well, HUGO BOSS is working on advancing modular and digital product development, shortening product lead times and further improving flexibility in production and logistics. The Company has set itself the goal of **developing more than 90% of its products digitally** by 2025 and **reducing lead times by around 30%**. In addition, the Company will also work on further reducing the complexity of the BOSS and HUGO collections in the years to come. In addition, HUGO BOSS intends to significantly **expand its own production** in the coming years. The further strengthening of the Company's own production site in Izmir (Turkey), which is by far the largest, will play a central role in this. The aim is to be able to act even faster and more flexibly in the future and to meet customer demand in the best possible way. > Research and Development, > Sourcing and Production

At the same time, HUGO BOSS intends to further intensify its diverse **activities in the important area of sustainability** in order to deliver both, a clear, measurable impact and emotional engagement with the consumer. The Company has set itself ambitious sustainability goals and aims for **climate neutrality** in its own area of responsibility by 2030 and along the entire value chain by 2045. In addition, HUGO BOSS will put particular emphasis on establishing an end- to-end **circular business model**. In this context, the Company aims to enable 80% of all BOSS and HUGO products to become circular by 2030. The share of **RESPONSIBLE Styles** in the BOSS and HUGO product range, which are considered to be particularly sustainable, is also set to increase to 60% by 2030 (2021: 31%). To achieve this, the Company is increasingly relying on innovative, sustainable materials and production techniques in the creation of its collections. In recent years, HUGO BOSS has already successfully launched products made of pineapple fibers and olive leather, launched a completely vegan suit and significantly increased the proportion of sustainable cotton in its collections. > Sustainability, > Combined Non-financial Statement

> **"With our "CLAIM 5" strategy, we are pursuing a clear vision for our Company. We will focus even more consistently on the customer and thus significantly increase the relevance of our brands BOSS and HUGO," says Daniel Grieder. "We want to grow fast but sustainably. We have an excellent team and the right strategy to lead our Company successfully into the future."**

2025 Financial Ambition

With its new strategy, HUGO BOSS aims to double **Group sales** to EUR 4 billion by 2025, which implies a strong CAGR of 16% taking 2020 as the base year, and 6% as compared to the pre-pandemic level of 2019. Furthermore, the Company sees the potential to increase Group sales to EUR 5 billion in subsequent years.

EUR 4 BILLION
SALES TARGET 2025

To successfully deliver on its strategy, HUGO BOSS will step-up investments into its **products, brands, digital capabilities, as well as its global store network**, all aimed at fueling industry-leading top-line growth. Consequently, over the next five years, value creation will shift from driving relative margin improvements to delivering strong top-line growth, absolute profitability improvements, as well as superior free cash flow generation.

Until 2025, **gross margin** is forecast at a level of between 60% and 62% (2021: 61.8%), reflecting product investments to enhance the price-value proposition and fuel top-line growth.

~12%
EBIT MARGIN TARGET 2025

At the same time, HUGO BOSS is also confident that its **EBIT margin** will reach a level of around 12% by 2025 (2021: 8.2%), which corresponds to an EBIT CAGR of 6% between 2019 and 2025. Investments into the business will be compensated for by **leveraging operating overhead** as well as strong efficiency gains to be realized by further **optimizing the global store network**. The latter refers to ongoing relocating and right-sizing initiatives, selective store openings, and closures as well as rent renegotiations of expiring lease contracts.

Driven by the significant top- and bottom-line growth, HUGO BOSS targets a cumulative **free cash flow** of around EUR 2 billion (including the effects of IFRS 16) by 2025. This is to be supported by improved management of **trade net working capital** (target range for 2022–25: 16% to 19% of sales) as well as an efficient use of **investments** (target range for 2022–24: 6% to 7% of sales; from 2025: between 4% and 5% of sales).

The majority of expected cumulated free cash flow will either be reinvested in the Company or distributed to shareholders through regular dividend payments. The **payout ratio** is expected to be between 30% and 50% of net income attributable to shareholders by 2025. In line with its vision of being the leading premium tech-driven fashion platform worldwide, HUGO BOSS is also considering **strategic investments** in the areas of product and brand, sales, and digital expertise. In this context, HUGO BOSS successfully entered into a **long-term strategic partnership with HeiQ AeoniQ LLC** – a fully owned subsidiary of Swiss innovator HeiQ Plc – in early 2022. A core element of this partnership is a USD 5 million equity investment made by HUGO BOSS – the first of its kind under "CLAIM 5".

The **targets for fiscal year 2022** are presented in the Outlook section. > Outlook

GROUP MANAGEMENT

Sustainable increase in enterprise value as guiding principle of HUGO BOSS

Sales and EBIT are most important performance indicators for maximizing free cash flow over the long term

Group planning, reporting and investment controlling form core elements of Group management

Key performance indicators

HUGO BOSS aims at **sustainably increasing the enterprise value**. The Group's internal management system is intended to support the Managing Board and the management of the respective business units to focus all business processes on this objective. In order to increase its enterprise value, the Group focuses on **maximizing free cash flow over the long term**. Consistently generating positive free cash flow is expected to safeguard the independence and liquidity of HUGO BOSS at all times.

DEFINITION FREE CASH FLOW

	Cash flow from operating activities
+	Cash flow from investing activities
=	**Free cash flow**

Increasing **sales** and **operating profit (EBIT)** is key for improving free cash flow. In addition, strict management of **trade net working capital** and a value-oriented **capital expenditure** approach support the development of free cash flow. HUGO BOSS has therefore identified a total of four key performance indicators for increasing free cash flow: sales, EBIT, trade net working capital, and capital expenditure.

FOUR KEY PERFORMANCE INDICATORS

Although fiscal year 2021 was once more impacted by the implications of the **COVID-19 pandemic**, HUGO BOSS recorded a noticeable recovery in global business activity over the course of the year. This led to significant improvements in sales, EBIT, and free cash flow. In addition to the swift return to sales and earnings growth, this year's management activities focused on the implementation and successful execution of the **"CLAIM 5" growth strategy**.

"CLAIM 5" aims at substantially accelerating **sales growth** and significantly increasing the market share of BOSS and HUGO over the next five years. At the same time, HUGO BOSS is striving to sustainably increase its profitability as part of "CLAIM 5", and therefore attaches particular importance to profitable sales growth. By 2025, value creation will shift from the previous approach of relative margin improvement to superior sales growth, absolute profitability improvement and above-average free cash flow generation. All initiatives aimed at driving sales growth will therefore also be measured by their potential to sustainably grow **operating profit (EBIT)**. Comprehensive investments in both brands, BOSS and HUGO, the further digitalization of the business model as well as its global store network will be compensated by strong efficiency gains to be realized by optimizing the Company's global store network as well as leveraging operating overhead. > Group Strategy

DEFINITION EBIT

	Earnings before taxes
–	Financial result
=	**Operating result (EBIT)**

For HUGO BOSS, **trade net working capital** is the most important performance indicator for managing the efficient deployment of capital.

DEFINITION TRADE NET WORKING CAPITAL

	Inventories
+	Trade receivables
–	Trade payables
=	**Trade net working capital**

Management of **inventories** as well as **trade receivables** is the main responsibility of the Group's subsidiaries and the respective operating central departments. The latter are also responsible for managing **trade payables**. These three balance sheet items are primarily managed by reference to the days of inventories outstanding, days of sales outstanding and days of payables outstanding. Besides this, there is a specific approval process for the purchase of inventories for the own retail business in order to optimize inventories. This process takes into account sales quotas as well as expected sales growth and markdown levels.

The management of HUGO BOSS is jointly and directly responsible for driving profitable growth. As a result, the **short-term incentive program (STI)** of managers at all four management levels is linked to the achievement of specific sales and EBIT targets. The ratio of trade net working capital to sales is the third component of the STI. The compensation scheme for management at the two levels below the Managing Board also includes a **long-term incentive program (LTI)**, whose design matches that for the Managing Board. The LTI includes both, financial targets relevant to the Group strategy as well as non-financial sustainability targets.

Investment activity will continue to focus on the Group's own retail network and the digitalization of its business model. As part of the strategic claim **"Rebalance Omnichannel"**, HUGO BOSS is pushing ahead with the further optimization and modernization of its global store network. Around 80% of the Company's own stores are to be redesigned over the next three years. In line with the claim **"Lead in Digital"**, digital investments are planned along the entire value chain – from digital trend detection and product development to AI-enabled pricing and the global rollout of digital showrooms. A specific approval process exists for material investment projects. Apart from qualitative analyses, e.g. with respect to potential store locations, this also includes an analysis of each project's net present value. > Financial Position, Capital Expenditure, > Group Strategy

In light of the anticipated strong top- and bottom-line growth, HUGO BOSS is confident to continue generating significant **free cash flow**. This is to be supported by improved management of trade net working capital and the efficient use of capital expenditure. The majority of expected accumulated free cash flow will either be reinvested into the Company or distributed to shareholders via regular dividend payments. In doing so, HUGO BOSS is pursuing a **profit-based dividend policy** aimed at allowing shareholders to participate appropriately in the Group's earnings development. Following the pandemic-related reduction of the dividend to the legal minimum amount of EUR 0.04 per share in the last two fiscal years, the Company's payout ratio until 2025 will be in a range of between 30% and 50% of net income attributable to shareholders. The Group analyzes its balance sheet structure at least once a year to determine its efficiency and ability to support future growth and to simultaneously provide sufficient safety in the event that the Company's business performance falls short of expectations. > Financial Position, Capital Structure and Financing

Core elements of the Group's internal management system

The Group's planning, management and monitoring activities focus on optimizing the key performance indicators described above. The **core elements of the Group's internal management system** are Group planning, Group-wide, IT-enabled financial reporting, and investment controlling.

Group planning at HUGO BOSS generally refers to a rolling multi-year period and is prepared as part of the annual, Group-wide budget process, taking into account the current business situation and the underlying "CLAIM 5" strategy. Based on targets set by the Managing Board, the Group's subsidiaries prepare earnings and investment budgets for their respective markets or divisions. A similar planning model is used for trade net working capital. On this basis, the development and sourcing units derive mid-term capacity planning. Thereupon, Group Controlling reviews all of these plans for plausibility and aggregates them to form the overall Group planning. The latter is updated on a regular basis, taking into account the actual business performance as well as any opportunities and risks.

Additionally, HUGO BOSS regularly conducts **liquidity** assessments, based on the expected cash flow development. This aims to identify financial risks at an early stage and to take appropriate measures concerning financing and investment requirements. > Financial Position

On a monthly basis, the Managing Board and management of Group subsidiaries are informed about the operational business development through standardized, IT-enabled reports of varying detail, supplemented by ad hoc analyses. Actual data compiled by the **Group-wide, IT-based reporting system** is compared against budget data each month. Any deviations are explained and planned countermeasures discussed. Developments with a significant impact on the Group's net assets, financial position and results of operations are immediately reported to the Managing Board.

The Company is particularly focused on **monitoring early indicators** suitable for obtaining an indication of future business performance. In this context, sales development in the Group's own retail business, wholesale order intake and the performance of the replenishment business are analyzed at least on a weekly basis. In addition, benchmarking against relevant competitors is performed at regular intervals. The continuous monitoring of early indicators is intended to enable the Group to identify deviations from the budget at an early stage and take appropriate countermeasures.

The Group's **investment controlling** appraises planned investment projects with respect to their contribution to the Company's overall profitability targets. This ensures that projects are only launched in case of an expected positive contribution to enhancing the Group's economic profile. In addition, subsequent analyses are conducted at regular intervals to verify the profitability of projects that have already been realized. Appropriate countermeasures are taken in the event of any negative deviations from the initial profitability targets.

Due to the ongoing high level of uncertainty regarding the further development of the **COVID-19 pandemic** and its impact on the business of HUGO BOSS, there was a close dialog between the Managing Board, Group Controlling, the management of the central divisions, and the Group's subsidiaries also in 2021. Corporate planning was regularly reviewed and updated throughout the year in order to take the dynamic evolution of the pandemic into account. Scenario analyses were used to simulate different pandemic developments and their potential impact on the Group's key performance indicators.

EMPLOYEES AND TEAMS

Around 14,000 employees work for HUGO BOSS

HR management focused on attracting, retaining, and developing talent

Positioning as one of the best employers in the industry

HUGO BOSS firmly believes that its employees are the foundation to the successful execution of its "CLAIM 5" growth strategy. A commitment to empowering people and teams is therefore firmly anchored in "CLAIM 5". In this context, the five HUGO BOSS values **– entrepreneurial spirit, personal ownership, team mentality, simplicity & quality, and youthful spirit –** play a key role. They form the guiding principle for day-to-day cooperation and are intended to foster a spirit of mutual trust. The aim is to create an environment that enables all employees to develop their individual talents and thus directly contributes to the successful execution of "CLAIM 5". Furthermore, HUGO BOSS intends to continue to position itself as one of the most attractive employers in the industry, thus attracting the best talent in the industry. > Group Strategy

HUGO BOSS VALUES

TRUST				
ENTREPRENEURIAL SPIRIT	PERSONAL OWNERSHIP	TEAM MENTALITY	SIMPLICITY & QUALITY	YOUTHFUL SPIRIT

As an international company, **diversity** is a fundamental part of the corporate culture at HUGO BOSS. All employees are guaranteed a discrimination-free working environment and equal opportunities. To take account of the importance of diversity also from an organizational point of view, the position of Head of Global Diversity and Inclusion was established and successfully filled for the first time in 2021. In addition, an internal task force supports the execution of defined measures. Through this task force, employees from different locations and functional areas further promote selected topics within the Company, such as inclusion or diversity in management positions. HUGO BOSS firmly believes that intensifying its activities in the area of diversity contributes positively to employee satisfaction and is also considered a relevant factor by potential applicants. > Combined Non-Financial Statement, Employee Matters

Attracting talent

HUGO BOSS strives to further strengthen its position as top employer within its industry. This is intended to enable the Company to continue attracting the best talents for HUGO BOSS. The Company's **global recruitment strategy** is particularly focused at directly approaching qualified candidates. In addition, talents are to be acquired through a targeted group-specific approach via digital platforms, such as the HUGO BOSS careers website, or social networks. Consequently, the **continuous development of digital communication channels** is a key focus in employee recruitment. The global **employer branding campaign "That's my HUGO BOSS"**, builds a core element of the Company's digital recruitment activities, aimed at drawing the attention of talents around the world to the broad range of activities and diverse personalities at HUGO BOSS. The Company also regularly presents itself to potential applicants at career fairs.

To attract **young talent**, the Company offers school graduates, students and young professionals a variety of different programs, including a diverse range of **apprenticeships** and a broad selection of dual study programs. In the past year, there were 79 apprentices and dual students at HUGO BOSS AG (2020: 75 apprentices and dual students). 22 new apprentices and dual students started their professional education in 2021 (2020: 22 apprentices and dual students). The professional education offered at HUGO BOSS is tailored to its specific needs and is continuously aligned with the Company's strategic priorities. In particular, HUGO BOSS has expanded its selection of apprenticeships in digital in recent years. In addition to the newly offered Digital Commerce Management study program, the International Business dual study program and IT Specialist education were again included in the program last year. **Internships** and the "CareerLunch" introduced in 2021 offer further opportunities to get young talent interested in working at HUGO BOSS during their studies. The program aims at bringing the Company together with top talents in an informal context and thus attracting potential applicants to HUGO BOSS by providing internal company insights. Various **trainee programs** complete the vast range of opportunities available for young professionals.

HUGO BOSS is seeking to constantly improve its external reputation and awareness among potential applicants. Consequently, the Company conducts **active reputation management** on relevant rating platforms and social networks. Target group-specific, emotional, and product-related campaigns are intended to foster enthusiasm for the Company. Various awards are proof positive for the successful personnel work at HUGO BOSS while at the same time serving to increase awareness of the Company among potential applicants. In 2021, HUGO BOSS was once again among the **top 100 most attractive employers** in Germany for relevant target groups, according to an annual survey conducted by the Trendence Institute. In the **"Working in Fashion 2021"** study conducted by the German industry magazine TextilWirtschaft, HUGO BOSS again achieved a very good ranking in the past fiscal year, taking fifth place (2020: third place). The Company ranked particularly well in the categories of mobile working and salary levels, taking second place in both categories. In addition, on the basis of an independent study in collaboration with Statista and the Financial Times, in 2021, HUGO BOSS was once again ranked among the top 100 Diversity Leaders in Europe.

Retaining and developing employees

HUGO BOSS firmly believes that **leadership mentality** has a significant influence on the Company's performance, innovative capability, and commitment of employees and teams, and thus makes an important contribution to achieving the targets set out in the "CLAIM 5" strategy. In addition, the Company considers a good leadership culture to be a key enabler in sustainably increasing employee satisfaction. Accordingly, in 2021, HUGO BOSS further developed its concept of **leadership mindset**. Leaders should thus primarily act as enablers who provide their employees with a framework for their daily work, offer them support and, at the same time, encourage them to regularly surpass themselves. In addition, leaders at HUGO BOSS are expected to connect people and teams and to strengthen the team spirit and sense of togetherness. Regular workshops aim to firmly anchor the leadership mindset in the Company, supporting a uniform understanding of leadership at HUGO BOSS.

In addition to vertical promotions, HUGO BOSS considers internal job changes across departments and divisions as an important instrument for promoting talents and retaining employees for as long as possible. The digital **employee recommendation program "HUGO BOSS Spotted"** provides a transparent recommendation process to support the appropriate filling of vacancies by internal talent. In order to further boost the motivation, commitment and qualification of employees, the Group also offers a wide range of **training and development opportunities**. These are described in detail in the section entitled "Combined Non-Financial Statement". > Combined Non-Financial Statement, Employee Matters

HUGO BOSS regards **fair pay** as an essential aspect of its personnel work and aims to strengthen the motivation of its employees and their loyalty to the Company by means of a fair, transparent and competitive compensation structure. Based on a regular assessment of all jobs in Germany as well as Group-wide key positions, a large number of employees are already remunerated on the basis of job-specific salary bands. These are based on **external salary benchmarks** and are intended to further increase transparency. In 2021, HUGO BOSS also carried out an assessment of nearly all positions worldwide in order to establish a uniform compensation system in the future that is based on Group-wide salary bands. This is intended to ensure that the Group-wide compensation system is fair, competitive, and fundamentally independent of gender or other diversity characteristics. The Company sees this as a key factor in further increasing both, employee satisfaction and its attractiveness as an employer.

The **compensation system** at HUGO BOSS includes fixed and variable salary components, bonuses above the collective bargaining scale, non-cash compensation, and other benefits. It complies with industry and collective bargaining agreements and incorporates national and regional benchmarks. There are also works agreements for HUGO BOSS AG that govern compensation components such as the employee performance bonus. In addition to their basic salary, non-tariff employees receive a 13th monthly salary instalment and a short-term incentive (STI) linked to annual Company targets. The compensation scheme at the two levels below the Managing Board also includes a long-term incentive program (LTI) that extends over several years and matches the targets of the Managing Board. > Compensation Report

In order to offer its employees an additional incentive, HUGO BOSS is planning to introduce an **employee share purchase plan** in the first half of 2022. This will give full-time employees the opportunity to purchase HUGO BOSS shares at regular intervals at a discount and thus participate directly in the Company's success.

HUGO BOSS offers its employees a wide range of options to **strengthen work-life balance**. Numerous initiatives for the flexible design of working methods enable the majority of employees at the Metzingen campus to work in an agile and cross-functional manner, also with the help of flexible and modern office concepts. Already back in 2020, HUGO BOSS introduced the **hybrid working concept called "Threedom of Work"**, which applies to administrative staff in Germany. The concept provides for three days of attendance at the Company's Metzingen site from Tuesday to Thursday, while employees are free to choose their work location on the other two days. While similar models have already been established in other Group companies, the conventional **home office concept** is now available to almost all of the Company's administrative employees. In addition, trust-based working hours and individual part-time models complement the offering at HUGO BOSS and are intended to contribute to both increased employee retention and satisfaction. In addition, HUGO BOSS promotes the compatibility of work and private life in the form of numerous family-friendly offers, which are described in more detail in the section "Combined Non-Financial Statement".
> Combined Non-Financial Statement, Employee Matters

HUGO BOSS also attaches great importance to promoting the **health and performance** of its employees, including numerous activities to improve the physical and mental health. For example, employees in Germany, Switzerland and Turkey can use Company-owned fitness centers free of charge and participate in a wide range of different sports courses. Against the backdrop of the COVID-19 pandemic, the sport and coaching program at the Metzingen site was offered primarily digitally also in 2021, while having been expanded in the areas of relaxation and mindfulness. In addition, a balanced nutritional concept in the Group's own company restaurants is intended to improve the personal well-being of the employees. At the central distribution centers in Germany and for production employees in Metzingen, health measures are also in place in the form of movement breaks, massages, and back training courses. However, these were temporarily suspended in the wake of the COVID-19 pandemic. In order to make a significant contribution to the fight against the pandemic, HUGO BOSS offered voluntary vaccinations to employees in 2021 at locations including Metzingen (Germany), Coldrerio (Switzerland), and Izmir (Turkey). In total, several thousand doses of the vaccine were given to employees in the past fiscal year.

To improve employee retention in the long term, HUGO BOSS strives to strengthen the **identification of its employees with the Company and its goals**. A variety of internal communication measures are intended to contribute to this, aimed at strengthening the exchange both, among employees and between employees and management. In addition to regular Managing Board newsletters and video messages, this also includes the opportunity to enter into direct discussions with the members of the Managing Board as part of internal events. In 2021, the Company also further developed its own **employee app "My HUGO BOSS"** in order to further strengthen global communication within the organization by offering numerous opportunities for feedback and interaction. Content tailored to the app on all key topics – from news about the BOSS and HUGO brands and the global store network to sustainability topics – is communicated in real time to employees in 36 countries (2020: 20 countries). The app also offers employees various digital conveniences, such as quick access to emails, digital business cards or the internal job network. The **Company's internal network "connect"** serves as an additional relevant communication platform. Important news about the Company and its brands, enriched with livestreams and videos, but also external content, such as industry news, are regularly made available to employees via this channel.

76%
EMPLOYEE SATISFACTION 2021

HUGO BOSS determines the satisfaction and the needs of its employees as part of an **employee survey** conducted annually in cooperation with Great Place to Work® Germany. The findings provide the Company with important impetus for the further development of its human resources work and corporate culture. Employee satisfaction at HUGO BOSS also represents an important component of the compensation within the long-term incentive program (LTI). With a Group-wide participation rate of 62%, **overall employee satisfaction** rose to 76% in 2021 (2020: overall satisfaction of 72% with a participation rate of 70%). This means that the Company has achieved its target of increasing Group-wide overall satisfaction to 75% by 2025 ahead of schedule. HUGO BOSS intends to at least maintain this strong level in the future. > **Combined Non-Financial Statement, Employee Matters**

Employee figures

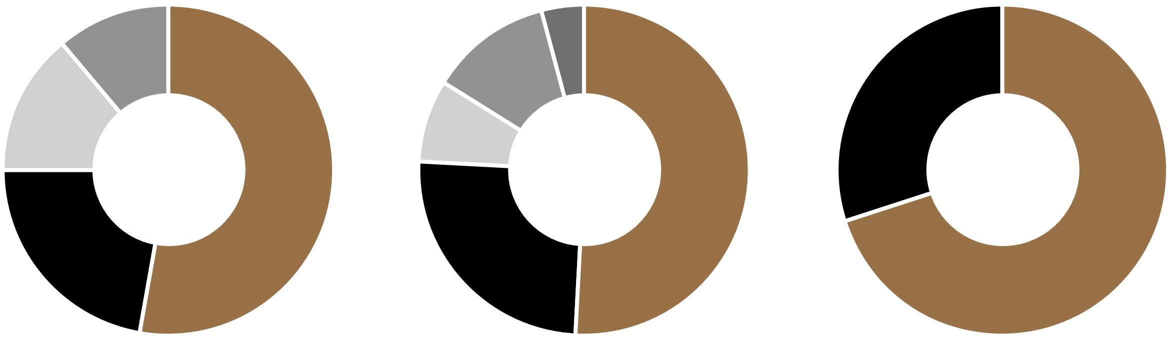
NUMBER OF EMPLOYEES[1] AS OF DECEMBER 31

1 Full-time equivalent (FTE).

At the end of fiscal year 2021, HUGO BOSS had 14,041 **employees**. The number of employees was thus above the level of the prior year (2020: 13,759 employees). The **average age** of the workforce remained unchanged at 37 years.

EMPLOYEES AS OF DECEMBER 31 (IN %)

By region | **By functional area** | **By type**



By region

- **Europe (without Germany)** **53** (53)
- **Germany** **22** (22)
- **Asia/Pacific** **14** (14)
- **Americas** **11** (11)

By functional area

- **Own retail business, sales, and marketing** **51** (51)
- **Own production** **25** (26)
- **Logistics** **8** (8)
- **Administration (incl. IT)** **12** (12)
- **R&D** **4** (4)

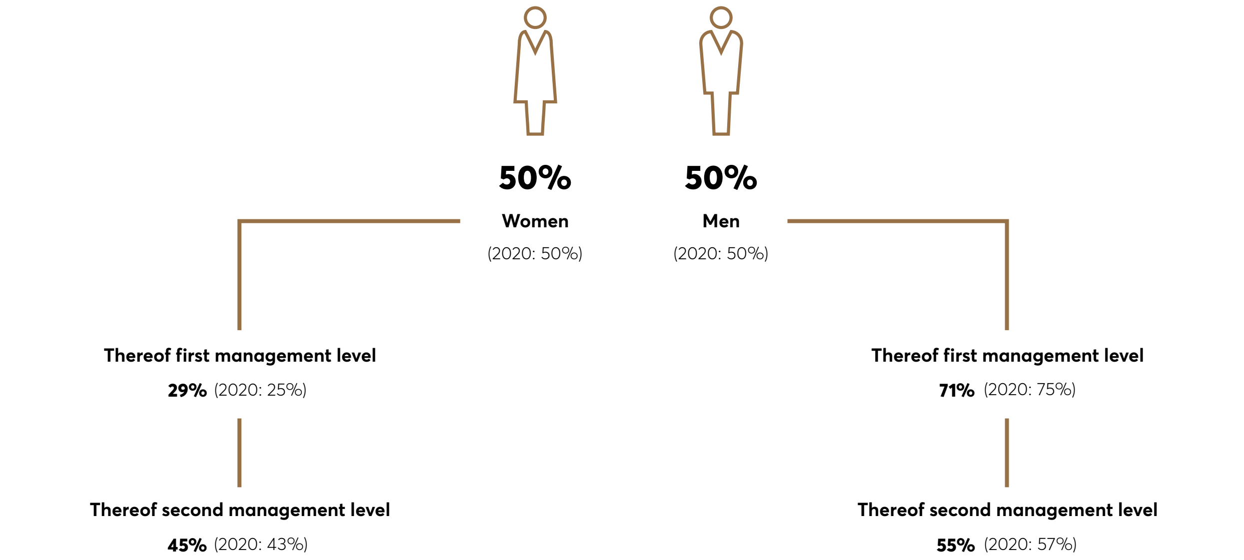
By type

- **Commercial and administrative employees** **70** (70)
- **Industrial employees** **30** (30)

2021 (2020)

The Company's **global positioning** is also reflected in its workforce. In 2021, 78% of the Group's employees were based outside Germany (2020: 78%). Within Germany, employees from 79 different nations worked for HUGO BOSS (2020: 70 nations). While 9,862 employees (2020: 9,647) worked in the **commercial sector** at the end of 2021, 4,179 employees (2020: 4,112) were assigned to **industrial activities**.

EMPLOYEES IN MANAGEMENT



With a share of 60%, women continued to make up the majority of the workforce at HUGO BOSS (2020: 60%) at year-end. In **management**, i.e. in all four management levels, 50% of positions were held by women at the end of December 2021, and thus remained unchanged from the prior year (2020: 50%). The Managing Board has set the target of achieving a proportion of women of at least 40% in the first management level below the Managing Board and at least 50% in the second management level by 2025. As of December 31, 2021, the proportion of women in the first management level was 29% and thus above the level of the previous year (December 31, 2020: 25%). The proportion of women at the second management level also increased further, standing at 45% as of December 31, 2021 (December 31, 2020: 43%). > Corporate Governance and Corporate Governance Statement

RESEARCH AND DEVELOPMENT

Innovation and sustainability as guiding principles of R&D work

Digitalization of product development of high strategic relevance

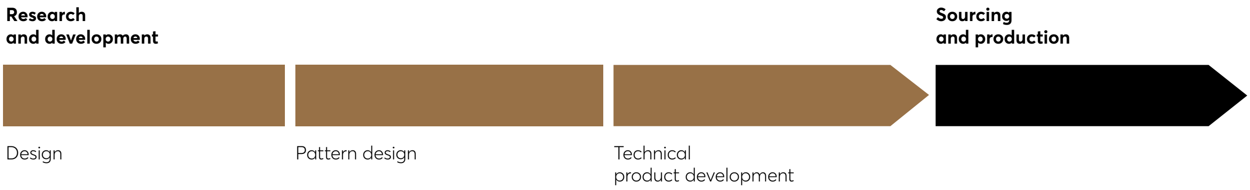
Share of particularly sustainable RESPONSIBLE Styles further increased

The goal of research and development (R&D) at HUGO BOSS is to develop collections and products that meet the highest customer demands in terms of quality and fit, as well as innovation and sustainability. These requirements are in line with the strategic claim **"Product is King"** – a key element of "CLAIM 5" – which puts the product at the center of its strategy. In the coming years, the Company will focus on further **optimizing the price-value proposition** in order to guarantee **premium quality**, a high degree of **innovation and sustainability** and features that enable its brands to clearly distinguish from the competition. The potential of digitalization is to be fully exploited throughout the entire product development process. Inspiring capsule collections and exceptional collaborations with well-known brands and personalities are also intended to spur the brand relevance of BOSS and HUGO in future. > Group Strategy, "Product is King"

Research and development at HUGO BOSS runs along the product development process, which involves the transformation of a creative idea into a commercial product. The work is carried out at **three development centers** in Metzingen (Germany), Coldrerio (Switzerland), and Morrovalle (Italy). While the majority of the collections are developed at the Group headquarters in **Metzingen**, the **Coldrerio** site is mainly responsible for the development of the product groups shirts, knitwear, and shoes and accessories. In **Morrovalle**, HUGO BOSS develops high-quality shoes and leather accessories.

Product development process

PRODUCT DEVELOPMENT PROCESS AT HUGO BOSS



The product development process starts with a **creative idea**, taking into account customers' expectations. Collections are themed based on brand strategy, brand values as well as global mega and fashion trends. To ensure a holistic brand message, collection and brand communication are closely aligned right from the start of the development process. The transformation of the creative idea and designs into specific collections also takes into account sell-through rates of previous seasons. In the conventional development process, the second step sees the design teams' creative ideas tailored in the **pattern design** phase. **Technical product development** then turns the models into prototypes and tests their suitability for the industrial production process. In conventional product development, the prototyping is followed by the **manufacture of a sample collection** in order to ensure that the products meet the Company's high standards in terms of quality and fit. Once production has been completed, the collections are finally delivered to wholesale partners and the Group's own retail stores.

>90%
DIGITAL DEVELOPED PRODUCTS IN 2025

The **digitalization of collection development** is of high strategic importance to HUGO BOSS. In line with its strategic claims "Lead in Digital" and "Organize for Growth", the Company has set itself the goal of developing more than 90% of its products digitally by 2025 (2021: around 50%). Also in fiscal year 2021, HUGO BOSS was able to significantly advance the digitalization of collection development. For example, the **BOSS Spring/Summer 2022 casualwear collection** was developed fully digitally for the first time. From first sketches and the selection of materials and colors to prototyping and to the finished collection, the process was completely digitalized. The digital workflows allow the Company to operate more flexibly throughout its entire value chain, shorten lead times and adapt more effectively and quickly to current consumer trends. In the medium term, this should reduce lead times by around 30%. In addition, the digitally developed styles are also used in distribution – for example, when selling the collections to wholesalers via digital showrooms or in "virtual fitting" on **hugoboss.com**.

In 2021, the company also made progress in **reducing complexity within the BOSS and HUGO collections**. The **Modular Creation Toolbox** introduced in 2021 is intended to achieve further efficiencies in the future, for example with regard to the use of materials and patterns. The toolbox serves product developers as a digital database for cuts, fabrics, and other components, including a 3D visualization of the digitally designed garments. It is initially used for the development of jersey products and shirts, and is intended to further increase speed and efficiency in the development process as well as optimize the use of materials. In the development of the Fall/Winter 2023 collection, the patterns developed digitally using the Modular Creation Toolbox will already form the basis for the majority of the basic and core products in the collection.

Key areas of research and development

The Company pursues the clear ambition of establishing **BOSS** as a **true 24/7 lifestyle brand, perfectly dressing its customers** for all wearing occasions, with casualness and comfort being the guiding principles. As the **first point of contact for younger consumers, HUGO** focuses on a wide range of trendy and modern products that reflect the brand's authentic and unconventional style. The Company aims to gradually drive casualization along the BOSS and HUGO collections and further optimize wearing comfort through the use of innovative materials. The boundaries between traditional business and modern casualwear are to be further blurred and the classic tailoring range is to be increasingly expanded to include innovative casual-tailoring combinations. 2021 saw the successful launch of the **BOSS Performance** product range, which combines formalwear outfits even more closely with sportswear elements. Through the use of innovative materials, it further increases wearing comfort for customers. In this context, BOSS has introduced the **"Air Weight Suit"** with its Spring/Summer 2022 collection, which is characterized by a particularly high level of comfort and freedom of movement. Due to its material composition, the suit is also particularly durable and can therefore be easily carried in hand luggage, for example. > Group Strategy, "Product is King"

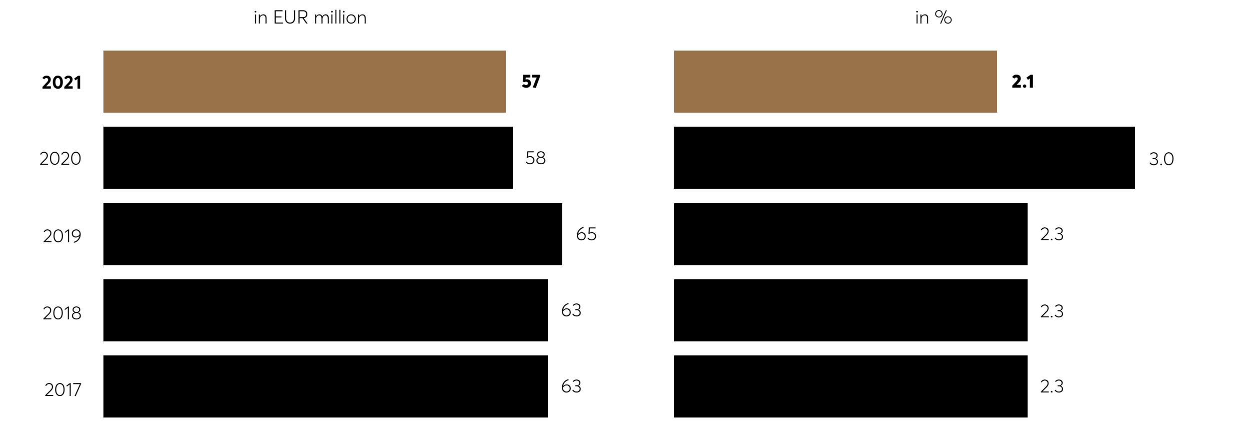
In addition to the important **main collections**, which offer customers both a broad range of basic and core products and a variety of **seasonal and particularly fashion-conscious styles**, in the future HUGO BOSS will focus on particularly **high-growth product groups** such as denim and bodywear as part of "CLAIM 5". In addition, inspiring **capsule collections** and exceptional **collaborations** are intended to increase the brand relevance of BOSS and HUGO. In this context, and to underscore its ambitions as a true 24/7 lifestyle brand, BOSS has teamed up with American sportswear brand **Russell Athletic** to develop two capsule collections in 2021 that combine BOSS' high level of tailoring expertise with the sportswear aesthetic of Russell Athletic. The highly recognizable menswear and womenswear styles are inspired by the strong team spirit of sports and were particularly well received by younger customers. In 2021, BOSS also launched two capsule collections together with the **National Basketball Association (NBA)**. Also here, it were particularly younger customers who responded very well to the logo-inspired sportswear products, which gave a further boost to the brand's casualwear business, especially in the important U.S. market. Exceptional collaborations like these will continue to play a key role in attracting younger target groups to HUGO BOSS and fully exploiting the great potential of both brands in the future.

At the same time, both brands – BOSS and HUGO – are committed to living up to the growing customer expectations in terms of **sustainability**. To this end, the Company is increasingly relying on innovative, sustainable materials and manufacturing techniques in the development of its collections. In this context, the share of particularly sustainable **RESPONSIBLE Styles** in the product range of BOSS and HUGO is to increase to 60% by 2030 (2021: 31%). A significant contribution in 2021 was made by the development of **"BOSS ONE – The Suit"**, which is made from sustainable wool, enabling customers to trace it seamlessly along the entire supply chain. Furthermore, HUGO launched the **sustainability initiative "Clean Up Your Act"** for the Fall/Winter 2021 collection. Among the products were parkas made from upcycled and reused fabric scraps and sportswear made from sustainable cotton. In 2022, to mark World Water Day in March, BOSS will launch a **"Less Water" capsule collection** that features the use of environmentally friendly and water-saving materials. To further drive the innovative strength and sustainability of its brands, HUGO BOSS has also entered into a **long-term strategic partnership with HeiQ AeoniQ** in early 2022. This partnership focuses on the production of a sustainable, circular and recyclable cellulose yarn with the aim of replacing oil-based fibers such as environmentally harmful polyester and nylon. > Sustainability

R&D key figures

The **creative and development departments** of HUGO BOSS are staffed primarily by fashion designers, tailors, shoe and clothing technicians and engineers. As of December 31, 2021, the number of employees in research and development totaled 606 (2020: 543).

R&D EXPENSES



At 72%, personnel expenses accounted for the majority of **R&D expenses** last fiscal year (2020: 76%). The remainder is primarily composed of other department expenses. In 2021, R&D costs were again mostly recognized as expenses at the time they were incurred. In addition, production-related development expenses are included in the cost of conversion of inventories. No development expenses were recognized as internally generated intangible assets due to the short product life cycles.

SOURCING AND PRODUCTION

Strategic focus on increasing efficiency and flexibility

Product availability successfully secured during COVID-19 pandemic

Expansion of own production with strong focus on casualwear

Platform for speed and growth

With its "CLAIM 5" strategy, HUGO BOSS has set itself the target of generating significant growth across all brands, regions, and touchpoints in the coming years. An efficient and robust operational infrastructure forms the basis for achieving the Company's medium-term financial targets. The strategic claim **"Organize for Growth"** thus aims at further optimizing and flexibilizing the sourcing and production activities of HUGO BOSS in order to create a strong platform for speed and growth.

The sourcing and production of high-quality products is an important factor for successfully meeting high customer requirements on design, functionality, comfort, and longevity at all times. In addition to ensuring these quality characteristics, HUGO BOSS is constantly striving for best-in-class solutions to further **increase the efficiency and flexibility** of its global sourcing and production activities. In this context, a key element is the further **digitalization along the entire value chain**. This enables the Company to respond even more quickly to changing market trends in future and thus to best meet customer demand. In this context, HUGO BOSS has set itself the target of **reducing product lead times by around 30%** by 2025. In addition to modular and digital product development, this will be mainly achieved through the **further optimization of the Company's sourcing and production processes**. A prime example of short development and production cycles are the capsule collections from BOSS and HUGO, which, already today are being developed and produced in just a few months. > Research and Development

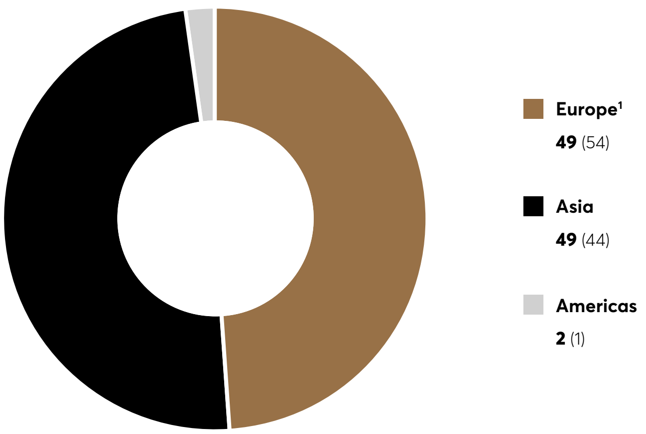
HUGO BOSS also intends to fully exploit the potential of digitalization in further **increasing flexibility in production and logistics**. In 2021, for example, the Company implemented a **supply chain dashboard** to improve the visibility of goods availability and the tracking of merchandise flows. This is also an important step towards the planned establishment of a **"digital twin" of the value chain**, which in future will provide important information on production status, inventories and delivery using real-time data. This, in turn, will further enhance the end-to-end visibility, flexibility and efficiency of the Company's value chain.

In the wake of the **COVID-19 pandemic**, global value chains are exposed to particular stress. Challenges include bottlenecks in global production and logistics capacities as well as a corresponding increase in material, production and freight costs. Thanks to its **resilient value chain** and timely and forward-looking actions, HUGO BOSS was able to secure sufficient product availability in fiscal year 2021. The Company particularly benefited from its well-balanced global sourcing mix, the flexibility of its own production facilities, long-term strategic partnerships with suppliers and the successful onboarding of new partners as part of the general business recovery and strong top-line growth in 2021. In addition, HUGO BOSS took new, solution-oriented, and in some cases unconventional approaches to transportation and logistics in the past fiscal year. In addition to **shifting early from sea to air freight**, for example, a small number of passenger aircraft were chartered to ensure product availability in the short term for the fast and uncomplicated shipment of goods from Asia to Europe.

Sourcing volumes and regional split

In terms of value, 17% of the total **sourcing and production volume** was produced at the Group's own production facilities in 2021 (2020: 17%). Unchanged to the prior year, the remaining 83% comprises products sourced from independent contract suppliers or sourced as merchandise (2020: 83%).

REGIONAL SPLIT OF SOURCING AND PRODUCTION VOLUME (IN %)



2021 (2020)

1 Including Middle East and Africa.

HUGO BOSS attaches great importance to a **regionally balanced strategic sourcing mix** in order to minimize risks such as local or regional capacity shortfalls as far as possible. The increase in sourcing volume in **Asia** in 2021 resulted from the growing share of casual and athleisurewear in the product mix, which is primarily sourced as merchandise. Within Asia, HUGO BOSS reallocated a significant portion of its sourcing volume in fiscal year 2021, thus also responding to pandemic-related production bottlenecks in individual markets. As a result, **China** and **Vietnam** are the most important sourcing markets within Asia, representing 17%

and 16%, respectively, of the Company's global sourcing and production volume (2020: 20% and 12%). As part of several strategic initiatives related to **"nearshoring"**, in the medium term, the Company plans to shift an additional portion of its sourcing volume to **Europe**, in particular to Turkey, thus further strengthening its share in the global sourcing mix. The further expansion of own production capacities at the Company's Izmir site plays a central role in this regard. In future, HUGO BOSS is looking to benefit even more from its proximity to Europe – the Company's largest sales region. At 24%, already today **Turkey** accounts for the largest part of the global sourcing and production volume in Europe (2020: 23%). Of that, the own production in Izmir currently accounts for 14% of the global sourcing and production volume (2020: 13%).

Own production as a competitive advantage

As part of its "CLAIM 5" growth strategy, HUGO BOSS intends to significantly expand its own production in the coming years. In addition to greater **independence from external factors**, the main reason for increasing own production capacity is to enable the Company to react quickly and flexibly to any changes in customer demand and to gain important expertise in the further development of production technologies and quality standards. The five **own production facilities** are located in Izmir (Turkey), Metzingen (Germany), Radom (Poland), Morrovalle (Italy) and Coldrerio (Switzerland).

Further **strengthening the Izmir site**, the Company's largest own production site by far, plays a key role in this. Today, the Izmir site mainly manufactures formalwear products such as suits, jackets, shirts, coats, and womenswear. Thanks to the digitalization of a large number of production processes and workflows in recent years, existing capacities can now be used even more flexibly. For example, in 2021, in addition to formalwear, a certain share of casualwear products such as trousers, jackets, and jersey products was also produced. In addition, the Company plans to invest around EUR 10 million in **capacity expansion and further digitalization** of the site in the coming years. In this context, around 1,000 new jobs are to be created on site. Thanks to the expansion of the jersey production lines at the Izmir site, the focus of own production will therefore also be on the **production of casualwear** going forward. In doing so, HUGO BOSS intends to further strengthen its position in the important casualwear segment and, in particular, to establish BOSS as a true 24/7 lifestyle brand. > Group Strategy, "Product is King"

The production site in **Metzingen** mainly produces tailored "BOSS Made to Measure" suits, along with prototypes and sample styles. In addition, the "Made in Germany" collection, specially developed for the Asian market, was also produced in Metzingen in 2021. In addition to formalwear products, it also includes casualwear products for the first time. Business shoes and sneakers are the main focus of production in **Radom** and **Morrovalle**, while "BOSS Made to Measure" shirts are produced in **Coldrerio**. In future, HUGO BOSS intends to further shift production towards important sales markets. In 2022, the Company will be testing the refinement of jeans and other denim products at a "city factory" in **Los Angeles**.

Network of experienced and specialist suppliers

In order to ensure excellent processing quality and full availability of its products, HUGO BOSS works together with an extensive **network of experienced and specialist suppliers**. In fiscal year 2021, the number of suppliers of finished goods continued to decline as a result of the continuous optimization of the supplier portfolio. As a result, HUGO BOSS obtained **finished goods** from a total of 142 external suppliers (2020: 156) using 169 production facilities (2020: 185). The Group procured **raw materials** from 341 external suppliers (2020: 315) using 366 production facilities (2020: 338). The increase compared with the prior year is directly related to the expansion of own production at the Izmir site to include casualwear products as well as the general securing of product availability against the backdrop of pandemic-related shortages of materials.

HUGO BOSS aims at establishing and maintaining **long-term strategic partnerships** with suppliers. Within these long-term collaborations, HUGO BOSS also sees itself as an advisor that provides suppliers with support in the further development and professionalization of processes and workflows. Within the framework of its own **"Manufacturing Excellence"** program, HUGO BOSS invests in suppliers in a targeted manner in order to create an even more competitive value chain and further increase production efficiency together. In doing so, HUGO BOSS conveys important expertise in terms of personnel, processes, and technology, such as in the area of quality management and lean management. For closer networking between the Company and its suppliers, HUGO BOSS also established a **digital collaboration platform** to facilitate the efficient and rapid **exchange of product information with suppliers**.

Alongside economic criteria, HUGO BOSS attaches great importance to the **careful selection of suppliers**, in which social and environmental aspects play an essential role. The cooperation is based on respect for human rights, compliance with applicable working standards, and occupational health and safety. The HUGO BOSS **Supplier Code of Conduct** forms the basis for all supplier relationships and provides an important framework for the structuring of business activities. The Company reviews compliance with the Code of Conduct in the form of regular audits in the production facilities and supports its suppliers with training on relevant topics. At the same time, the Company is strongly involved in the further development of international standards and plays an active role in external collaborations to shape sustainable textile supply chains. > Combined Non-Financial Statement, Respect for Human Rights

SUSTAINABILITY

Sustainability as an integral part of business activities

Strong commitment to climate neutrality, circularity, and RESPONSIBLE Styles

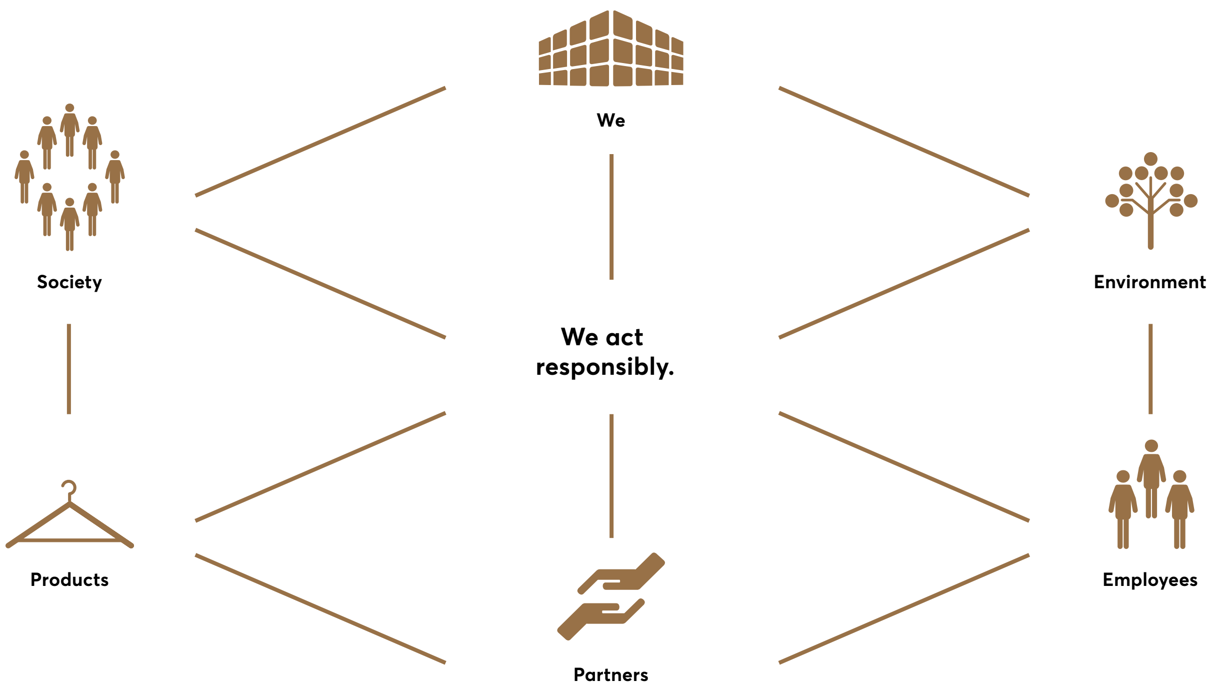
Renewed inclusion in the Dow Jones Sustainability Index World and Europe

HUGO BOSS is conscious of the economic, ecological, and social impacts of its business activities along the entire value chain. The sustainability activities of HUGO BOSS aim to generate added value for the Company, its employees, shareholders, customers, business partners, and society, thereby ensuring long-term success for the Company. For HUGO BOSS, **sustainable business** activities mean guaranteeing the **traditionally high quality and longevity** of its products at all times, while ensuring that they are made in a **socially and environmentally friendly way**.

Within "CLAIM 5", HUGO BOSS considers sustainability as an important foundation of its strategy and thus as an integral part of its business activities. The Company's ambitious sustainability targets are therefore firmly anchored in the Group strategy. In this context, the Company will intensify its diverse sustainability activities, particularly in the areas of **climate neutrality** and **circularity**, which also includes actively involving its customers. With its clear commitment to sustainability, HUGO BOSS consequently places customers and their increased expectations with regard to sustainability at the core of its activities. In doing so, the Company wants to drive customer satisfaction to ultimately become one of the top 100 global brands. > Group Strategy

In order to ensure a long-term, sustainable development of the Company, HUGO BOSS pursues a **holistic strategic approach** that defines all key business processes and the actions of all operating units throughout the Group. The six fields of action, **We, Environment, Employees, Partners, Products**, and **Society** provide the framework for the Company's sustainability program, "Today. Tomorrow. Always." The Group's sustainability activities are managed strategically by the central department Global Corporate Responsibility & Public Affairs, which reports directly to the Chief Operating Officer.

STRATEGIC FIELDS OF ACTION FOR SUSTAINABILITY



We – "Creating Values Together": With its various sustainability activities, HUGO BOSS is oriented towards the Sustainable Development Goals (SDGs) of the United Nations. In implementing and developing its sustainability strategy, HUGO BOSS relies on a regular dialog with its stakeholders and close collaboration with businesses as well as organizations. The aim is to jointly drive sustainability in the textile industry. The insights gained are also incorporated into the Company's risk and opportunity management and help to enhance the Company's own ethical standards as well as the HUGO BOSS Code of Conduct.

BY 2030
CLIMATE-NEUTRAL

Environment – "Preserving Natural Resources": The aim of environmental management at HUGO BOSS is to reduce the ecological impacts of its own business activities as far as possible. This commitment extends from the Company's own administration and production sites to the supply chain and the global store network. By means of sustainable building concepts and technologies, electricity from renewable energy sources, and a continuous optimization of transport routes, the Company is working to reduce its CO_2 emissions, thus making a direct contribution to protecting the environment. The Company's ambitious sustainability targets include being climate-neutral in its own area of responsibility by 2030 and along the entire value chain by 2045. > Combined Non-Financial Statement, Environmental Matters

Employees – "Fostering a Fair and Responsible Culture": The basis for daily cooperation at HUGO BOSS is formed by the corporate values and the Code of Conduct, with the latter being the foundation for legally and ethically correct behavior in day-to-day business. The Company is convinced, that an inclusive corporate culture is an important source of creativity, strength, and innovation. With a clear goal in mind of actively contributing to an inclusive and fair world, the position of Head of Global Diversity & Inclusion at HUGO BOSS was created and filled for the first time in 2021. At the same time, the Company aims at further strengthening its position in international competition for the most qualified employees. In order to increase its attractiveness as an employer, the Company is focusing on a fair and transparent compensation scheme, a value-based corporate culture free from discrimination, opportunities for individual development, and a wide range of flexible working models to better combine work and private life. > Employees and Teams, > Combined Non-Financial Statement, Employee Matters

Partners – "Achieving Joint Responsibility": Complying with social and environmental standards throughout its global supply chain is of fundamental importance for HUGO BOSS and its partners and is therefore an integral part of the contractual agreements. These standards are based on internationally recognized frameworks and include, among others, rules governing working hours, fair and safe working conditions, bans on child labor and forced labor, the payment of adequate wages, and freedom of association. HUGO BOSS attaches great importance to the careful selection of its partners, cooperation based on a spirit of mutual trust and the maintenance of long-term strategic relationships. > Sourcing and Production, > Combined Non-Financial Statement, Respect for Human Rights

80%
CIRCULAR PRODUCTS BY 2030

Products – "Ideas for Tomorrow": HUGO BOSS sets high standards for the design and quality of its products. In the development of these products, which is increasingly being carried out digitally, the company puts more and more focus on innovative, sustainable materials and manufacturing techniques. At the same time, HUGO BOSS ensures compliance with strict standards on the safety and environmental compatibility of its products and their manufacture. The Company works closely together with its suppliers and other stakeholders on solutions for environmental and animal protection. Particularly sustainable products, called RESPONSIBLE Styles, form the spearhead of the Company's sustainability activities. They are mainly made from more sustainable materials, which are certified according to clearly defined standards. The target of achieving a 30% share of RESPONSIBLE Styles by 2025 was already exceeded in 2021 (2021: 31%). Now, HUGO BOSS aims at increasing the proportion of RESPONSIBLE Styles to 60% by 2030. In order to conserve resources and ecosystems, HUGO BOSS has also set itself the goal of further extending the life cycle of its products, increasingly closing material cycles and driving the use of high-quality, recyclable materials. By 2030, HUGO BOSS aims to enable 80% of all products to become circular. In this context, in 2021, HUGO BOSS launched a collection with "Repurpose Styles", in which existing materials were used for new, high-quality purposes. > Research and Development

Society – "Promoting Perspectives": The overarching aim of the HUGO BOSS corporate citizenship strategy is to unleash individual potential for success. It is based on three pillars: access to education, equal opportunities, and providing support in times of crisis. In implementing projects and activities along the value chain, the Company also takes account of regional needs at individual locations.

The Group strives for continuous improvement in all six fields of action and has set itself ambitious targets accordingly. Sustainability ratings serve as an objective indicator of the progress achieved. In 2021, HUGO BOSS was included in the **Dow Jones Sustainability Index (DJSI) World** for the fifth consecutive time. Among other things, the Company scored "best in class" in the categories of innovation management, risk and crisis management, tax strategy, and environmental and social reporting. As a result, HUGO BOSS was once again among the three best-rated companies in its industry worldwide that qualified for the index. In 2021, the Company was also included in the **DJSI Europe** for the second time in a row.

Early 2022, HUGO BOSS entered into a long-term strategic partnership with Swiss innovator HeiQ Plc. The **HeiQ AeoniQ apparel technology** enables the production of a sustainable, circular, and recyclable cellulose yarn. This is intended to enable HUGO BOSS to supplement or replace currently used polyester and nylon fibers with AeoniQ cellulose yarn, which during growth binds carbon from the atmosphere. In doing so, HUGO BOSS makes a vital contribution when it comes to preserving agricultural land, reducing water pollution, and decarbonizing the fashion industry. The partnership's investment in HeiQ AeoniQ therefore perfectly fits in with HUGO BOSS' ambitious sustainability efforts.

In 2021, HUGO BOSS also secured an **ESG-linked syndicated loan** for the first time. The loan is classified as sustainable finance and as such meets important ESG criteria. The interest rate will be adjusted annually based on the achievement of target values defined by HUGO BOSS across four ESG criteria. The first adjustment will be made in 2023 based on the 2022 target achievement. This takes into account the reduction of CO_2 emissions, the proportion of women in management positions, fair working conditions at suppliers and the use of more sustainable cotton. This is the first financial instrument at HUGO BOSS to be linked to sustainability criteria. > Financial Position, Capital Structure and Financing

COMBINED NON-FINANCIAL STATEMENT

Statement summarizes material disclosures on sustainability aspects

Seven topics identified as material within the meaning of Section 289c (3) of the German Commercial Code (HGB)

Definition of reported performance indicators is oriented toward GRI Standards

About this combined non-financial statement

Under Sections 315b and 315c HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sections 289b to 289e HGB, the Company hereby publishes this combined non-financial statement for the HUGO BOSS Group and HUGO BOSS AG. It substantively summarizes the material disclosures for the Company regarding the five required aspects of **environmental, employee and social matters, respect for human rights** and **anti-corruption and bribery matters**. In the drafting of the statement, HUGO BOSS oriented itself, particularly for the definition of the reported performance indicators, toward the Global Reporting Initiative (GRI) Standards.

As part of the reporting process, HUGO BOSS has analyzed whether risks exist that are associated with its own business activity, its business relationships, and its products or services, and that very likely have or could have serious adverse impacts on the aspects listed above. HUGO BOSS has **no such risks** to report.

Unless otherwise noted, the disclosures made in this statement reflect equally the **perspective of HUGO BOSS AG and that of the Group**. Any references to information outside the combined non-financial statement – with the exception of references to the chapter "Business Activities and Group Structure" as part of the combined management report – are information going beyond the mandatory disclosures under the German Commercial Code and do not form part of the statement. The combined non-financial statement was subject to a voluntary review with limited assurance according to ISAE 3000 (Revised). > Independent Auditor's Limited Assurance Report

Description of the business model

HUGO BOSS is one of the leading companies in the premium segment of the global apparel market. The **business model** of HUGO BOSS is described in detail in the chapter on "Business Activities and Group Structure." > Business Activities and Group Structure

Derivation of material topics

The basis used for selecting the topics presented in this statement is a **materiality analysis** conducted by HUGO BOSS in 2019, which encompassed in particular a materiality review according to Section 289c (3) HGB. It has been analyzed to what extent the topics are of particular relevance for understanding the Company's development, performance, and position, and the impact of its activity on the above aspects. A review of the materiality analysis by HUGO BOSS in 2021 showed that the topics "Responsible use of Chemicals in Production" and "Occupational Health" are no longer to be regarded as material within the meaning of Section 289c (3) HGB and are therefore no longer part of the non-financial statement. In addition, and in line with the objectives of the new "CLAIM 5" growth strategy of HUGO BOSS, the topic "Customer Satisfaction" included in the prior year's report will henceforth be integrated into the broader topic of "Brand Power".
> Group Strategy

ASPECTS AND MATERIAL TOPICS

Environmental matters	Employee matters	Social matters	Respect for human rights	Anti-corruption and bribery matters
Climate action in production	Employer attractiveness	Brand power	Human rights and labor standards in production	Avoidance of corruption and anti-competitive behavior
		Data protection	Occupational safety in production	

The aspects set out under "Environmental matters" and "Respect for human rights" relate to both the production activities of HUGO BOSS itself and the production activities of independent suppliers.

Environmental matters

Climate action in production

In the global textile and apparel industry, CO_2 emissions mainly occur in the cultivation and production of textile fibers and during energy-intensive processing stages, like dyeing, washing, or bleaching. HUGO BOSS is conscious of its shared responsibility to **protect the environment and the climate**. The introduction and development of environmentally and climate-friendly processes at its suppliers is as important to the Company as the implementation of similar measures at its own production sites.

Environmental and climate protection matters in the supply chain are managed by the **central department Global Corporate Responsibility** and Public Affairs, which is responsible for setting out internal guidelines and standards. In addition, the **central Environmental Management Team**, in close consultation with local managers, coordinates corresponding measures at the own production sites. The Managing Board is kept regularly informed of progress on the achievement of the Group's environmental and climate protection targets.

Targets

By signing the Fashion Industry Charter for Climate Action in 2018 under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC), HUGO BOSS, together with other companies in the fashion industry, strives for a net zero in climate-damaging emissions by 2050. Within the scope of its "CLAIM 5" strategy, HUGO BOSS has set itself the target of being **climate-neutral in its own area of responsibility by 2030 and along the entire value chain by 2045**.

Measures

HUGO BOSS works to protect the climate worldwide with numerous measures and initiatives at its own sites and along its supply chain. In order to define suitable measures, as part of the **Fashion Industry Charter for Climate Action**, the Company engages with, amongst others, task forces dealing with issues such as "raw materials" and "energy efficiency and renewable energies in the manufacturing process".

In line with the UNFCCC, the Company works together with its suppliers to reduce environmental impacts sustainably along the supply chain. **Compliance with statutory environmental standards** is an integral part of the supplier contracts. In addition, the **Environmental Policy** published by HUGO BOSS on its website describes a variety of environmental protection principles, both for the Company's own production sites and for those of its suppliers. It reflects the activities and objectives pursued by the Company within the framework of the Fashion Industry Charter for Climate Action. The Company's **Supplier Code of Conduct** also contains comprehensive guidelines for compliance with environmental protection requirements. In addition, HUGO BOSS sets binding sustainability criteria for the use and processing of textile fibers and materials for its suppliers in the form of a publicly accessible **RESPONSIBLE Product Policy**.

As part of regular **environmental audits**, HUGO BOSS records, among other things, the energy management measures put in place by its suppliers and the CO_2 emissions of those suppliers. The Company uses external auditors for this purpose. In the event of any violations of environmental requirements being identified, the Company works together with the respective supplier to develop action plans whose implementation is verified in follow-up audits. In order to increase the transparency and measurability of the environmental impact of its partners, HUGO BOSS teamed up with other companies to develop a **resource efficiency module (REM)** in 2021 that enables suppliers to record their consumption data and is intended to support the reduction of harmful emissions.

The Company also carries out relevant **training sessions** to inform its suppliers regularly about environmental and climate protection measures and to work toward the establishment of standardized energy and environmental management systems. In 2021, for example, in collaboration with the UNFCCC, as well as other organizations and companies, HUGO BOSS developed the publicly accessible, web-based **"Climate Action Training"**, to support suppliers in achieving the targets stipulated by the UNFCCC. In 2021, audits and on-site training sessions were again only carried out to a limited extent due to international travel restrictions related to the COVID-19 pandemic and to protect all parties involved.

As a member of the **Better Cotton Initiative (BCI)**, HUGO BOSS works together with other companies to reduce the environmental impacts associated with the cultivation and processing of cotton. Of the materials used by HUGO BOSS, cotton is by far the most extensively used. The BCI takes a holistic approach to sustainable cotton production that takes into account ecological, social and economic considerations.

The impact of the Company's own production activities on the climate is relatively low compared with that of external suppliers, as the upstream value-adding stages in particular involve processes with high CO_2 emissions. Nevertheless, the reduction of energy consumption and CO_2 emissions at the own production sites of HUGO BOSS plays an important role. The Group continues to develop its **Environmental Management** in line with the international standards ISO 14001 (Environmental Management) and ISO 50001 (Energy Management). The site in Izmir (Turkey) – by far the largest of the Company's own production sites – has been certified under both these standards since 2014.

To **further reduce CO_2 emissions** in its own production sites, the Company is investing primarily in energy-efficient technologies, modernizing and renovating technical facilities and increasing the share of renewable energies. For example, HUGO BOSS has been obtaining its energy from renewable sources at all its own facilities since 2020. In addition, the Company plans to commission a photovoltaic system at its production facility in Izmir (Turkey) in the first half of 2022. The knowledge obtained through its own environmental management will help the Company work together with its suppliers to make further progress in reducing environmental and climate impacts in the supply chain in the coming years.

Performance indicators

On its way to climate-neutrality, HUGO BOSS continues to pursue its scientifically based reduction targets recognized by the Science Based Targets Initiative: In this context, the Company intends to effectively reduce its **own CO_2 emissions** by at least 51% by 2030 i.e., without any additional compensation (base year: 2018). Due to the increasing requirements placed on the signatories of the Fashion Industry Charter for Climate Action by the UNFCCC, HUGO BOSS will revise its climate targets in 2022 and increase its ambitions accordingly. The Company expects that, due to the significant recovery in business activity in 2021, its own CO_2 emissions were above the prior-year level, but that a reduction was again achieved compared with the base year 2018 (2020: decrease of 36% compared to 2018). The publication of progress achieved in 2021 and further information on the climate strategy and climate targets of HUGO BOSS can be found in the 2021 Sustainability Report.

Employee matters

Employer attractiveness

Achieving the Company's strategic and financial targets is largely dependent on its employees and on their skills and commitment. Increasing complexity and a fast-moving competitive environment are leading to an increased demand for skilled employees and executives. For this reason, it is of central importance for HUGO BOSS to further strengthen its position in international competition for the most qualified employees. To increase its attractiveness as an employer, in addition to a fair and value-based corporate culture, the Company is also working primarily to promote **diversity** in the organization, **create opportunities for individual development** and a variety of offers to make it easier to **combine professional and private life**.

The **central department Human Resources** is responsible for personnel strategy and personnel management across the Group. It remains in close contact with the managers of the central departments and with the HR departments and managers of the Group companies. The Managing Board is kept regularly informed of the progress of the personnel work and is involved in all significant decisions.

Targets

Further **increasing its attractiveness as an employer** is an important target in the personnel work at HUGO BOSS. This is intended to strengthen the Company's position in international competition for highly qualified workers and to increase motivation, commitment and loyalty among the Company's approximately 14,000 employees.

Measures

For HUGO BOSS, in addition to promoting diversity in the workforce, the systematic training and development of its employees, as well as supporting a work-life balance are among its top strategic personnel management priorities. > Employees and Teams

As an international company, **diversity** is a fundamental part of the corporate culture at HUGO BOSS. All employees are to be guaranteed a working environment free of discrimination, and equal opportunities. In addition, HUGO BOSS places an important focus on promoting an inclusive environment of trust and belonging, as the Group sees the individuality of every employee and a culture of diversity as key factors for the success of the Company. To reflect the importance of diversity also from an organizational perspective, the position of Head of Global Diversity and Inclusion was established and successfully filled in 2021. The **Head of Global Diversity and Inclusion** is to address important diversity issues at HUGO BOSS. In 2021, for example, a survey was conducted for the first time to assess employees' perception of the diversity practiced in the Company at a total of 30 locations, on the basis of which specific measures were developed to promote diversity and integration at HUGO BOSS. Progress should therefore be made in particular in the areas of "inclusive leadership", "diversity and inclusion training" and "gender empowerment". An internal task force will continuously drive forward the implementation of the identified measures as well as other topics relating to inclusion and diversity at HUGO BOSS.

HUGO BOSS offers its employees a variety of opportunities for individual development. Structured training programs for professionals and leaders, such as the **Employee Development Program (EDP)** and the **Leadership Development Program (LDP)**, are designed to support employees in ways that are appropriate to their abilities, to broaden their knowledge and to strengthen their skills, potentially with a view to pursuing a management career. The EDP was revised in 2021 with the aim of establishing it throughout the Group together with the LDP. An international implementation of the EDP and LDP is planned for the first time in spring 2022, having so far only been available in Germany and to employees at selected international locations. Moreover, the Group's employees have access to a broad selection of face-to-face and guided online live trainings as well as e-learning courses on social, professional and management skills via the Group-wide **"HUGO BOSS University"** platform. At the Group's own production and logistics sites, face-to-face training sessions and workplace orientations are an integral part of initiating industrial staff. While the range of online live training and e-learning continued to gain further importance in the wake of the pandemic, face-to-face events could only be conducted to a limited extent in the past fiscal year.

In recent years, HUGO BOSS has successfully established the **"Performance & Development Dialog" (PDD)** to provide process and system support in creating individual development opportunities. An online tool collects the data relating to performance assessment, potential evaluation and development planning of employees and is designed to ensure the greatest possible objectivity, including using the presentation of multi-dimensional feedback. The aim of the PDD is to create greater transparency, particularly with regard to possible cross-divisional and transnational development paths within the Group, to get the best out of employees and retain talent in the Company for as long as possible. In addition to all administrative staff, the PDD has also been available to HUGO BOSS employees in the Group's own retail business since 2021.

To increase its attractiveness as an employer, HUGO BOSS also supports its employees in combining work and private life. A **variety of flexible working models**, such as individual part-time arrangements, trust-based working hours or working from home, are designed to further increase motivation and commitment among employees. The majority of the Group's employees already benefit from flexible working hours and possible part-time arrangements. For example, employees in the Group's own production site in Izmir (Turkey) are able to take accrued overtime hours as time off within two months or make use of alternative part-time arrangement options. **Working from home** is now available to almost all administrative staff in the Company. In addition, HUGO BOSS introduced the **hybrid "Threedom of Work" working concept** already in the prior year, which initially applies to administrative staff in Germany. The concept provides for three days of attendance at the Company's headquarters in Metzingen from Tuesday to Thursday. Employees can choose their place of work on the other two days. This model is the Company's response to the increasing desire of employees for flexibility in terms of where and when they work. At the same time, it reflects the Company's positive experiences with the home office concept during the pandemic. Similar models have also already been established in other Group companies.

HUGO BOSS is also involved in the collaboration **"Success Factor Family"** to strengthen family-friendliness across Germany. The Company already offers a broad variety of family-friendly options to its employees. For example, young families at the Metzingen site have access to places in the local daycare center and **holiday care** programs. The Company's own **daycare center**, which is under construction, is expected to open in the second half of 2022. At international sites too, the Company promotes the combination of professional and private life. For example, employees in the United States and Canada have free access to an **Employee Assistance Program (EAP)**, which offers independent advice on matters such as childcare and caring for family members. In addition, employees there have the choice of spending part of their personal gross income on external care and support services through **flexible spending accounts** (FSAs).

The attractiveness of HUGO BOSS as an employer was also awarded several prizes in 2021. In the annual survey conducted by the Trendence Institute, the Company was once again among the **top 100 most attractive employers in Germany** among relevant target groups. In the **"Working in Fashion 2021"** study conducted by the German industry magazine TextilWirtschaft, HUGO BOSS took fifth place (2020: third place). The Company ranked particularly well in the categories of mobile working and salary levels, ranking second in both categories. In addition, on the basis of an independent study in collaboration with Statista and the Financial Times, in 2021, HUGO BOSS was once again among the Top 100 Diversity Leaders in Europe.

Performance indicators

HUGO BOSS determines the satisfaction and the needs of its employees as part of an employee survey conducted annually in cooperation with Great Place to Work® Germany. The knowledge gained provides the Company with an important impetus for the further development of its personnel work and the corporate culture. In addition, employee satisfaction at HUGO BOSS is an important component within the long-term incentive program (LTI) as part of the Managing Board compensation. With a Group-wide participation rate of 62%, **overall satisfaction** rose to 76% in 2021 (2020: Overall satisfaction of 72% with a participation rate of 70%). This means that the Company has achieved its target of increasing Group-wide overall satisfaction to 75% by 2025 ahead of schedule. HUGO BOSS aims to at least maintain this level in the future. At HUGO BOSS AG, overall satisfaction increased to 83% (2020: 82%). Employees particularly praised the fair and open corporate culture.

Social matters

Brand power

For HUGO BOSS, the **power of its brands – BOSS and HUGO –** is a key prerequisite for the long-term success of the Company. Particularly in times of intense competition and constantly increasing customer expectations, strengthening the brands is becoming increasingly important. As part of its "CLAIM 5" growth strategy, HUGO BOSS aims at sustainably increasing brand power in the coming years, with the goal of significantly increasing the perception and relevance of BOSS and HUGO, especially among younger target groups. The increase in brand power is to be achieved primarily through the implementation of strategic initiatives to increase brand heat, brand health and brand value. > Group Strategy

At HUGO BOSS, brand power is systematically measured and evaluated by the **central department Corporate Strategy**, which reports directly to the Chief Executive Officer. The Managing Board is kept regularly informed of the progress made and results of the work.

Targets

HUGO BOSS has firmly anchored the strengthening of the brands in its "CLAIM 5" strategy. The Company has the ambition to be **one of the top 100 global brands** and is therefore striving to significantly increase the strength of BOSS and HUGO in the coming years.

Measures

As part of **"CLAIM 5"**, HUGO BOSS closely aligns all strategic initiatives with its customers and their needs. In line with the claim "Boost Brands", the Company has started to refresh the global **brand presence** of BOSS and HUGO in 2021 in order to significantly increase the relevance of the brands. In order to strengthen the relevance of the brands, especially among younger target groups, and to realize their full potential, HUGO BOSS also intends to significantly expand its **marketing activities** in the coming years, with a focus on social media and exceptional collaborations. In 2021, for example, the Company celebrated the launch of the second BOSS x Russell Athletic collection as part of a combined offline/online event and was able to generate a high global reach thanks to extensive activation on social media. Under the claim "Product is King", HUGO BOSS is pursuing the ambition of further strengthening its position in the important casualwear segment and establishing BOSS as a true **24/7 lifestyle brand**. At the same time, HUGO is to serve as the **first point of contact** for younger consumers with trendy and commercial products. Enhancing the customer experience also plays a crucial role in strengthening the brands. As part of the claim "Rebalance Omnichannel", both digital and physical consumer touchpoints are to be strengthened and turned into points of experience. In this context, a comprehensive relaunch of the Group's own **online flagship store hugoboss.com** will take place in early 2022 in order to further enhance the digital customer journey and to enable customers to experience the new branding of BOSS and HUGO online as well. At the same time, the Company is planning to open a **flagship store on Oxford Street in London** in the first half of 2022 to significantly improve the shopping experience with a new store concept, especially in terms of emotionalization and digitalization. The new store concept was already implemented in first stores in Germany and the United Arab Emirates in 2021. > Group Strategy

At HUGO BOSS, **brand power is measured** as part of a systematic evaluation in which both short and medium-term trends in brand heat and brand health are captured and analyzed, along with the long-term development of brand value. In order to assess **brand heat** and **brand health**, the Company continuously records the scope and tonality of the interactions of BOSS and HUGO on social media and in popular search engines. In addition, HUGO BOSS regularly conducts corresponding surveys among relevant target groups. The evaluation of **brand value** development is primarily based on the performance analysis of BOSS and HUGO in global competition, taking into account not only the impact of the brand on the customer, but also elements such as the financial outlook. In realizing the Company's ambition of being one of the top 100 global brands, HUGO BOSS will work closely with the global brand consulting agency Interbrand in the coming years, focusing on the development of the Best Global Brand Ranking.

In addition to the instruments for measuring brand power, the Company's internal **customer experience management (CEM)** is another important element in determining and improving customer satisfaction. This involves continuously recording direct customer feedback on the shopping experience and the BOSS and HUGO products. This feedback is continuously aggregated, evaluated and made available to the relevant decision-makers at the Company on a daily basis.

Performance indicators

When evaluating the data obtained by means of the CEM, the **net promoter score (NPS)** forms the most important key figure. The KPI measures the likelihood of a customer recommending BOSS and HUGO, consequently providing the Company with important insights in terms of brand health. Also in 2021, HUGO BOSS was able to further increase the NPS compared to the prior year. The Company aims at further improving this performance indicator in the future. Further information on the NPS can be found in the 2021 Sustainability Report.

In the coming years, the **positioning of HUGO BOSS in the annual Interbrand ranking** should also act as a clear indicator of the progress made in increasing brand power, particularly in terms of brand value.

Data protection

The aim of data protection is to guarantee the **individual's right to self-determination in terms of information**. Due to the strong focus on the further digitalization of its business model, data protection is also steadily gaining in importance for HUGO BOSS. Customer data, in particular data from its own online business and the customer loyalty program, is highly relevant for the future success of HUGO BOSS. Equally important to HUGO BOSS is the proper handling of its employees', business partners' and shareholders' data. Any breach of data protection laws represent an increased compliance risk. The Group aims to counter this risk using a system that complies with data protection laws and through appropriate technical and organizational measures. > Risk Report, Material Organizational Risks

The **central Data Protection Officer** is responsible for data protection monitoring and compliance. The Company has also assigned responsible staff in the international Group companies. In addition, a **centrally operated data protection unit** was established. The purpose of this unit is to work closely with the Data Protection Officer and the data protection coordinators of key departments of HUGO BOSS AG in order to ensure personal data are processed in a legally compliant way. The **work focuses** on the continuous assistance for departments in data protection issues, early identification of risks, remediation of weaknesses, and employee education. Any contraventions must be reported to the Data Protection Officer. The Managing Board is kept updated on the progress of work via regular data protection reports.

Targets

HUGO BOSS aims to completely rule out any **contraventions** of applicable data protection laws as far as possible.

Measures

Group employees are educated about data protection issues by means of general and activity-related **training courses** as well as regular documentation of digital confidentiality obligations. For example, all employees with access to a computer must regularly complete a **comprehensive e-learning program on data protection**. This is intended to continuously increase awareness of the handling of personal data, particularly in light of the provisions of the EU General Data Protection Regulation. The Company has additionally developed an internal **data protection policy** as well as other data protection guidelines, to guarantee the comprehensive rights of affected persons, in particular. The guidelines are regularly reviewed to ensure they are up to date in terms of the applicable data protection provisions, and constantly further developed.

All internal **processes and systems** for processing personal data are measured on an ongoing basis and further developed to ensure that they comply with the legal data protection guidelines. The improvements are aimed at preventing data misuse and theft. There are extensive data protection provisions for the Company's online presence and mobile apps. When legal violations have been discovered, the Company has implemented **contingency plans** to initiate countermeasures.

Performance indicators

In 2021, as in the prior year, the Company was **not aware of any violations** in the sense of data protection infringements established by authorities or courts.

Respect for human rights

Under "Respect for Human Rights", HUGO BOSS addresses two significant topics relating to the social impact in the supply chain (including its own production): **human rights and labor standards** along with **occupational safety**. In the following, the topics are covered together, as they are both part of the HUGO BOSS social compliance program and are therefore closely interconnected.

HUGO BOSS considers respect for human rights and compliance with applicable labor standards in its global supply chain to be **integral parts of its corporate culture**. A considerable part of the sourcing volume of HUGO BOSS is attributable to finished goods produced by independent suppliers in less economically developed regions. HUGO BOSS is aware of its **shared responsibility** for the employees along its supply chain. A commitment by the Managing Board to safeguard and respect human rights can be accessed on the Company's website.

Respect for human rights is the responsibility of and managed by the central department **Global Corporate Responsibility and Public Affairs** in close consultation with the operational sourcing units. The results of the work are the subject of regular reports to the Managing Board. In addition, the issue of human rights is integrated into the Company's **risk management** along with clearly defined processes and responsibilities. Responsibility for occupational health and safety in the Group's own production is organized locally. The responsible employees at the various sites report at regular intervals and on an ad-hoc basis to the **management of the respective Group companies**, which is in close contact with the Managing Board.

In case of any indication of violations of human rights or labor standards, both the Group's own employees and the employees of suppliers have recourse to a defined grievance mechanism through which they can reach out to the responsible contact person at HUGO BOSS directly, or an independent external **ombudsman**. In addition, a **whistleblowing portal** was established in 2021, which offers employees and supplier's workers the opportunity to report misconduct and criminal offenses in the Company confidentially and anonymously. Any violations will be investigated, sanctions imposed, and action taken under the primary responsibility of the central Compliance department, which submits regular compliance reports to the Managing Board and the Audit Committee of the Supervisory Board.

Targets

HUGO BOSS endeavors to achieve compliance with statutory and internal company rules on both **human rights and labor standards**, both in its own production and that of its suppliers, while at the same time granting **occupational safety** for all employees.

Measures

HUGO BOSS attaches great importance to the **careful selection of its partners**, cooperation based on a spirit of mutual trust, as well as to the establishment and maintenance of long-term strategic relationships. In this context, the creation of a shared understanding and assistance in the further development of competencies to manage social issues plays an important role. HUGO BOSS imposes an obligation on its suppliers to comply with its **Supplier Code of Conduct**, which is the most important framework for compliance and improving social matters in the supply chain, and forms an integral part of contractual agreements. It is based on internationally acknowledged standards such as the Core Conventions of the International Labor Organization (ILO) and includes rules governing the observance of national legislation, working-hour restrictions, humane and safe working conditions, bans on child labor, forced labor and discrimination and the payment of reasonable wages. In countries where the national statutory requirements fall short, the Code sets a minimum standard. The Code is available in 23 languages on the Company's website. The Group's own employees are subject to the **HUGO BOSS Code of Conduct** as well as the publicly accessible **HUGO BOSS Human Rights Policy**. The latter was expanded in 2021 to include, among others, the topics of anti-discrimination and vulnerable groups, and is henceforth available in Turkish, Polish and Italian, in addition to English and German.

HUGO BOSS also created the position of **Senior Human Rights Manager** in fiscal year 2021 to further monitor and ensure compliance with human rights and environmental due diligence obligations in the supply chain. The duties of this position will also include monitoring company-wide compliance with the **German Supply Chain Due Diligence Law** (Lieferkettensorgfaltspflichtengesetz), which will come into force in 2023. In the past fiscal year, a cross-divisional project group carried out an initial legal assessment of the law and identified potential risks that are to be minimized accordingly until the law comes into force.

To further develop industry standards, HUGO BOSS works in close **cooperation** with other companies and organizations. For example, the Company is committed to the "Living Wages" initiative by the Partnership for Sustainable Textiles. For HUGO BOSS the underlying **principles of fair compensation** include the regulated payment of wages, the performance-based compensation of hours actually worked, the right to collective bargaining and the prevention of pay inequality. In addition, HUGO BOSS has been a member of the **"International Accord for Health and Safety in the Textile and Garment Industry"** since 2021, the successor organization of the Bangladesh Accord, of which the Company had already been a member since 2016. The International Accord is an independent, legally binding agreement between companies and trade unions working together to promote higher health and safety standards, support for employee rights and increased transparency in the global apparel industry.

As a responsible employer, HUGO BOSS also attaches great importance to the occupational safety of its employees. This is especially reflected in the high standards of occupational safety at its own production sites. As part of **health and safety inspections and risk assessments**, potential risks are identified and assessed at an early stage so that solutions can be developed. In addition, **face-to-face training courses** and **workplace training** are an integral part of the onboarding process of industrial staff at the Company's own production sites. The **Health and Safety Commitment** published on the Company's website emphasizes the relevance of this topic.

HUGO BOSS regularly **audits** compliance with social standards set out in the Supplier Code of Conduct as well as occupational safety regulations. For this purpose, the Company also uses external auditors. If infringements of the social standards are identified, the Company works jointly with the respective supplier to develop action plans whose implementation is verified during follow-up audits. If no adequate improvement can be shown during the implementation of these corrective measures, as a last resort, HUGO BOSS will initiate the termination of the supplier relationship. To prevent any infringements of the social standards, HUGO BOSS attaches a high priority to the further development of the social compliance management systems of its suppliers. The Company regularly conducts **social compliance training** courses at its finished goods suppliers and supports them in implementing the social standards. The Company's own employees are also to be made more aware of social compliance matters through regular **training sessions**. Both training measures are conducted predominantly online – also due to the ongoing restrictions in the course of the pandemic – while on-site training sessions are usually only held on an ad hoc basis.

Performance indicators

In 2021, own production was carried out at five production sites in five European countries. In addition, HUGO BOSS was in an active business relationship with 169 external finished goods production facilities in 26 countries (2020: 185 production facilities in 26 countries). The decrease compared to the prior year mainly reflects strategic measures to continuously optimize the supplier portfolio. During the reporting period, **68 audits** were conducted in 55 existing finished goods production facilities (including the Company's own production sites) (2020: 76 audits in 71 production facilities). Infringements that were identified in 2021 related primarily to the area of social compliance management. > Sourcing and Production

HUGO BOSS has set itself the goal of procuring 100% of its sourcing volume from finished goods suppliers (including its own production sites) with one of the **top two performance levels** ("good" or "satisfactory") in the most recent audit by 2025. As at December 31, 2021, this proportion was 99% (2020: 96%).

Anti-corruption and bribery matters

Avoidance of corruption and anti-competitive behavior

Ethically correct and lawful conduct includes the prevention of corruption and anti-competitive behavior. HUGO BOSS expects all employees to act lawfully in day-to-day business operations. For HUGO BOSS, **corporate compliance** is a key responsibility of the Managing Board and includes measures to ensure adherence to legal and official regulations, and internal guidelines and codes. These include anti-corruption, anti-bribery, and antitrust regulations.

The **central Compliance department** reports directly to the CFO in his role as Chief Compliance Officer and supports him in the monitoring of effective compliance management. Together with the compliance officers in the Group companies, the department ensures the implementation and continuous development of the compliance program. The Audit Committee of the Supervisory Board is kept regularly informed of the Compliance department's activities. In addition, all material developments in the field of compliance are made available to the Audit Committee in an annual compliance report.

Targets

Compliance management at HUGO BOSS aims at **Group-wide legally compliant behavior**. The aim is to prevent legal violations such as corruption, bribery and antitrust violations, which may result not only in reputational and financial risk but may also lead to personal consequences under criminal and labor law.

Measures

All employees of the HUGO BOSS are required to comply with the Group-wide **Code of Conduct** and supplementary specific **compliance rules**, such as an antitrust law guideline and a capital market guideline. Both the publicly accessible Code and the internal guidelines are reviewed regularly and the content is updated, especially with regard to changes in legal requirements. For example, the Code of Conduct was comprehensively revised in 2021 and supplemented with additional content, including in the areas of sustainability, diversity and IT security. In addition, the Company is currently revising its internal sourcing policy with the aim of completion by 2022. In addition, Group companies are subject to regular **risk analysis** and detailed **audits** where applicable. Any infringements are reported to the Managing Board and the Supervisory Board. .

A Group-wide **e-learning program** to be completed by all employees with computer access shall raise awareness of the compliance rules. Since 2021, the program has been available in Turkish, Italian, and Chinese, making a total of seven languages going forward. Employees in positions where compliance is particularly relevant receive **online face-to-face trainings** on specific topics that are of relevance to them, such as antitrust law. HUGO BOSS does not tolerate any willful misconduct or serious compliance infringements.

At HUGO BOSS, employees, suppliers and trading partners can notify an external **ombudsman** in confidence if there are any indications of fraud, infringements of antitrust law or other compliance violations. If desired, it is also possible to do this anonymously. The ombudsman's contact data can be found on the Company's website and in the Company-wide intranet. In addition, a **whistleblowing portal** was established in 2021, which offers the opportunity to report misconduct and criminal offenses in the Company confidentially and anonymously.

Performance indicators

In 2020, the Danish Competition Authority identified an antitrust violation concerning an alleged disclosure of information with regard to prices and quantities of HUGO BOSS to local trading partners. However, HUGO BOSS took a contrary view on this and accordingly filed a complaint with the relevant appeals board, which was rejected by three votes to two in court in mid-2021. In order to continue to safeguard all its rights and in light of the close decision of the appeals board, HUGO BOSS is currently asserting its rights at the Danish Maritime and Commercial High Court. A final decision in this case is not expected before 2023. No fine has been imposed so far. Beyond this, in 2021, **no further violations** in the sense of legal violations due to corruption, bribery or antitrust cases established by authorities or courts were identified in the Company (2020: no violations).

EU Taxonomy

The European Green Deal presented by the European Commission in 2019 contains the goal of reducing net greenhouse gas emissions in the European Union to zero by 2050. A central component of this is the EU taxonomy, a **classification system for defining "environmentally sustainable" business activities**. The aim is to classify business activities across the EU in terms of their contribution to six defined environmental objectives on the basis of defined requirements, in order to steer capital flows toward sustainable investments: (1) "Climate change mitigation" (2) "Climate change adaptation" (3) "Sustainable use and protection of water and marine resources" (4) "Transition to a circular economy" (5) "Pollution prevention and control" and (6) "Protection and restoration of biodiversity and ecosystems".

The EU taxonomy requires companies to **report** on their taxonomy-aligned, i.e. environmentally sustainable, economic activities as part of the non-financial statement. For fiscal year 2021, the reporting requirements extend to the two climate-related objectives (1) and (2), as so far, criteria have been only defined for these targets. In addition, for the first reporting year, simplifications were granted that limit the reporting to the disclosure of the share of taxonomy-eligible and non-taxonomy-eligible economic activities in relation to **sales, capital expenditure (CapEx) and operating expenses (OpEx)**, as well as selected qualitative disclosures based on these. Taxonomy-eligible business activities are those that comply with the respective activity description according to the EU taxonomy, irrespective of the fulfillment of the technical screening criteria. The following disclosures are based on the current state of interpretation of the EU taxonomy, which was considered dynamic at the time this non-financial statement was prepared.

The delegated acts published to date in connection with the EU taxonomy on the two climate-related objectives cover only a limited number of sectors and corporate activities. For example, the Taxonomy Regulation currently focuses primarily on the sectors responsible for the largest emissions of CO_2 within Europe. There are also no specific taxonomy criteria yet for **companies in the global apparel market** and their primary economic activities. Therefore, the economic activities of HUGO BOSS and thus the sales of these activities as well as CapEx and OpEx in connection with these activities have not yet been covered by the taxonomy to a large extent and are therefore mainly to be classified as not taxonomy-eligible for fiscal year 2021. However, among the economic activities listed in the context of the delegated acts already in force for the two climate-related objectives, there are so-called cross-cutting activities which, although not revenue-generating for HUGO BOSS, are generally relevant, even if they are not directly related to the primary business activity. The **cross-cutting activities relevant to HUGO BOSS were identified** as part of a cross-divisional project to implement the requirements of the EU taxonomy. This was based on the overview of activities listed in the annexes to the delegated regulation on the two climate-related objectives. While the share of taxonomy-eligible sales in fiscal year 2021 is consequently 0%, the taxonomy-eligible shares of the cross-cutting activities in CapEx and OpEx are to be determined and reported for fiscal year 2021.

HUGO BOSS has determined the **CapEx to be classified as taxonomy-eligible** in principle in connection with the cross-divisional activities for fiscal year 2021. For example, investments in connection with the commissioning of a photovoltaic system at the production site in Izmir (Turkey) planned for the first half of 2022 or for the construction of the new daycare center at the company headquarters in Metzingen (both to be allocated to the section "Construction and real estate activities" of section 7 of Annex I of the Delegated Regulation on the two climate-related objectives) were classified as generally taxonomy-eligible CapEx. The survey was based on data from Group Controlling and Group Accounting as well as on inquiries at relevant Group companies. The data were allocated to the corresponding cross-cutting activities in the further course of data collection. In total, the CapEx to be classified as taxonomy-eligible for 2021 in relation to the total CapEx of EUR 257 million incurred in the past fiscal year ("denominator") are to be classified as **immaterial** (less than 5% of the total CapEx incurred) and are consequently not reported. By definition, the CapEx to be used in calculating the denominator mainly comprises additions to property, plant and equipment and intangible assets before depreciation, amortization and revaluations, as well as additions to rights of use under long-term leases. The amount presented can be reconciled with the disclosures made in the Combined Management Report under "Financial Position" and in the consolidated financial statements under Note 9.

The **OpEx** to be used in calculating the denominator according to the definition of the EU taxonomy essentially comprise direct costs relating to research and development, building renovation measures, short-term leasing, maintenance and repair. The majority of the OpEx of HUGO BOSS, such as sales and marketing expenses, general administrative expenses or logistics expenses, are therefore not included in this definition. In total, the OpEx to be used as a basis according to the definition of the EU taxonomy in fiscal year 2021 ("denominator") amount to EUR 87 million. Here, too, the survey was based on data from Group Controlling and Group Accounting. In relation to the total OpEx of EUR 1,493 million incurred in fiscal year 2021 (reconcilable to the operating expenses presented in the consolidated income statement), HUGO BOSS classifies these OpEx as **immaterial**. Consequently, in accordance with the explanations in Annex I of the Delegated Regulation on Article 8 of the EU taxonomy, the determination and reporting of the taxonomy-eligible OpEx for the fiscal year 2021 is waived.

In the event that technical evaluation criteria for the remaining four environmental objectives are available for **fiscal year 2022** and are to be applied accordingly, HUGO BOSS assumes that, for fiscal year 2022, it will be able to disclose taxonomy-eligible or taxonomy aligned portions of revenue, CapEx and OpEx in relation to the environmental objective (4) "The transition to a circular economy", which will be particularly relevant for the global apparel industry 2022.

GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

Development of global economy impacted by implications of COVID-19 pandemic

Noticeable economic recovery in many important markets

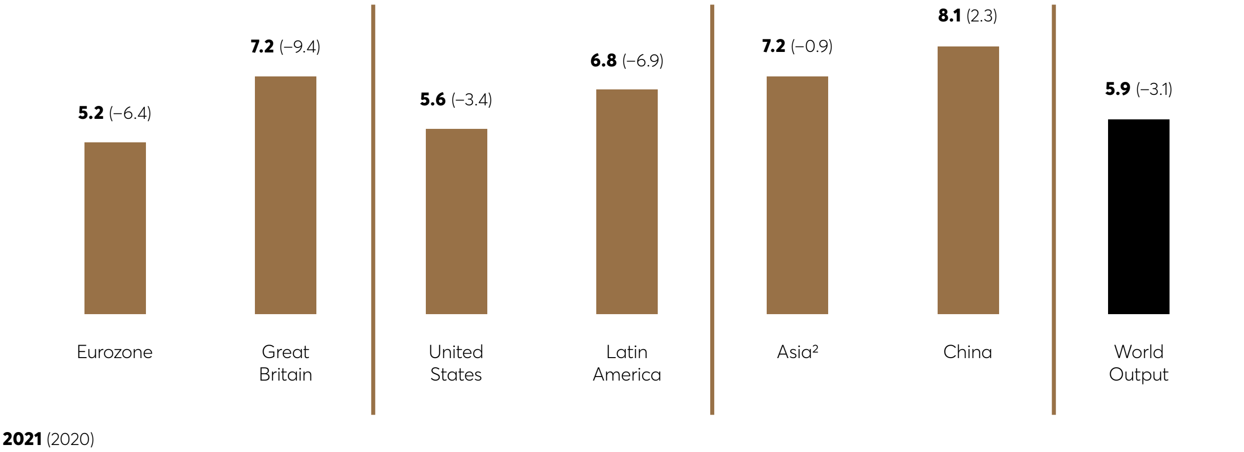
Industry sales largely return to pre-pandemic levels

General economic situation

In fiscal year 2021, the general economic situation continued to be dominated by the **implications of the COVID-19 pandemic**. New waves of infection and renewed restrictions on public life, including widespread contact and international travel restrictions, had an overall dampening effect on global economic development. In addition, the consequences of the pandemic-related **disruption of global supply chains** weighed on economic development. Nevertheless, in 2021, the global economy recovered noticeably from the prior year's economic downturn, driven by comprehensive **stimulus programs** in major economies, including the United States, China and the EU, progress in global vaccination campaigns, and a significant **pick-up in global consumer sentiment** after the lockdowns. Towards the end of the year, the spread of the Omicron virus variant and higher than expected **inflation** slowed the economic recovery to some extent.

Against this backdrop, the International Monetary Fund (IMF) expects the **global economy** to have grown by a total of 5.9% in 2021 (2020: –3.1%). The pace of economic recovery varies across countries and sectors, depending on the degree of pandemic-related disruption and the level of political support.

GROWTH OF THE GLOBAL ECONOMY[1] (IN %)



1 Estimates IMF.
2 Without Japan.

According to IMF estimates, the **eurozone** economy grew by 5.2% in 2021 (2020: −6.4%), making up for most of the economic decline recorded in the prior year. With growth of 6.7%, France performed particularly well, driven by robust local demand and an extensive economic stimulus program (2020: −8.0%). Germany's economy developed softer as compared to the eurozone, mainly due to increasing supply shortages for intermediate products and raw materials, thereby closing 2021 with growth of 2.7% (2020: −4.6%). **Great Britain** also achieved robust growth of 7.2% (2020: −9.4%), supported by major liftings of pandemic-related restrictions towards mid-2021.

According to the IMF, the **U.S.** economy grew by 5.6% in 2021, thus returning to pre-pandemic levels (2020: −3.4%). Growth was driven by extensive monetary and fiscal policy measures, which led to strong demand in private consumption while also boosting corporate investments. However, persistent supply shortages dampened economic activity, particularly in the second half of the year. In light of ongoing robust demand, this drove inflation in the market. Also in **Latin America**, the economy recovered noticeably in 2021. According to the IMF, the regional growth totaled 6.8% in 2021 (2020: −6.9%).

In **China**, the economy already recovered noticeably in the first half of 2021 due to effective containment measures, substantial public investment and liquidity support provided by the Central Bank. However, in the further course of the year, the zero COVID strategy and related quarantine regulations led to supply chain disruptions and restrictions in energy supply. In addition, the real estate crisis intensified in the second half of the year, which had a negative impact on overall consumer sentiment. According to IMF estimates, China's growth for the full year totaled 8.1% (2020: 2.3%), slightly above that of the **Asia region (excluding Japan)** as a whole, for which the IMF assumes growth of 7.2% (2020: −0.9%). With growth of 1.6% in 2021, the economy in **Japan** is recovering at a comparatively slower pace from the implications of the pandemic (2020: −4.5%).

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Industry development

For the global apparel industry, fiscal year 2021 continued to be marked by the **implications of the COVID-19 pandemic**. In addition to regional lockdowns and related store closures, ongoing international travel restrictions weighed on industry development. Furthermore, **global supply chain disruptions** led to bottlenecks in transportation and logistics, as well as an increase in material and freight costs. Despite this volatile environment, the industry largely recovered from prior year's losses during the course of 2021. While the impact of the pandemic was still noticeable at the beginning of the year, particularly in Europe, the industry's recovery strongly accelerated from the second quarter onwards. As a result of the lifting of pandemic-related restrictions and strong progress in vaccination campaigns, global consumer sentiment picked up noticeable, led by Europe and the Americas. According to a joint study by The Business of Fashion and management consultancy McKinsey & Company published in November 2021, the **global apparel industry** (excluding the luxury segment) recorded a sales development in the range of –4% to +1% compared to 2019 (2020: –20%). This means that industry sales have largely returned to pre-pandemic levels only one year after the significant pandemic-related decline in revenues.

The pandemic has further accelerated **global megatrends** in the industry, particularly in the areas of casualization, digitalization and sustainability. In addition, companies with a strong online presence, short and efficient supply chains and a comparatively low dependence on tourism have performed relatively better. From a regional perspective, markets with a high vaccination rate and a largely open economy stood out in particular, as the industry benefited from significant improvements in consumer sentiment and strong growth in local demand.

In **Europe**, where the negative implications of the pandemic continued to be noticeable particularly in the first quarter, the lifting of lockdowns and related temporary store closures significantly supported business recovery from the second quarter onwards. In the second half of the year, progress in vaccination campaigns and the return of social events further accelerated industry growth. However, The Business of Fashion and McKinsey & Company expect industry sales (excluding the luxury segment) to be down 15% to 10% compared to 2019, thus only partly offsetting the prior year's losses (2020: –20%).

In the important **U.S. market**, industry sales (excluding the luxury segment) returned to pre-pandemic levels, posting growth of 5% to 10% compared to 2019 (2020: –22%). In this context, very robust local demand was also supported by the comprehensive economic stimulus program. Overall, the recovery was driven by local consumers while business in major cities in particular suffered from the ongoing absence of international tourism.

In **China**, industry sales returned to growth already in the first half of the year, driven by strong local demand,. Due to international travel restrictions, private consumption was largely diverted to mainland China. In the second half of the year, however, renewed pandemic-related restrictions including temporary store closures weighed on consumer sentiment. Consequently, according to The Business of Fashion and McKinsey & Company, the apparel industry (excluding the luxury segment) recorded growth of –3% to +2% in China as compared to 2019 (2020: –7%).

COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

Business performance with strong acceleration over the course of the year

Sales and EBIT exceed full year guidance

First initial progress in successfully executing "CLAIM 5"

In fiscal year 2021, HUGO BOSS recorded **strong improvements in sales, earnings and free cash flow**. While the implications of the COVID-19 pandemic were still noticeable at the beginning of the year, particularly in Europe, business recovery strongly accelerated from the second quarter onwards. As a result of the lifting of pandemic-related restrictions and strong progress in vaccination campaigns, global consumer sentiment picked up noticeably. The corresponding **increase in local demand** was particularly evident in Europe and the Americas. In the third quarter, in light of a further strong recovery of its global business, HUGO BOSS already returned to pre-pandemic sales and earnings levels. Finally, in the fourth quarter, the Company recorded the highest quarterly sales in its history thanks to a further acceleration in momentum. As a result, HUGO BOSS was able to exceed its sales and earnings targets for fiscal year 2021, which had already been revised upwards back in October.

The **successful execution of several key brand, product, and sales initiatives** as part of its "CLAIM 5" strategy presented in August also drove the business performance of HUGO BOSS in 2021. In line with its strategic claim **"Boost Brands"**, in 2021 the Company has started to comprehensively renew the global brand image of BOSS and HUGO and to expand its marketing activities to significantly drive brand relevance, in particular among younger consumers. In this context, the successful collaboration between BOSS and the American sportswear brand Russell Athletic marked an important milestone in the past fiscal year. In line with its claim **"Product is King"**, this cooperation clearly emphasizes the ambition of BOSS to further strengthen its position in the important casualwear segment and to establish itself as a true 24/7 lifestyle brand. At the same time, HUGO – with its broad range of trendy and modern products – has made important initial progress towards becoming the first point of contact for younger consumers. HUGO BOSS also achieved first successes with regard to its two claims **"Lead in Digital"** and **"Rebalance Omnichannel"**. To these ends, the Company successfully established the HUGO BOSS Digital Campus, aimed at further strengthening the global digital business as well as the CRM and tech capabilities of HUGO BOSS. One of the campus' first priorities has been the successful implementation of the global relaunch of hugoboss.com in early 2022. At the same time, HUGO BOSS also further optimized its global store network in 2021, pushing ahead in particular with the modernization and emotionalization of existing points of sale. New store concepts for BOSS and HUGO, which aim to be significantly more inviting, digital and productive than the previous ones, can be experienced by customers in first stores in Germany and the United Arab Emirates since late 2021. In line with its claim **"Organize for Growth"**, the Company further strengthened its organizational structure in 2021 and also made important progress towards further increasing efficiency and flexibility along its value chain. Also here, HUGO BOSS continued to further drive digitalization. At the same time, the Company initiated important measures in 2021 to minimize the risk of pandemic-related shortages in the global supply chain and the related increase in material and freight costs. In this context, the Company was particularly successful in ensuring sufficient product availability also in 2021. > Group Strategy, > Sourcing and Production

Following the gradual lifting of pandemic-related restrictions and the noticeable business recovery, together with the publication of positive second quarter results in July 2021, HUGO BOSS **specified** its initial sales and earnings forecast for fiscal year 2021, as published in March 2021. The strong acceleration in sales and earnings development in the third quarter prompted HUGO BOSS to finally **raise its full year sales and earnings forecast** in October. Thanks to the strong final quarter, the Company ultimately succeeded in exceeding both, the specified and the raised forecast.

COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

	Results 2020	Initial forecast 2021	Specification of forecast 2021[1]	Increase of forecast 2021[2]	**Results 2021**
Group sales	EUR 1,946 million	Significant increase	Increase by 30–35%[3]	Increase by ~40%[3]	Increase by 43%[3] to EUR 2,786 million
Operating result (EBIT)	minus EUR 236 million	Strong increase	EUR 125 million to EUR 175 million	EUR 175 million to EUR 200 million	EUR 228 million
Net income	minus EUR 219 million	Strong increase	–	–	EUR 144 million
TNWC as a percentage of sales	28.7%	Moderate decline	Improvement to a level of between 21% and 23%	Improvement to a level of between 19% and 20%	Improvement to 17.2%
Capital expenditure	EUR 80 million	Moderate increase	EUR 100 million to EUR 130 million	–	EUR 104 million

1 Specification of sales and earnings forecast in July 2021; specification of the forecast for trade net working capital (TNWC) as a percentage of sales and capital expenditure with the publication of the half year results in August 2021.
2 Increase in sales and earnings forecast in October 2021; adjustment of the forecast for trade net working capital (TNWC) as a percentage of sales with the publication of the third quarter results in November 2021.
3 Currency-adjusted.

In 2021, **Group sales** increased by 43%, both on a reported and currency-adjusted basis, totaling EUR 2,786 million (2020: EUR 1,946 million). Both brands, BOSS and HUGO, as well as all regions and distribution channels, recorded significant increases, thus contributing to growth. Consequently, currency-adjusted sales remained only 1% below pre-pandemic levels (2019: EUR 2,884 million), with an average of around 10% of the Group's stores being affected by pandemic-related temporary closures during the year.
> Earnings Development, Sales Performance

In light of the strong top-line performance, both the operating result (EBIT) and the Group's net income also recovered noticeably over the course of the year, each recording strong improvements. Consequently, HUGO BOSS generated an **EBIT** of EUR 228 million in fiscal year 2021 (2020: minus EUR 236 million). The earnings development was also supported by improvements in gross margin as well as strong operating overhead leverage. Accordingly, the **Group's net income** totaled EUR 144 million in fiscal year 2021 (2020: minus EUR 219 million). > Earnings Development, Income Statement

The moving average of **trade net working capital (TNWC)** as a percentage of sales on the basis of the last four quarters improved to 17.2% (2020: 28.7%), primarily reflecting the significant increase in Group sales. In addition, a reduction in inventories and higher trade payables contributed to this development. > Net Assets

Capital expenditure increased by 30% to EUR 104 million (2020: EUR 80 million). In 2021, investing activity continued to focus on optimizing and modernizing the Group's own store network as well as digitalizing the business model along the entire value chain. > Financial Position, Capital Expenditure

In fiscal year 2021, HUGO BOSS generated the strongest **free cash flow** in the Company's history. At EUR 559 million, free cash flow more than tripled compared to the prior year (2020: EUR 164 million). The strong improvement is mainly attributable to the significant top- and bottom-line growth as well as noticeable improvements in trade net working capital (TNWC). > Financial Position, Statement of Cash Flows and Free Cash Flow

EARNINGS DEVELOPMENT

Currency-adjusted Group sales increase 43% in fiscal year 2021

Significant growth across all brands, regions, and distribution channels

Operating result (EBIT) grows strongly to EUR 228 million

In fiscal year 2021, HUGO BOSS recorded **significant top- and bottom-line improvements**. While the implications of the COVID-19 pandemic were still noticeable at the beginning of the year, particularly in Europe, business recovery strongly accelerated from the second quarter onwards. As a result of the lifting of pandemic-related restrictions and strong progress in vaccination campaigns, global consumer sentiment picked up noticeably. A related **increase in local demand** was particularly evident in Europe and the Americas. Already in the third quarter, HUGO BOSS returned to pre-pandemic sales and earnings levels, driven by a further strong recovery of its global business. The **successful execution of several key brand, product, and sales initiatives** as part of the "CLAIM 5" strategy also supported the business performance of HUGO BOSS. Finally, in the fourth quarter, the Company recorded the highest quarterly sales in its history due to a further strong acceleration in momentum, despite renewed concerns around the COVID-19 pandemic towards the end of the year. In 2021, on average, around 10% of the Group's own stores were affected by pandemic-related temporary closures (2020: around 20%).

Sales performance

Group sales increased by 43%, both on a reported and currency-adjusted basis, totaling EUR 2,786 million in 2021 (2020: EUR 1,946 million). Currency-adjusted sales thus remained only 1% below pre-pandemic levels (2019: EUR 2,884 million).

Sales by region

SALES BY REGION (IN EUR MILLION)

	2021	In % of sales	2020	In % of sales	Change in %	Currency-adjusted change in %
Europe[1]	1,742	63	1,231	63	42	41
Americas	543	20	308	16	77	78
Asia/Pacific	423	15	343	18	23	22
Licenses	77	3	64	3	20	20
Total	**2,786**	**100**	**1,946**	**100**	**43**	**43**

1 Including Middle East and Africa.

All regions contributed to sales growth, with Europe and the Americas recording a particularly strong performance, mainly due to a noticeable recovery in local demand.

Europe, including Middle East and Africa, recorded significant double-digit sales improvements in fiscal year 2021, driven by key markets such as the UK, Germany, and France. Despite being affected by long-lasting lockdowns and store closures in key markets, in particular the first half of the year, regional sales remained only 2% below 2019 levels.

The **Americas** also recorded significant double-digit revenue increases, driven by strong local demand as a result of a noticeable pick-up in consumer sentiment post lockdowns. In particular in the U.S. market, HUGO BOSS benefited from the successful execution of key initiatives to strengthen its product offerings at the point of sale, and from the expansion of the shop-in-shop network at important retail partners. For the full year, currency-adjusted sales in the Americas thus exceeded pre-pandemic levels by 4%.

In **Asia/Pacific**, momentum also picked up noticeably in 2021, as reflected by double-digit sales improvements compared to the prior year. Consequently, sales remained 3% below pre-pandemic levels. In this context, pandemic-related restrictions, including temporary store closures, temporarily weighed on consumer sentiment in various markets. > Earnings Development, Sales and Earnings Development of the Business Segments

Sales by distribution channel

SALES BY DISTRIBUTION CHANNEL[1] (IN EUR MILLION)

	2021	**In % of sales**	2020	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	1,512	54	1,057	54	43	43
Brick-and-mortar wholesale	647	23	472	24	37	37
Digital	549	20	352	18	56	55
Licenses	77	3	64	3	20	20
Total	**2,786**	**100**	**1,946**	**100**	**43**	**43**

1 As compared to the previous year, presentation has been aligned to the 2025 targets set out in the "CLAIM 5" strategy.

Sales in the **brick-and-mortar retail business**, including freestanding retail stores, shop-in-shops, and outlets, recorded a currency-adjusted increase of 43% in fiscal year 2021. On average, around 90% of the Group's own retail stores were open, supporting growth accordingly. In addition, HUGO BOSS benefited from strong local demand as a result of noticeable improvements in consumer sentiment post lockdowns, particularly in Europe and the Americas. On a two-year-stack basis, the currency-adjusted decline in sales was thus limited to 9%.

In the **brick-and-mortar wholesale business**, currency-adjusted sales grew 37% in 2021. The increase mainly reflects the strong demand from partners for the BOSS and HUGO collections. Additional business with selected retailers in Europe also supported the sales development. Consequently, compared to pre-pandemic levels, the currency-adjusted decline in brick-and-mortar wholesale sales was limited to 16%.

The **digital business** of HUGO BOSS continued its strong double-digit growth trajectory also in 2021. Digital sales – including the Company's own website hugoboss.com, digital pure players, leading marketplaces as well as bricks and clicks – increased by a total of 55% compared to the prior year, representing strong growth of 85% on a two-year-stack basis. All digital distribution channels contributed to growth, each posting significant double-digit sales increases. In the past fiscal year, for the first time, total digital sales thus added up to 20% of Group sales (2020: 18%).

Sales in the **license business** increased by 20% currency-adjusted compared to the prior year, reflecting double-digit growth across all major product groups, including fragrances, eyewear, and watches. On a two-year-stack basis, currency-adjusted sales remained 8% below 2019 levels as the lack of international travel continued to weigh on revenues in travel retail in 2021.

Sales by brand

SALES BY BRAND[1] (IN EUR MILLION)

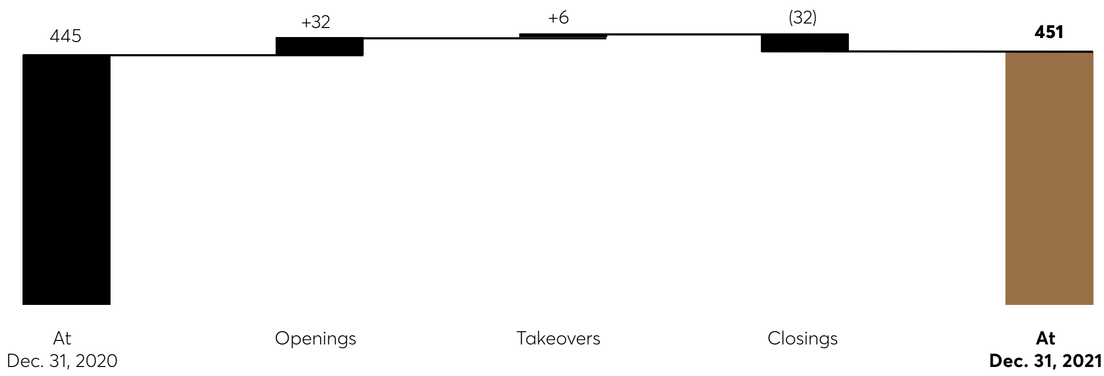
	2021	In % of sales	2020	In % of sales	Change in %	Currency-adjusted change in %
BOSS Menswear	2,181	78	1,530	79	43	42
BOSS Womenswear	192	7	131	7	46	46
HUGO	413	15	285	15	45	45
Total	**2,786**	**100**	**1,946**	**100**	**43**	**43**

1 As compared to the previous year, presentation has been aligned to the 2025 targets set out in the "CLAIM 5" strategy.

From a brand perspective, both **BOSS Menswear** and **BOSS Womenswear** as well as **HUGO** recorded significant double-digit sales improvements, driven by strong growth across all wearing occasions. Growth was particularly driven by the brands' ongoing strong momentum in casualwear, while formalwear sales also recovered noticeably in fiscal year 2021. The latter benefitted from the return of social events during the course of the year. Compared to 2019 levels, currency-adjusted sales were down 2% for BOSS Menswear and down 6% for BOSS Womenswear, while HUGO already returned to growth, posting an increase of 6%.

Network of own retail stores

NUMBER OF OWN FREESTANDING RETAIL STORES



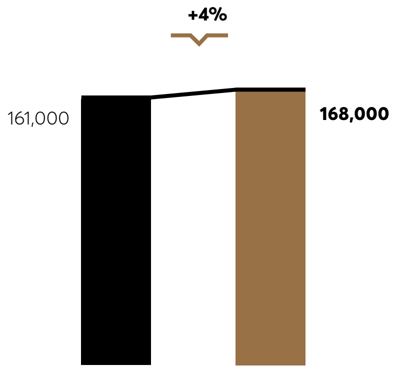
In fiscal year 2021, the number of the Group's own **freestanding retail stores** increased by a net six to 451 (2020: 445). A total of 26 BOSS stores, mainly in Asia and Europe, as well as six HUGO stores were opened during the year. Following business takeovers, six BOSS stores, including three in Thailand, have now also been added to the Group's own store network. On the other hand, 32 stores with expiring leases were closed globally. This also reflects relocations within the same metropolitan areas.

NUMBER OF OWN RETAIL STORES

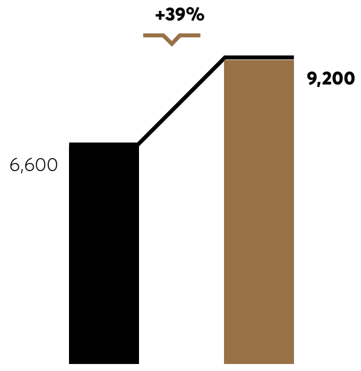
2021	Europe	Americas	Asia/Pacific	**Total**
Number of own retail points of sale	579	310	339	**1,228**
thereof freestanding retail stores	206	98	147	**451**
2020				
Number of own retail points of sale	589	251	317	**1,157**
thereof freestanding retail stores	212	92	141	**445**

Including **shop-in-shops** and **outlets**, the total number of retail points of sale operated by HUGO BOSS worldwide increased to 1,228 as of December 31, 2021 (2020: 1,157). Besides the additional freestanding retail stores, this mainly reflects the expansion of the Company's shop-in-shop network to strengthen the brands' presence with key retail partners, particularly in the U.S. market.

Total selling space as of December 31
(in square meter)



Retail sales productivity
(in EUR per square meter)



2021 2020

The **total selling space** of the Group's own retail business increased 4%, amounting to around 168,000 sqm at the end of the year (December 31, 2020: 161,000 sqm). The noticeable business recovery in brick-and-mortar retail led to an increase in **retail sales productivity** of 39% to around EUR 9,200 per square meter (2020: around EUR 6,600 per square meter).

Income statement

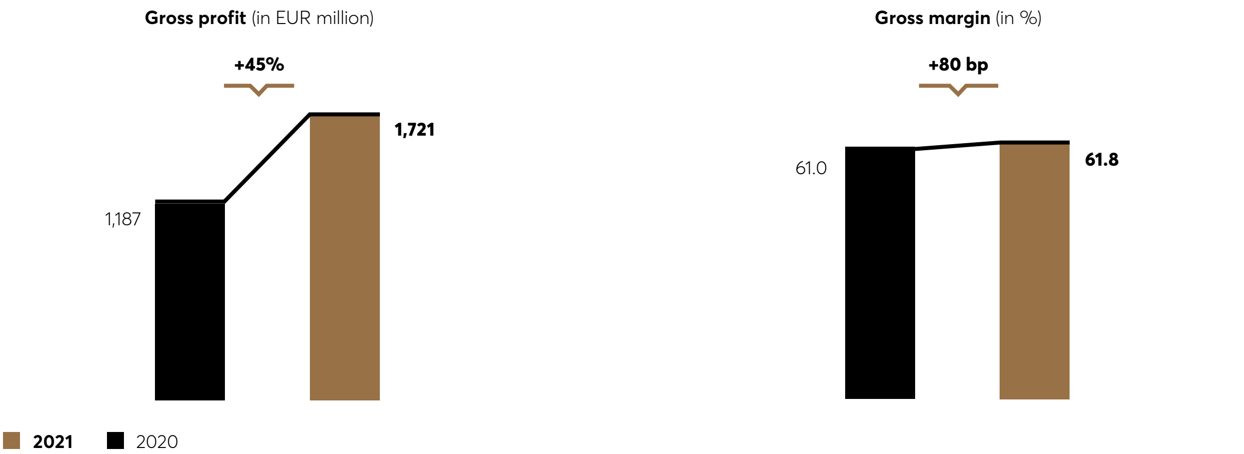
INCOME STATEMENT (IN EUR MILLION)

	Jan.–Dec. 2021	Jan.–Dec. 2020	Change in %
Sales	**2,786**	**1,946**	**43**
Cost of sales	(1,065)	(759)	(40)
Gross profit	**1,721**	**1,187**	**45**
In % of sales	61.8	61.0	80 bp
Operating expenses	**(1,493)**	**(1,423)**	**(5)**
In % of sales	(53.6)	(73.1)	1,950 bp
Thereof selling and distribution expenses	(1,191)	(1,138)	(5)
Thereof impairment charges[1]	(32)	(110)	71
Thereof administration expenses	(302)	(285)	(6)
Operating result (EBIT)	**228**	**(236)**	**>100**
In % of sales	8.2	(12.1)	2,030 bp
Financial result	(31)	(38)	17
Earnings before taxes	**197**	**(273)**	**>100**
Income taxes	(53)	54	<(100)
Net income	**144**	**(219)**	**>100**
Attributable to:			
Equity holders of the parent company	137	(220)	>100
Non-controlling interests	7	0	>100
Earnings per share (in EUR)[2]	**1.99**	**(3.18)**	**>100**
Income tax rate in %	**27**	**20**	

1 In fiscal year 2020, HUGO BOSS recorded material non-cash impairment charges related to the negative impact of COVID-19 on the Group's retail business.
2 Basic and diluted earnings per share.

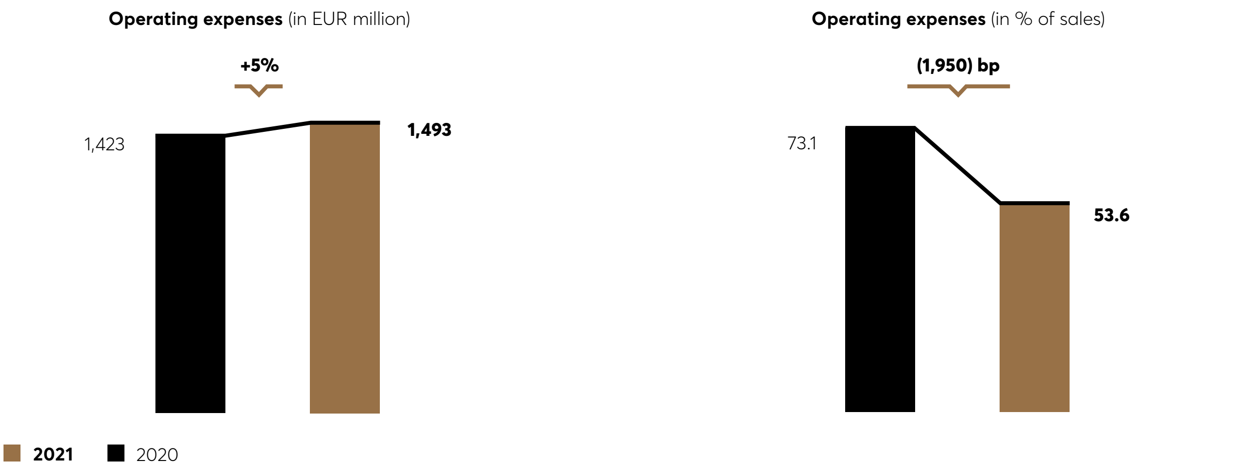
At 61.8%, the **gross margin** in fiscal year 2021 was 80 basis points above the prior-year level (2020: 61.0%). This development mainly reflects non-recurring negative inventory valuation effects in the prior year, which more than compensated for an increase in sourcing costs in 2021. The latter is primarily due to pandemic-related shortages in global production and logistics capacities as well as the related increase in material, production, and freight costs. > Sourcing and Production

DEVELOPMENT OF GROSS PROFIT AND GROSS MARGIN



Operating expenses increased by a total of 5% in fiscal year 2021. As a percentage of sales, operating expenses decreased significantly to a level of 53.6% (2020: 73.1%). A step-up in brand and digital investments as part of **"CLAIM 5"** was largely offset by efficiency gains, particularly in the Group's own retail business, as well as strict cost management, which was enforced in particular in the first half of the year. The latter also includes government grants and rent relief in light of the COVID-19 pandemic, with the related income in total amounting to the prior-year level. > Notes to the Consolidated Financial Statements, Notes 2, 3, 9

DEVELOPMENT OF OPERATING EXPENSES



Selling and distribution expenses increased by 5% compared to the prior year and totaled 42.7% of sales (2020: 58.5%). **Expenses for the Group's own retail business** (brick-and-mortar retail business and own online business) included in this item totaled EUR 695 million, thus remaining slightly below the level of the prior year (2020: EUR 720 million). Excluding non-cash impairment charges, this corresponds to an increase in retail expenses of 9%, mainly reflecting the gradual normalization of rental and personnel expenses as well as the strong sales momentum in the Company's online business. In line with its strategic claim "Boost Brands", HUGO BOSS also increased its **marketing investments** to EUR 204 million in fiscal year 2021 (2020: EUR 159 million). This primarily reflects the execution of key initiatives to increase brand relevance, including the branding refresh as well as collaborations with brands and businesses such as those of BOSS with Russell Athletic and the NBA. As a percentage of Group sales, marketing investments thus totaled 7.3% (2020: 8.2%), fully in line with the target corridor of 7% to 8%, as set out in "CLAIM 5". > Notes to the Consolidated Financial Statements, Note 2, > Group Strategy, "Boost Brands"

Administration expenses in the reporting period were 6% above the prior-year level. As a percentage of sales, this corresponds to a decrease to 10.8% (2020: 14.6%). In this context, **general administration expenses** increased by 8% to EUR 245 million (2020: EUR 227 million), mainly reflecting higher personnel expenses in light of the strong business performance. **Research and development expenses** incurred in connection with the collection development declined by 2% compared to the prior-year level, amounting to EUR 57 million (2020: EUR 58 million). > Notes to the Consolidated Financial Statements, Note 3, > Research and Development

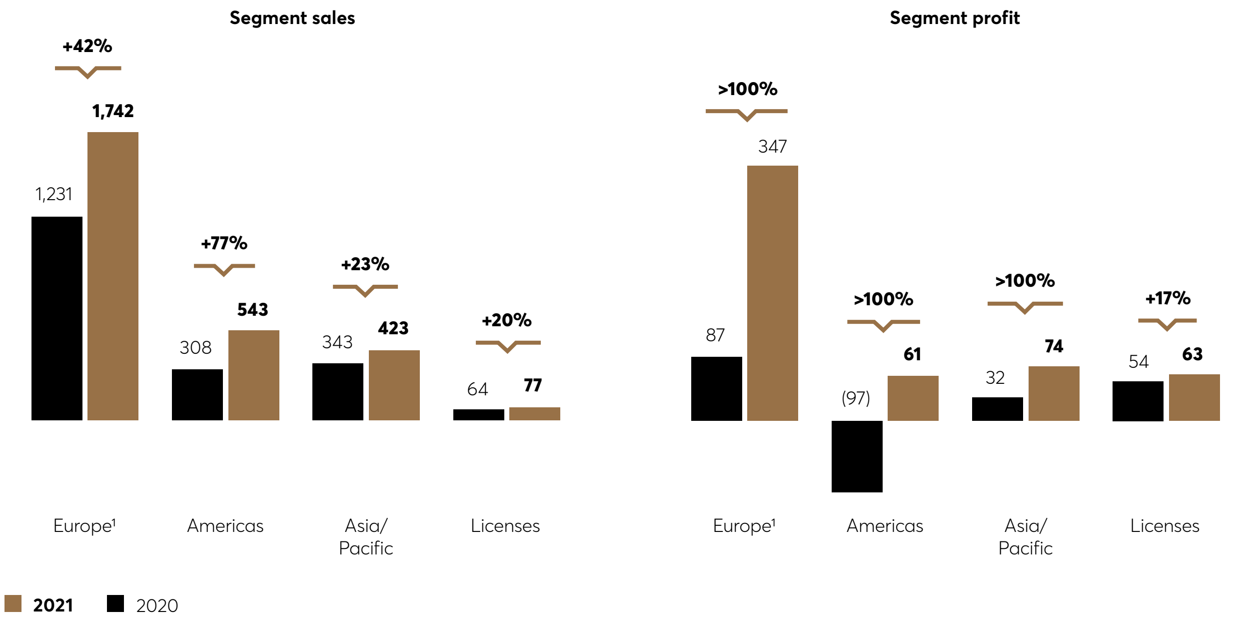
In light of the strong top-line improvement, the **operating result (EBIT)** also recorded a significant increase. Overall, EBIT amounted to EUR 228 million in fiscal year 2021 (2020: minus EUR 236 million). The earnings development was also supported by improvements in gross margin as well as the leveraging of operating overhead. Consequently, the **EBIT margin** in 2021 was 8.2% (2020: –12.1%). At EUR 339 million, **depreciation and amortization** was significantly below the prior-year level (2020: EUR 465 million). Excluding non-cash impairment charges, this corresponds to a decrease of 13%, mainly reflecting a decrease in right-of-use assets. > Net Assets

DEVELOPMENT OF EBIT AND EBIT MARGIN

At minus EUR 31 million, the **financial result (net financial expenses)** in fiscal year 2021 was 17% below the prior-year level (2020: minus EUR 38 million). The improvement primarily reflects a decrease in interest expenses in connection with lower leasing and financial liabilities. Against the backdrop of the strong business performance in 2021, the **Group tax rate** normalized to a level of 27% (2020: Group tax rate of 20%, supported by an income tax relief of EUR 54 million). Accordingly, the **Group's net income** for fiscal year 2021 amounted to EUR 144 million (2020: minus EUR 219 million). > Notes to the Consolidated Financial Statements, Note 4 and 5

Sales and earnings development of the business segments

DEVELOPMENT OF SEGMENT SALES AND SEGMENT PROFIT (IN EUR MILLION)



1 Including Middle East and Africa.

Europe

In **Europe**, including the Middle East and Africa, currency-adjusted sales were 41% above the prior-year level. While the impact of COVID-19 still weighed noticeably on business performance, particularly at the beginning of the year, consumer sentiment improved significantly as the year progressed. In particular, local demand picked up significantly. On a two-year-stack basis, sales remained only 2% below 2019 levels, although on average around 20% of the Group's own retail stores were affected by temporary closures.

HUGO BOSS recorded significant double-digit growth across all distribution channels compared to the prior year, with the Company's **digital business** developing particularly strong. Compared to pre-pandemic levels, digital sales recorded significant double-digit improvements. At the same time, sales in both, **brick-and-mortar retail** as well as **brick-and-mortar wholesale**, remained below pre-pandemic levels, reflecting long-lasting pandemic-related restrictions, which weighed on the sales performance, in particular in the first half of the year.

SALES DEVELOPMENT EUROPE (IN EUR MILLION)

	2021	In % of sales	2020	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	778	45	562	46	38	38
Brick-and-mortar wholesale	510	29	387	31	32	32
Digital	454	26	282	23	61	59
Total	**1,742**	**100**	**1,231**	**100**	**42**	**41**

All core markets in Europe, including **Germany, Great Britain, France**, and the **Benelux countries**, recorded low to mid-double-digit sales growth in fiscal year 2021, driven by strong local demand. At the same time, HUGO BOSS recorded a noticeable business recovery in the markets of **southern Europe**, which were particularly affected by sales declines in the prior year due to their comparatively high dependence on tourism. In addition, the Company achieved high double-digit sales increases in **growth markets** such as Russia and the United Arab Emirates, with growth rates well above 2019 levels.

Driven by the significant sales improvements in fiscal year 2021, **segment profit** in Europe quadrupled to EUR 347 million (2020: EUR 87 million). This corresponds to an EBIT margin of 19.9% (2020: 7.1%). > Notes to the Consolidated Financial Statements, Note 24

Americas

In the **Americas**, HUGO BOSS recorded a particularly strong business recovery in fiscal year 2021. Growth was driven by strong improvements in consumer sentiment and very robust local demand post lockdowns. At the same time, HUGO BOSS made significant progress in expanding its casualwear offerings and thereby strengthening its product range at the point of sale, particularly in the important U.S. market. Successful collaborations with Russell Athletic and the NBA, which were particularly well received by younger customers, also contributed to this. In total, the Company thus succeeded to return to growth only one year after the pandemic-related decline in revenues. Compared to 2020, currency-adjusted sales growth totaled 78%, which corresponds to a currency-adjusted increase of 4% on a two-year-stack basis.

Growth in the Americas was driven by a strong uplift in **brick-and-mortar retail**. Besides overall robust local demand and the strengthening of the product offerings, the expansion of the Company's shop-in-shop network at key U.S. retail partners also contributed growth. While revenues in **brick-and-mortar wholesale** also strongly recovered, the Company's **digital business** recorded significant double-digit growth.

SALES DEVELOPMENT AMERICAS (IN EUR MILLION)

	2021	In % of sales	2020	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	376	69	193	63	95	96
Brick-and-mortar wholesale	105	19	64	21	64	66
Digital	62	11	50	16	24	26
Total	**543**	**100**	**308**	**100**	**77**	**78**

Thanks to high double-digit growth, the overall business in **the U.S.** almost fully recovered from the sales declines recorded in the prior year, thus returning to pre-pandemic levels. **Canada** and **Latin America** also recorded significant sales growth compared to the prior year. While business in Canada remained slightly below pre-pandemic levels due to long-lasting lockdowns and store closures, business in Latin America returned to strong sales growth as compared to 2019.

In light of the noticeable business recovery, **segment profit** in the Americas amounted to EUR 61 million, reflecting a strong increase as compared to the prior year (2020: minus EUR 97 million). This corresponds to an EBIT margin of 11.3% (2020: minus 31.6%). > Notes to the Consolidated Financial Statements, Note 24

Asia/Pacific

Also in **Asia/Pacific**, HUGO BOSS was able to further accelerate its business recovery in 2021, as reflected by currency-adjusted sales growth of 22%. The upward trend was particularly strong in the first half of the year. However, with the start of the second half, renewed pandemic-related restrictions in various markets, including temporary store closures, weighed on consumer sentiment. Consequently, for the full year, currency-adjusted sales remained 3% below pre-pandemic levels.

While all distribution channels recorded double-digit sales improvements, the Company's **digital business** performed particularly well. On a two-year-stack basis, digital sales of HUGO BOSS even tripled, driven by strong growth on relevant multi-brand platforms.

SALES DEVELOPMENT ASIA/PACIFIC (IN EUR MILLION)

	2021	In % of sales	2020	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	358	85	302	88	19	17
Brick-and-mortar wholesale	32	8	21	6	55	53
Digital	32	8	20	6	65	60
Total	**423**	**100**	**343**	**100**	**23**	**22**

While HUGO BOSS continued to experience strong momentum in **mainland China** in the first half of the year, further pandemic-related restrictions weighed on consumer sentiment in the following months. In light of very robust local demand, HUGO BOSS recorded currency-adjusted growth of 18% in full year 2021, representing an increase of 24% as compared to 2019. Other markets in the region, including **Japan, Oceania, and Southeast Asia**, also recorded double-digit sales growth in 2021, while remaining below pre-pandemic levels due to persistent pandemic-related restrictions as well as the ongoing noticeable decline in tourism.

Segment profit in the Asia/Pacific region totaled EUR 74 million in 2021 (2020: EUR 32 million). The corresponding EBIT margin thus came to 17.4% (2020: 9.3%). Also here, the strong profitability improvements were driven by significant sales growth recorded in the past fiscal year. > Notes to the Consolidated Financial Statements, Note 24

Licenses

Sales in the **license business** increased by 20% currency-adjusted compared to the prior year, reflecting double-digit growth across all major product groups, including fragrances, eyewear, and watches. On a two-year-stack basis, currency-adjusted sales remained 8% below 2019 levels as the lack of international travel continued to weigh on revenues in travel retail in 2021. > Earnings Development, Sales by Distribution Channel

At EUR 63 million, **license segment profit** increased 17% compared to the prior year (2020: EUR 54 million).
> Notes to the Consolidated Financial Statements, Note 24

NET ASSETS

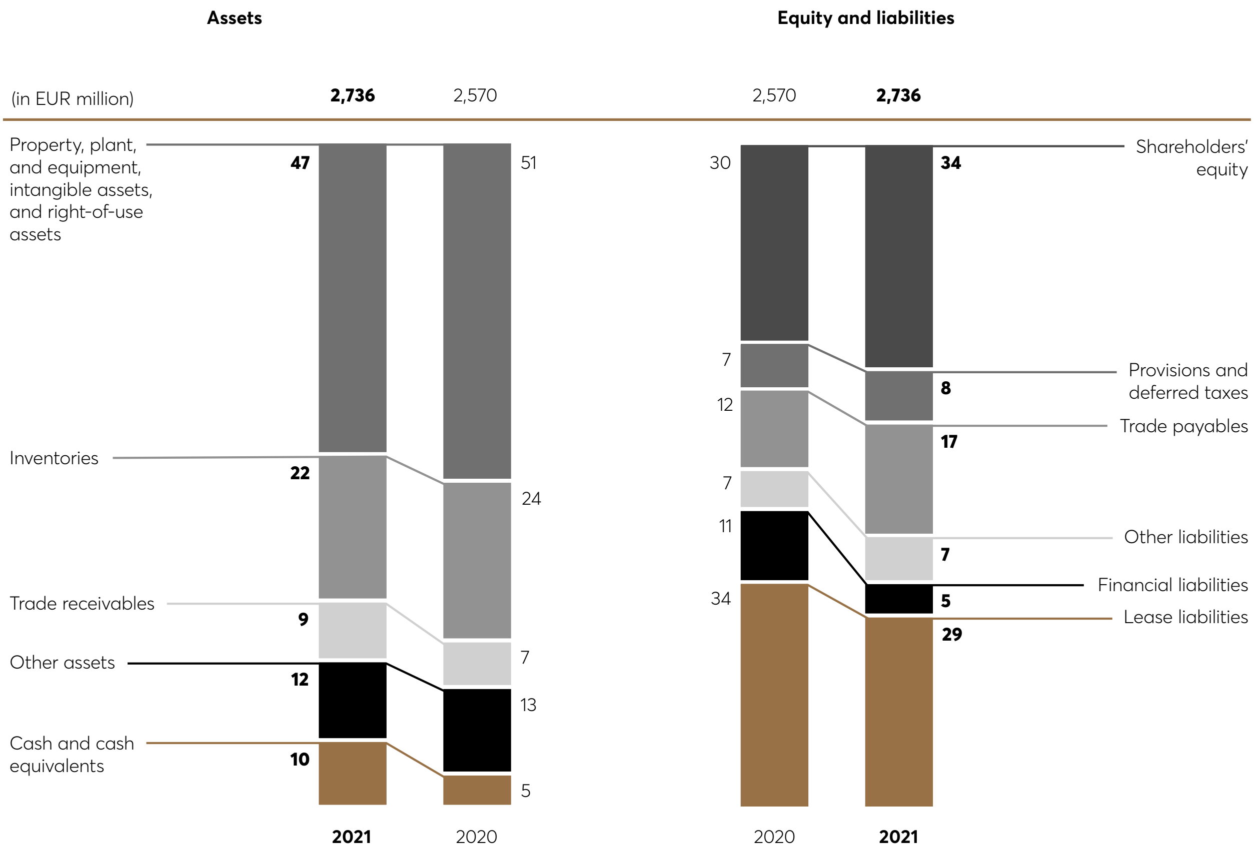
Increase in total assets reflects positive business performance

Currency-neutral inventories 7% below the prior-year level

Significant improvement in TNWC as a percentage of sales

Total assets increased by 6% year-on-year to EUR 2,736 million at the end of the year (December 31, 2020: EUR 2,570 million). This mainly reflects an increase in **cash and cash equivalents** as well as higher **trade receivables**. Both developments are directly related to the noticeable business recovery of HUGO BOSS in the course of 2021. > Notes to the Consolidated Financial Statements, Note 13 and 14

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31 (IN %)



The **share of current assets** increased to 47% as of December 31, 2021 (December 31, 2020: 41%), primarily reflecting higher cash and cash equivalents as well as the increase in trade receivables. Accordingly, the **share of non-current assets** was 53% at the end of the year (December 31, 2020: 59%). The **equity ratio** amounted to 34% by year-end (December 31, 2020: 30%). > Consolidated Financial Statements, Consolidated Statement of Financial Position

TRADE NET WORKING CAPITAL AS OF DECEMBER 31 (IN EUR MILLION)

	2021	2020	Change in %	Currency-adjusted change in %
Inventories	606	618	(2)	(7)
Trade receivables	235	172	36	26
Trade payables	464	299	55	51
Trade net working capital	**376**	**491**	**(24)**	**(31)**

At year-end, currency-adjusted **inventories** were 7% below the prior-year level, mainly reflecting the acceleration in sales momentum in fiscal year 2021. The significant increase in **trade receivables** is particularly related to the noticeable recovery in the wholesale business. **Trade payables** were also significantly above the prior-year level, primarily reflecting an increased utilization of the supplier financing program established by HUGO BOSS in 2020. As a result, **trade net working capital (TNWC)** decreased by 31% on a currency-adjusted basis. The moving average of **TNWC as a percentage of sales** based on the last four quarters amounted to 17.2%, reflecting a significant improvement compared to the prior-year level (2020: 28.7%). In addition to the decrease in inventories and the increase in trade payables, this development mainly reflects the significant top-line growth in fiscal year 2021. > Notes to the Consolidated Financial Statements, Note 12 and 13

Property, plant and equipment, intangible assets, and right-of-use assets decreased by 3% compared to the prior-year level, totaling EUR 1,277 million (2020: EUR 1,322 million). The decrease mainly reflects the lower level of capital expenditure as well as non-cash impairment charges in the reporting period. **Cash and cash equivalents** amounted to EUR 285 million, significantly exceeding the prior-year level (2020: EUR 125 million). **Other assets** were slightly above the prior-year level, amounting to EUR 334 million (2020: EUR 333 million). > Notes to the Consolidated Financial Statements, Notes 8, 11 and 14

The total of **current and non-current lease liabilities** declined by 8% to EUR 795 million as of the reporting date (December 31, 2020: EUR 862 million). This development is directly related to a 7% decrease in the right-of-use assets. At year-end, **current and non-current financial liabilities** were 52% below the prior-year level, totaling EUR 135 million (December 31, 2020: EUR 281 million), mainly reflecting the lower utilization of the syndicated loan and other credit lines compared to the prior year in light of the strong business performance. This more than offset an increase in financial liabilities of EUR 26 million recorded in connection with the first-time full consolidation of the leasing property company GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG in 2021. **Provisions and deferred tax liabilities** increased 16% to EUR 212 million compared to the prior-year level (2020: EUR 183 million). **Other liabilities** amounted to EUR 190 million at the end of the fiscal year, 3% above the prior-year level (2020: EUR 185 million). > Notes to the Consolidated Financial Statements, Notes 9, 17, 19 and 20

FINANCIAL POSITION

Additional financial flexibility for successful strategy execution ensured

Free cash flow and net financial position at record levels

Focus of investing activity remains on own retail business and digitalization of the business model

Principles and goals of financial management

Group-wide financial management is controlled centrally by the Group Treasury department. The goals pursued include securing financial stability and flexibility, ensuring liquidity at all times and the management of financial risks. Company-wide financial management comprises Group financing, cash and liquidity management, the management of market price risks, and the management of counterparty risks. **Treasury principles** which are applied Group-wide govern all matters relevant to treasury, such as the approval of banking relationships, the handling of financing agreements, liquidity and asset management as well as the management of currency and interest rate risks.

Within **Group financing**, factors such as market capacity, cost of financing, covenants, and terms to maturity are taken into account when selecting financial instruments. External loans for Group financing are taken out centrally and primarily in the Group's reporting currency (euro) within the framework of an **"inhouse bank" concept**. To cover the financing needs of the Group companies, funds are made available in the form of intercompany loans in the respective local currency. This allows the Company to increase economies of scale and to minimize the cost of capital. Occasionally, credit lines are also agreed with local banks in order to take account of legal, tax or other framework conditions. The Group's financial liabilities are generally unsecured and may be subject to customary market obligations, which are reviewed on a quarterly basis.

The most important source of liquidity for HUGO BOSS is the cash inflow from operating activities. The Group Treasury department optimizes and centralizes payment flows through its **cash and liquidity management**. Generally, Group companies transfer excess liquidity to the "inhouse bank", e.g., as part of a cash-pooling procedure. In doing so, the excess liquidity of individual Group companies can be used to cover the financial needs of others. This intercompany financial offsetting system reduces the external financial requirement and thus brings down interest expenses.

Management of market price risks is intended to limit the impact of interest and currency risks on cash flow. The use of hedging instruments, including forward foreign exchange transactions, currency swaps, and interest swaps, is intended to secure HUGO BOSS against unfavorable currency developments. > Risk Report, Material Financial Risks

The **counterparty risk** with regard to banks mainly results from the investment of liquid funds as part of cash and liquidity management and from the use of derivative financial instruments as part of interest rate and currency management. With regard to trading transactions, HUGO BOSS aims for the broadest possible distribution of volumes and ensures that financial instruments are generally only contracted with counterparties that have very good credit ratings.

Capital structure and financing

In November 2021, HUGO BOSS signed a revolving **syndicated loan of EUR 600 million**, with the majority of the loan intended to provide additional financial flexibility for the successful execution of "CLAIM 5". The loan can be used for general corporate purposes, for guarantees, and for the supplier financing program. It has a term of three years including two options for extending the term by one year each and an option to increase the credit volume by up to EUR 300 million. The syndicated loan agreement contains a standard covenant requiring the maintenance of **financial leverage**, defined as the ratio of net financial liabilities (including lease liabilities in accordance with IFRS 16) to EBITDA. As of December 31, 2021, financial leverage totaled 1.1, thus well below the maximum permissible level. The interest rates of the loan are also linked to the fulfillment of defined **ESG criteria**. At the end of fiscal year 2021, the syndicated loan was not drawn, with the exception of uses for guarantees amounting to EUR 18 million and for the supplier financing program amounting to EUR 63 million (December 31, 2020: use of EUR 152 million of the former loan, of which EUR 105 million was drawn for general corporate purposes, EUR 17 million for guarantees and EUR 30 million for the supplier financing program). > Sustainability

The **former syndicated loan** of HUGO BOSS in the amount of EUR 633 million was replaced in November 2021. In the wake of the COVID-19 pandemic, in 2020, HUGO BOSS had agreed a **covenant suspension** with its financing banks until June 30, 2021 for this loan. On July 1, 2021 the respective agreement was reinstated. Due to the strong sales and earnings performance in the course of fiscal year 2021, the level of the covenant to be complied with was significantly undershot, both at this point in time as well as in the remaining course of the year.

To further secure liquidity, HUGO BOSS possesses committed and uncommitted **bilateral credit lines** totaling EUR 204 million (December 31, 2020: EUR 204 million), of which EUR 116 million were drawn down at the end of the reporting period (December 31, 2020: EUR 161 million). The **additional loan commitments** of EUR 275 million that the Company had secured in 2020 to ensure high levels of financial flexibility during the pandemic expired at the agreed maturity date in June 2021, without having been drawn at any point in time. In addition, HUGO BOSS had at its disposal **cash and cash equivalents** in the amount of EUR 285 million at the end of 2021 (December 31, 2020: EUR 125 million). > Notes to the Consolidated Financial Statements, Note 14, > Financial Position, Consolidated Statement of Cash Flows and Free Cash Flow

The Group's **liabilities** totaled EUR 1,796 million at the end of the fiscal year (December 31, 2020: EUR 1,811 million), corresponding to a 66% share of total assets (December 31, 2020: share of 70%). Of this amount, EUR 795 million was attributable to **current and non-current lease liabilities** (December 31, 2020: EUR 862 million), primarily relating to the rental of retail store locations as well as logistics and administration properties. **Current and non-current financial liabilities** totaled EUR 135 million at the end of the fiscal year (December 31, 2020: EUR 281 million). > Net Assets, > Notes to the Consolidated Financial Statements, Note 9 and 20

Statement of cash flows and free cash flow

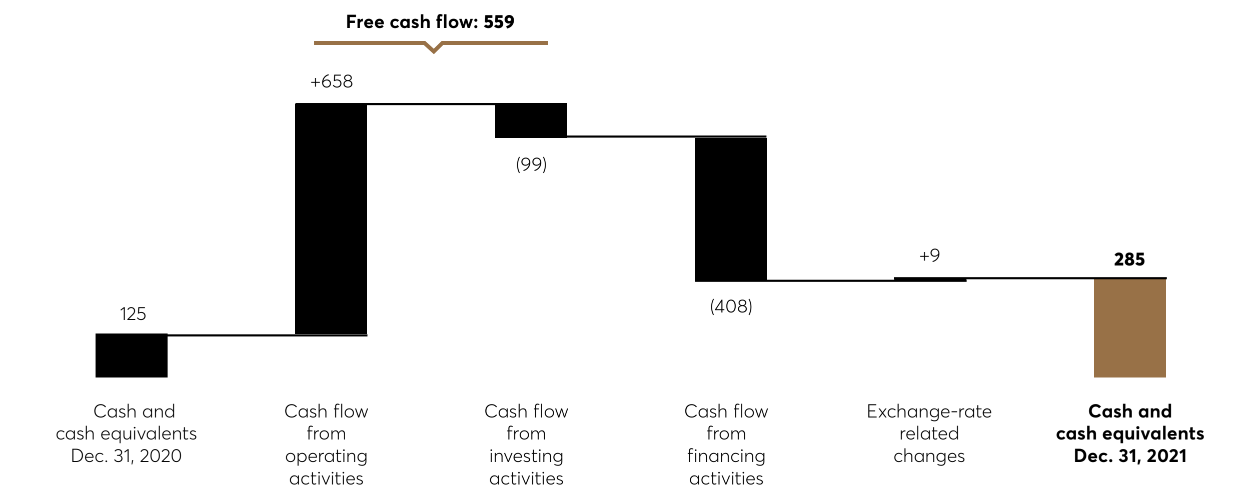
STATEMENT OF CASH FLOWS (IN EUR MILLION)

	2021	2020
Cash flow from operating activities	658	240
Cash flow from investing activities	(99)	(76)
Cash flow from financing activities	(408)	(167)
Change in cash and cash equivalents	**159**	**(7)**
Cash and cash equivalents at the beginning of the period	125	133
Cash and cash equivalents at the end of the period	285	125

As the statement of cash flows is presented on a currency-adjusted basis, the values cannot be derived from the statement of financial position.

As a result of the significant recovery of its global business, in fiscal year 2021, HUGO BOSS achieved the strongest **free cash flow** in its history. At EUR 559 million, free cash flow more than tripled compared to the prior year (2020: EUR 164 million). Free cash flow is calculated as the sum of cash flow from operating activities and cash flow from investing activities.

CHANGE IN CASH AND CASH EQUIVALENTS (IN EUR MILLION)



At EUR 658 million, the **cash flow from operating activities** was significantly above the prior-year level (2020: EUR 240 million). The strong increase mainly reflects the significant sales and earnings growth as well as the noticeable improvement in trade net working capital (TNWC). The increase in **cash flow from investing activities** to EUR 99 million is primarily attributable to the gradual normalization of investing activities in fiscal year 2021 (2020: EUR 76 million). > Financial Position, Capital Expenditure

At EUR 408 million, **cash flow from financing activities** more than doubled as compared to the prior year (2020: EUR 167 million), mainly reflecting the repayment of financial and leasing obligations in the reporting period. > Financial Position, Capital Structure and Financing

Net financial position

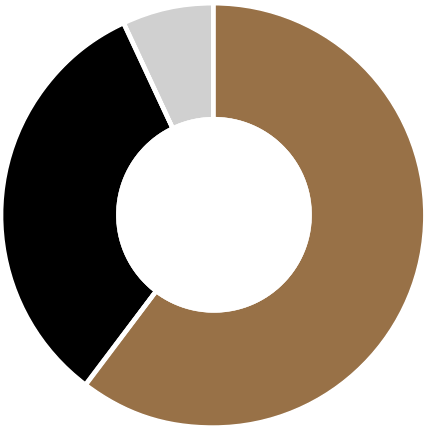
The **net financial position** is measured as the total of all financial and lease liabilities less cash and cash equivalents. **Excluding the impact of IFRS 16**, the net financial position of HUGO BOSS at the end of fiscal year 2021 totaled plus EUR 167 million, representing the strongest net financial position in the Company's history (2020 excluding IFRS 16: minus EUR 141 million). This mainly reflects the strong free cash flow development in fiscal year 2021 as well as the related lower utilization of the syndicated loan and other credit lines. **Including the impact of IFRS 16**, the net financial position at the end of fiscal year 2021 was minus EUR 628 million (December 31, 2020: minus EUR 1,004 million). This represents a significant decrease of 37%. > Financial Position, Capital Structure and Financing, > Notes to the Consolidated Financial Statements, Note 9

Capital expenditure

In fiscal year 2021, HUGO BOSS invested EUR 104 million in **property, plant, and equipment and intangible assets**, representing an increase of 30% as compared to the prior-year level (2020: EUR 80 million). The increase reflects, above all, the suspension of non-business-critical investments in 2020, which HUGO BOSS had implemented to secure free cash flow at an early stage of the pandemic. In addition, the development of the new store concepts for BOSS and HUGO in 2021, which were implemented for the first time towards the end of the year, contributed to this development. Compared to pre-pandemic levels, however, capital expenditure decreased by 46% (2019: EUR 192 million).

CAPITAL EXPENDITURE (IN %)

By functional area



Own retail business
62 (61)

Administration (incl. IT)
32 (33)

Other capital expenditure
6 (7)

By region

Europe[1]
29 (31)

Americas
13 (16)

Asia/Pacific
28 (19)

Corporate units
30 (34)

2021 (2020)

1 Including Middle East and Africa.

In line with its strategic claim "Rebalance Omnichannel", HUGO BOSS wants to fully exploit the potential of its **brick-and-mortar retail business** in the coming years. The **optimization and modernization** of the global store network plays a key role in this. Therefore, HUGO BOSS plans to invest a total of EUR 500 million in the further optimization and modernization of its store network by 2025. The **new store concept**, which aims to be significantly more emotional, appealing, digital, and productive than the previous one, is intended to make a significant contribution to developing the stores to true points of experience. Customers have been able to already experience the new store concept of BOSS and HUGO in first stores in Germany and the United Arab Emirates since late 2021. With capital expenditure of EUR 64 million, the focus of investment activity in fiscal year 2021 was again on the own retail network (2020: EUR 48 million). Investments in the continuous optimization and modernization of existing locations totaled EUR 32 million (2020: EUR 27 million). At the same time, HUGO BOSS invested EUR 32 million in selective **openings** of new retail points of sale (2020: EUR 21 million), with a particular focus on the Asia/Pacific region. In this context, fiscal year 2021 has seen the opening of a BOSS flagship store in Tokyo's popular Ginza district for the first time. > Group Strategy, "Rebalance Omnichannel"

Capital expenditure on **administration** amounted to EUR 33 million in the past fiscal year (2020: EUR 26 million). This mainly includes investments of EUR 25 million in the **IT infrastructure** (2020: EUR 22 million). In line with the strategic claim "Lead in Digital", these mainly related to the further digitalization of the business model. Key investment projects included the establishment of the HUGO BOSS Digital Campus and the global expansion of the Company's own online business. **Other capital expenditure** on the Company's production, logistics and distribution structure and on research and development amounted to EUR 6 million in 2021 (2020: EUR 5 million). > Group Strategy, "Lead in Digital"

Accumulated depreciation and amortization on property, plant and equipment and intangible assets, including own capitalized cost, totaled EUR 1,087 million in fiscal year 2021 (2020: EUR 1,067 million). Existing **obligations from investment projects** amounted to EUR 2 million at December 31, 2021 (December 31, 2020: EUR 2 million). > Notes to the Consolidated Financial Statements, Note 8

HUGO BOSS AG

HUGO BOSS AG is the parent company of HUGO BOSS Group

Operational performance driven by service agreements with subsidiaries

Statements regarding risks, opportunities, and outlook for HUGO BOSS Group also apply to HUGO BOSS AG

HUGO BOSS AG is the **parent company of HUGO BOSS Group**. Its annual financial statements are prepared in accordance with the rules set out in the HGB ["Handelsgesetzbuch": German Commercial Code]. In addition to the operating business, the results of HUGO BOSS AG are predominately shaped by the management of the central functions. Material items in this regard are the allocation of costs for services rendered to Group companies and the investment income resulting from its holding function. Due to its close relationships with the Group companies and its relevance for the Group, the **expectations** for HUGO BOSS AG are largely reflected in the Group's outlook. In addition, business performance of HUGO BOSS AG is, to a large degree, also subject to the same **risks and opportunities** as those applicable to the Group. Therefore, statements with regard to the Group's outlook as well as within the Group's Report on Risks and Opportunities also apply to HUGO BOSS AG. > Outlook, > Report on Risks and Opportunities

Earnings development

INCOME STATEMENT HUGO BOSS AG (IN EUR MILLION)

	2021	In % of sales	2020	In % of sales	Change in %
Sales	**1,301**	**100.0**	**894**	**100.0**	**46**
Cost of sales	(870)	(66.9)	(720)	(80.5)	21
Gross profit	**431**	**33.1**	**174**	**19.5**	**>100**
Distribution expenses	(263)	(20.2)	(212)	(23.7)	24
General administrative expenses	(104)	(8.0)	(93)	(10.4)	12
Other operating income	54	4.1	40	4.4	35
Other operating expenses	(52)	(4.0)	(66)	(7.4)	-21
Operating profit	**65**	**5.0**	**(157)**	**(17.6)**	**>100**
Income from investments in affiliated companies	84	6.5	41	4.6	(34)
Net interest income/expenses	(17)	(1.3)	(13)	(1.5)	(31)
Depreciation of financial assets and securities held as current assets	(16)	(1.2)	(17)	(1.9)	7
Taxes on income and other taxes	(19)	(1.5)	(6)	(0.7)	<(100)
Net income	**96**	**7.4**	**(153)**	**(17.1)**	**>100**
Transfer to (–)/from (+) other revenue reserves	(48)	(3.7)	0	0.0	n/a
Accumulated income previous year	36	2.8	191	21.3	(81)
Unappropriated income	**84**	**6.4**	**38**	**4.3**	**>100**

Sales of HUGO BOSS AG primarily comprise the retail, wholesale and digital sales generated in Germany and Austria as well as intercompany sales with its international subsidiaries.

SALES BY REGION (IN EUR MILLION)

	2021	In % of sales	2020	In % of sales	Change in %
Europe	1,029	79	755	84	36
Americas	138	11	44	5	>100
Asia/Pacific	134	10	95	11	40
Total	**1,301**	**100**	**894**	**100**	**46**

The significant **business recovery** of HUGO BOSS in fiscal year 2021 also had a noticeably positive impact on HUGO BOSS AG. For the full year, sales of HUGO BOSS AG in Europe and Asia/Pacific posted significant double-digit growth, and even tripled in the Americas. At EUR 360 million, sales generated by HUGO BOSS AG in **Germany** were 30% above the prior-year level (2020: EUR 276 million).

SALES BY BRAND (IN EUR MILLION)

	2021	In % of sales	2020	In % of sales	Change in %
BOSS	876	67	572	64	53
HUGO	218	17	167	19	30
Other services	207	16	155	17	34
Total	**1,301**	**100**	**894**	**100**	**46**

While both brands, **BOSS** and **HUGO**, posted significant double-digit sales growth, the Company also recorded an increase in **sales from other services**. This was due to higher intercompany charges passed on to subsidiaries, in particular related to service, IT, and marketing.

At 33.1%, the **gross margin** was well above the prior-year level (2020: 19.5%). This development mainly reflects non-recurring negative inventory valuation effects in the prior-year period, which more than compensated for an increase in sourcing costs. The latter is primarily related to pandemic-related shortages in global production and logistics capacities and the related increase in material, production, and freight costs. The increase in **distribution expenses** mainly reflects higher logistics costs and license fees as well as an increase in marketing investments. **General administration expenses** also grew as compared to the prior year, mainly due to higher personnel expenses in light of the positive business performance. The increase in **other operating income** compared to the prior year was largely due to higher income from charging costs and services to affiliated companies as well as government grants in light of the pandemic. **Other operating expenses** were below the prior-year level and mainly included research and development costs as well as allowances for doubtful accounts and exchange rate effects.

At EUR 84 million, the **income from investments in affiliated companies** in 2021 was higher than in the prior year (2020: EUR 41 million). The income from affiliates primarily reflects the annual profits of HUGO BOSS Trade Mark Management GmbH & Co. KG, which are credited to the loan account of its limited partner HUGO BOSS AG in accordance with company regulations, as well as the dividend payments of HUGO BOSS Textile Industry Ltd.

Net assets and financial position

Property, plant and equipment, and intangible assets declined by 3% compared to the prior year totaling EUR 944 million (December 31, 2020: EUR 974 million), mainly reflecting lower investment activity compared to pre-pandemic levels.

TRADE NET WORKING CAPITAL (IN EUR MILLION)

	2021	2020	Change in %
Inventories	188	176	7
Trade receivables	30	12	>100
Trade payables	170	99	72
Trade net working capital	**48**	**89**	**(46)**

The increase in **inventories** mainly reflects a higher level of finished goods to support the acceleration in sales momentum over the course of the year. HUGO BOSS AG is a supplier for the Group's global distribution companies. As a result of the significant recovery in the wholesale business in Germany and Austria in fiscal year 2021, **trade receivables** of HUGO BOSS AG at the end of the year also significantly exceeded the prior-year level. The Company also recorded a noticeable increase in **trade payables**, primarily resulting from increased utilization of the supplier financing program that HUGO BOSS successfully established in 2020. Overall, at year-end, **trade net working capital (TNWC)** of HUGO BOSS AG was thus significantly below the prior-year level.

At EUR 59 million, **receivables from affiliated companies** at the end of fiscal year 2021 were slightly above the prior-year level (December 31, 2020: EUR 51 million). **Liabilities to affiliated companies** decreased to EUR 331 million, mainly due to lower transfer pricing adjustments on deliveries of goods compared to the prior year (December 31, 2020: EUR 440 million). **Provisions** increased to EUR 151 million at the end of the year (December 31, 2020: EUR 141 million). At EUR 70 million, **liabilities to credit institutions** at year-end were below the prior-year level (December 31, 2020: EUR 83 million).

As of December 31, 2021, **cash and cash equivalents**, defined as the total of cash on hand and bank balances, amounted to EUR 24 million (December 31, 2020: EUR 1 million). The increase mainly reflects the higher **cash flow from operating activities** compared to the prior year. The latter particularly benefited from the positive business performance in 2021 as well as the improvements in trade net working capital.

OUTLOOK

Focus in 2022 on successful execution of "CLAIM 5" growth strategy

Group sales expected to increase to a record level of between EUR 3.1 billion and EUR 3.2 billion in 2022

EBIT to increase within a range of +10% to +25% to an amount between EUR 250 million and EUR 285 million in 2022

Subsequent events

To further advance the innovative strength and sustainability of its brands, HUGO BOSS entered into a **long-term, strategic partnership with HeiQ AeoniQ LLC** – a fully owned subsidiary of Swiss innovator HeiQ Plc – on February 14, 2022. A core element of this partnership is a USD 5 million equity investment made by HUGO BOSS – the first of its kind as part of the Company's "CLAIM 5" growth strategy. The investment is supplemented by exclusive partnership arrangements of up to USD 4 million, conditional to achieving certain performance milestones. The partnership will focus on the manufacturing of a sustainable, circular, and recyclable cellulosic yarn aimed at substituting synthetic fibers such as polyester and nylon.

Chief Brand Officer Ingo Wilts informed the Supervisory Board of HUGO BOSS AG on February 23, 2022 that he will resign from his office as a member of the **Managing Board** for personal reasons with effect from February 28, 2022 and will thus leave the Managing Board of HUGO BOSS AG. The duties falling under the responsibility of Ingo Wilts shall be assumed by Chief Executive Officer Daniel Grieder.

At the time this report was prepared on February 24, 2022, it was not possible for the Company to predict with sufficient certainty the extent to which a further escalation of the **Ukraine conflict** would impact the global economy and industry growth in fiscal year 2022. Even though the global business of HUGO BOSS was not noticeably affected by the geopolitical tensions at the time this report was prepared, it cannot be ruled out in principle that a further escalation of the conflict will have a material negative impact on the net assets, financial position, and results of operations of HUGO BOSS in fiscal year 2022.

Between the end of fiscal year 2021 and the preparation of this report on February 24, 2022, there were no further material macroeconomic, socio-political, industry-related or Company-specific changes that the Management expects to have a significant impact on the Group's earnings, net assets or financial position.

Outlook

The following report presents the **view of the Management** of HUGO BOSS with respect to the Company's future development and describes the expected development of significant macroeconomic and industry-specific conditions. It reflects Management's current knowledge at the time the report was prepared, while also taking into account the fact that, if risks and opportunities materialize as described in the Risks and Opportunities section, actual developments may differ significantly from this outlook, either positively or negatively. Other than the statutory publication requirements, HUGO BOSS does not assume any obligation to update the statements contained in this report. > Report on Risks and Opportunities

Economic and industry-specific developments have a major influence on the development of the Company's operational and financial development. Statements made in this section regarding the Company's expected business performance are therefore based on certain assumptions with regards to developments in the global economy and in the industry. Over the course of the year, the Group will closely monitor the development of these conditions, in order to respond to possible changes as quickly and comprehensively as possible.

Outlook for the global economy

In its publication of January 25, 2022, the IMF anticipates a weaker development of the **global economy** in fiscal year 2022 than initially forecast and consequently lowers its growth outlook. Global growth is thus expected to slow to 4.4% this year (2021: 5.9%) – half a percentage point less than forecast in October. The main reason for this is the global spread of the Omicron virus variant towards the end of 2021 and its impact on the affected economies. The outlook is also based on the assumption that current global challenges will persist in 2022. For example, the emergence of new COVID-19 variants could prolong the pandemic and lead to renewed economic disruptions. Ongoing geopolitical tensions, such as the Ukraine conflict, pose a further risk to overall economic development. In addition, ongoing disruptions to global supply chains, the volatility of freight costs and energy prices, and the further increase in wages, are expected to result in high levels of global inflation in the foreseeable future. Monetary countermeasures, such as key interest rate hikes, are also likely to slow the economy, thus representing additional risks to financial stability, capital flows and currencies. > Risk Report, Material External Risks

Based on these assumptions, the IMF expects the economy of the **eurozone** to grow by 3.9% in 2022 (2021: 5.2%). For the **U.S.** economy, the IMF expects growth of 4.0% (2021: 5.6%), reflecting an increasingly restrictive monetary policy and a revised assumption regarding the "Build Back Better" fiscal policy package of the U.S. government. According to the IMF, **China** is also expected to see a general economic slowdown in 2022 due to the zero-COVID strategy and ongoing tensions in the real estate sector. The IMF forecasts that the Chinese economy will grow by 4.8% in 2022, well below the prior-year level (2021: 8.1%).

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The **risks and uncertainties** associated with these assumptions remain fundamentally high. For example, it is currently not possible to precisely predict the extent to which the further development of the pandemic – for example with regard to new virus variants and related renewed waves of infection and lockdowns – will affect the global economy over the course of the year. In addition, it is difficult to predict the impact of the pandemic on global supply chains, for example with regard to production and logistics capacities, as well as the further development of material, production and freight costs. Finally, the extent to which geopolitical tensions may impact economic growth in 2022 cannot be predicted with full certainty at the at the time of preparing this report.

Industry outlook

The recovery of the **global apparel industry**, which had already been visible in 2021, is expected to continue in fiscal year 2022, although development is likely to vary across regions. **Challenges** for 2022 include, in particular, the persistence of pandemic-related shortages in logistics, production delays, a further increase in material and freight costs and the ongoing shortage of materials. This is likely to continue increasing the input costs of many companies in 2022 and generally lead to price increases for consumers.

In terms of **consumer behavior**, it is also expected that in 2022, industry growth will primarily be driven by local demand, given ongoing pandemic-related uncertainties. In contrast, business with international tourists is expected to recover comparatively slowly, partly due to persisting restrictions on international travel. In addition, there is the possibility of isolated regional lockdowns due to the pandemic also in 2022, which will further increase the relevance of the online business.

According to a joint study by The Business of Fashion and consulting firm McKinsey & Company published in November 2021, the global apparel industry is expected to grow by +3% to +8% in 2022 as compared to pre-pandemic levels. Excluding the luxury segment, for which above-average growth is also forecast for 2022, **sector growth** should be in the range of 0% to +5% (2021: –4% to +1% compared with 2019). As a result, the industry should be able to fully recover from the pandemic-related revenue declines over the course of the year.

China, in particular, is expected to continue to record robust growth, with industry sales (excluding the luxury segment) expected to increase by +2% to +7% in 2022 compared with 2019 (2021: –3% to +2% compared with 2019). The anticipated growth should be driven by strong local demand. In the **U.S. market**, industry growth is likely to slow down to a certain extent in 2022, after demand in 2021 was driven by a noticeable recovery in private consumption post lockdowns, as well as monetary and fiscal policy measures. At the same time, business with international tourists is expected to continue to recover only slowly. The Business of Fashion and McKinsey & Company therefore expect industry sales in the U.S. to develop within a range of –1% to +4% (excluding the luxury segment) compared with 2019 (2021: +5% to +10% compared with 2019). In **Europe**, on the other hand, the market environment is expected to further improve. While industry sales were particularly impacted in the first half of 2021, reflecting store closures and local restrictions, the industry is expected to benefit from a further recovery in private consumption and continued robust local demand in 2022. The Business of Fashion and McKinsey & Company therefore expect industry sales growth (excluding the luxury segment) to noticeably improve at a level of between –2% and +3% compared with 2019 (2021: –15% to –10% compared with 2019).

Outlook for HUGO BOSS

For HUGO BOSS, fiscal year 2022 represents an important milestone in achieving its 2025 financial targets as set out in **"CLAIM 5"**. The main focus in 2022 will be on significantly increasing the relevance and perception of BOSS and HUGO, particularly among younger customer groups, by means of the successfully implemented branding refresh and the related additional **marketing investments**. At the same time, **product investments** will contribute to establishing BOSS as a true 24/7 lifestyle brand and HUGO as the first point of contact for younger customers. In addition, in 2022, HUGO BOSS will continue to invest in the **digitalization of its business model** and in the **optimization and modernization of its global store network**. All initiatives are aimed at further strengthening the sales momentum gained in 2021 and increasing Group sales to EUR 4 billion by 2025. At the same time, in 2022 HUGO BOSS will push ahead with all those measures that are aimed at realizing efficiency gains, particularly in connection with the ongoing optimization of its global store network. This should enable HUGO BOSS to make further progress in 2022 towards its 2025 financial target of an EBIT margin of around 12%. > Group Strategy, 2025 Financial Ambition

The statements in the outlook for fiscal year 2022 are based on the respective results for fiscal year 2021. Against the backdrop of the macroeconomic and industry-specific conditions and taking into account the implications of ongoing restrictions relating to COVID-19 known at the time of preparing this report, HUGO BOSS expects to increase **Group sales** in 2022 between +10% and +15% to a record level of between EUR 3.1 billion and EUR 3.2 billion (2021: EUR 2.8 billion).

Growth is expected to vary across regions. For **Europe**, HUGO BOSS anticipates sales growth in the low to mid-teens range. While in particular the first half of 2021 was characterized by long-lasting lockdowns and store closures in many important markets, the Company expects demand to pick up during the course of 2022. Also in the **Americas** region, the strong momentum of the prior year is expected to continue in fiscal year 2022. As a result, HUGO BOSS expects growth in the mid- to high single-digit range. In the **Asia/Pacific** region, the Company intends to fully exploit all growth opportunities also in 2022 and, assuming overall robust regional economic development, expects sales growth in the mid- to high teens range.

In addition, HUGO BOSS forecasts to increase its **operating profit (EBIT)** in 2022 within a range of +10% to +25% to an amount of between EUR 250 million and EUR 285 million (2021: EUR 228 million), with final sales performance being decisive for the amount of the expected EBIT. In this context, the investments planned for 2022 as part of "CLAIM 5" to strengthen products, brands and digital expertise are expected to be largely offset by efficiency gains. At the same time, the Company expects the **Group's net income** to improve to a level of between EUR 150 million and EUR 180 million (2021: EUR 144 million).

Following a very positive development of **trade net working capital as a percentage of sales** in 2021, HUGO BOSS now expects gradual normalization for fiscal year 2022, and a related increase to a level of between 18% and 19% (2021: 17.2%). The anticipated development is fully in line with the Company's target range of between 16% and 19% as set out in "CLAIM 5". **Capital expenditures** are expected to total between EUR 200 million and EUR 230 million in 2022 (2021: EUR 104 million), thus also in line with the target range of between 6% and 7% of Group sales set out in "CLAIM 5". The expected increase compared to the prior-year level mainly reflects the accelerated renovation and further optimization of the global store network as well as investments in the ongoing digitalization of the business model.

In view of the strong operational and financial performance in 2021, the very solid financial position and management's confidence in the successful execution of its "CLAIM 5" growth strategy, HUGO BOSS is planning to **resume dividend payments**. Consequently, the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 24, 2022, a **dividend** of EUR 0.70 per share for fiscal year 2021 (2020: EUR 0.04). The proposal is equivalent to a **payout ratio** of 35% of the Group's net income attributable to shareholders in fiscal year 2021. Assuming that the shareholders approve the proposal, the dividend will be paid out on May 30, 2022. Based on the number of shares outstanding at the end of the year, the **amount distributed** will total EUR 48 million (2020: EUR 3 million).

OUTLOOK FOR FISCAL YEAR 2022

	Results 2021	Outlook 2022
Group sales	Increase by 43% to EUR 2,786 million	Increase within a range of +10% to +15% (to EUR 3.1 billion to EUR 3.2 billion)
Sales by region		
Europe	Increase by 42% to EUR 1,742 million	Increase in the low to mid-teens percentage range
Americas	Increase by 77% to EUR 543 million	Increase in the mid- to high single-digit percentage range
Asia/Pacific	Increase by 23% to EUR 423 million	Increase in the mid- to high teens percentage range
Operating result (EBIT)	Increase by >100% to EUR 228 million	Increase within a range of +10% to +25% (to EUR 250 million to EUR 285 million)
Group's net income	Increase by >100% to EUR 144 million	Increase to a level of between EUR 150 million and EUR 180 million
Trade net working capital as a percentage of sales	Decrease by 1,160 basis points to 17.2%	Increase to a level of between 18% and 19%
Capital expenditure	EUR 104 million	EUR 200 million to EUR 230 million

REPORT ON RISKS AND OPPORTUNITIES

Transparent handling of risks as part of the risk management system

No going concern risks to the Group identified

Exploiting business opportunities important element in ensuring sustainable increase in enterprise value

The **risks and opportunities policy** of HUGO BOSS is primarily aimed at achieving strategic and financial corporate objectives. In addition to pursuing the target of securing the Group's continuation as a going concern, it primarily aims at successfully implementing the "CLAIM 5" strategy and sustainably increasing enterprise value. The reporting of risks and opportunities in the combined management report refers to a one-year period.

Risk report

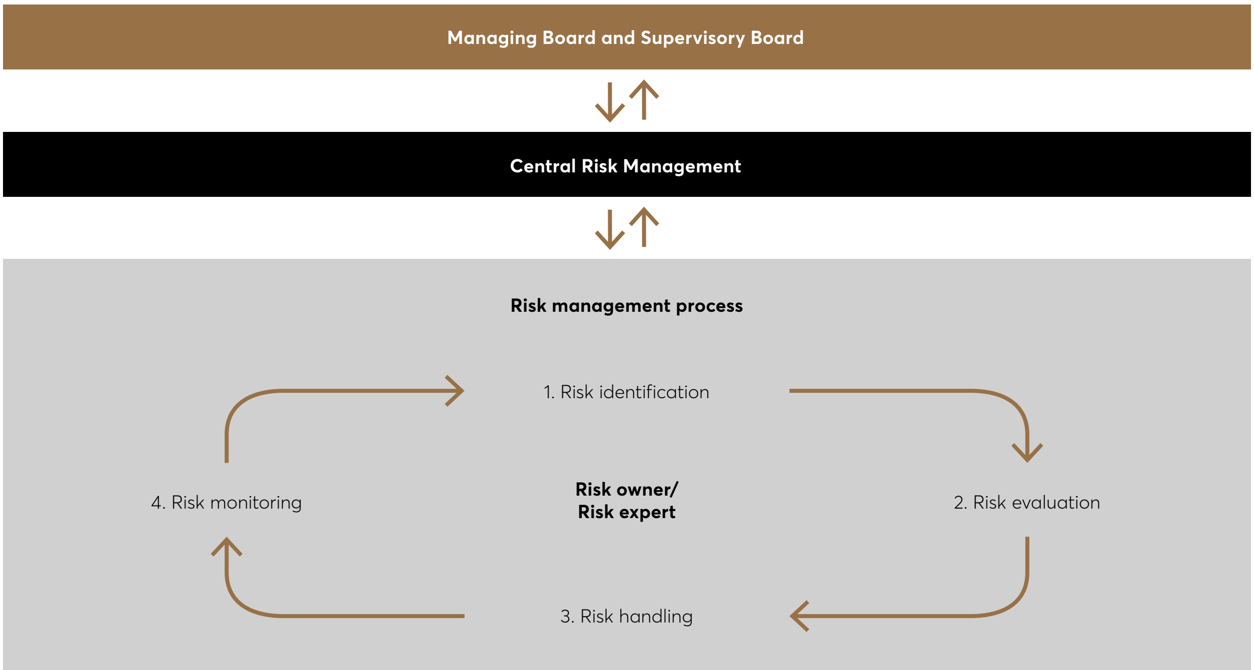
The success of HUGO BOSS is based on the systematic use of opportunities within the framework of the "CLAIM 5" Group strategy. HUGO BOSS is exposed to a variety of risks. Its **risk management system** includes all measures of a systematic and transparent approach towards risks. It aims to identify risks at the first possible opportunity, evaluate them adequately, limit or avoid them using suitable measures, monitor and document them. In this context, risks are defined as possible future developments or events, which may lead to negative deviations from the planned operating result. All types of risks are summarized into five categories: external, strategic, financial, operational and organizational risk.

Risk management system

The Managing Board of HUGO BOSS AG has **overall responsibility for an effective risk management system**. The central task of risk management is to coordinate the implementation and ongoing development of the risk management system. It is responsible for the centrally managed risk management process and is in close contact with the respective central departments and Group companies. There, the relevant risk owners and risk experts are responsible for identifying and evaluating risks, adequately dealing with identified risks, and implementing effective risk mitigation measures. **Monitoring the effectiveness of the risk management system** is the task of the Supervisory Board of HUGO BOSS. This responsibility is exercised by the Audit Committee of the Supervisory Board with involvement of the Internal Audit department. As part of the audit of the consolidated financial statements, the Group auditor assesses the suitability of the measures implemented in the Company for the early identification of risks to the Company's ability to continue as a going concern. .

Group-wide standards for systematically handling risks form the basis of an efficient risk management system. These are set by the Managing Board and documented in a **risk manual** that is applicable throughout the Group and available to all employees on the Company's intranet. All employees of HUGO BOSS are obliged to be aware of the risks posed by their behavior, especially regarding those risks that may threaten the going concern of the Group. The use of modern **risk management software** allows for recording and evaluating all identified risks, as well as related measures in a uniform way throughout the Group. The risk management system of HUGO BOSS is designed in accordance with the international standard ISO 31000.

MAIN FEATURES OF THE HUGO BOSS RISK MANAGEMENT SYSTEM



The **risk management process** at HUGO BOSS consists of the four steps of risk identification, risk evaluation, risk handling as well as risk monitoring and reporting.

To ensure **risks are identified** at the earliest possible stage, the Group continuously monitors the macroeconomic environment, the competitive landscape in the premium and luxury goods industry, and all internal processes. The central risk management supports the risk owners across the Group with regular identification and efficient categorization of risks using a risk catalog, as well as the risk manual that is available throughout the Group.

Risk owners delegate the regular assessment of identified risks to the defined risk experts and give their assessment after a thorough examination. Risk experts are supported by the central risk management.

MEASUREMENT CRITERIA FOR BUSINESS RISKS

Likelihood of occurrence		Extent of financial impact	
unlikely	≤20%	low	≤2.5% of planned EBIT
possible	>20–40%	moderate	>2.5–5% of planned EBIT
likely	>40–60%	significant	>5–15% of planned EBIT
very likely	>60%	high	>15% of planned EBIT

Individual risks are evaluated by assessing their likelihood of occurrence and systematically analyzing their possible impact on the planned operating result (EBIT). Interest rate risks and tax risks however are evaluated based on their possible impact on cash flow.

RISK OVERVIEW – RISKMAP (AGGREGATED RISKS)

Loss amount/exposure	unlikely	possible	likely	very likely
high	**Environment and health, collection, IT, governance and compliance**	**Overall economy, politics and society, taxes, suppliers and sourcing markets, quality, sales and distribution**		
significant	**Investments, brand and corporate image, logistics**		**Currencies**	
moderate	**Personnel, facilities**	**Competition, legal**		
low	**Product piracy, vision and direction, financing and liquidity, occupational health and safety**	**Profitability**	**Provisions for pensions**	**Counterparties, changes in interest rates**

Likelihood (within 1 year)

The two valuation criteria of likelihood of occurrence and loss amount/exposure make up the **risk matrix**. This is intended to create transparency regarding the Company's current risk situation and support with prioritizing risks. Any net risk as an actual risk potential is defined as the gross risk reduced by the impact of the respective mitigation measures.

Preparing and implementing suitable risk mitigation measures is the task of the respective risk owner. In general, **risks are managed** in four different ways: risk avoidance, risk reduction, risk transfer to third parties and risk acceptance. One component of risk management is thus the transfer of risk to insurers, which is intended to neutralize the financial impact of insurable risks as far as possible. The costs of the respective measures in relation to their effectiveness are also taken into consideration when deciding how to implement the respective risk management strategy. By working closely together with the risk owners, the central risk management monitors the progress and effectiveness of measures which are in the planning stages as well as those which have already been implemented.

The current status of all identified risks is assessed twice a year. However, depending on their extent, some risks may be assessed at a higher frequency of up to once a month. As part of the **risk monitoring**, insights into the latest trends are documented, and risk evaluation as well as risk handling are revised if necessary. The continuous monitoring of early warning indicators is intended to allow possible deviations from the budget to be identified at an early stage. Reporting chains and the adoption of appropriate countermeasures defined in advance aim at ensuring a timely response in the event of a risk occurring. > Group Management

As part of the **regular risk reporting**, the risk owners report to the central risk management the risks identified, including the respective likelihoods of occurrence, the potential financial impact as well as the risk mitigation measures. The central risk management aggregates the information reported and regularly presents a consolidated report to the Managing Board and to the Audit Committee. Material individual risks and aggregated risk categories are given particular emphasis. When critical or urgent issues arise, the regular reporting process is supplemented by an ad hoc report.

Assessment of the risk situation by the Managing Board

DEVELOPMENT AND COMPOSITION OF THE TOTAL RISK EXPOSURE

The individual risks are aggregated using two methods to obtain the most accurate possible overview of the **total risk position** of HUGO BOSS. On the one hand, the expected loss values of all assessed risks within the five risk categories are added together. On the other hand, the probability distributions of all identified risks are aggregated to form a single probability distribution for a possible total loss by means of a Monte Carlo simulation and thus determining maximum annual loss values. The result of this simulation for fiscal year 2021 shows that, as in the prior year, the Group's equity is in excess of all simulated risk-dependent loss values, even within the tightest confidence intervals.

The risk management system implemented forms the basis of the assessment of the risk situation by the Managing Board and is regularly monitored by them. Material risks faced by the Company are discussed and evaluated by the Managing Board at regular intervals. While the assessment of individual risks in fiscal year 2021 has changed, the Managing Board was unable to identify any individual or aggregate risks that could jeopardize the **continuation of the Company as a going concern** at the time this report was prepared.

Illustration of material risks

The **risks considered to be material** for HUGO BOSS to achieve its targets **in fiscal year 2022** are explained below. These are risks that have been assessed in the risk management process as having at least a moderate potential impact. In the previous year, risks with a moderate potential impact were exceptionally not explained in detail against the backdrop of the COVID-19 pandemic and the overall increased sensitivity in the course of the risk assessment. In general, it is possible that further latent risks or risks that are currently estimated as immaterial may negatively impact the Group's development in the future to more than the stated extent. Irrespective of the measures implemented to manage the identified risks, business activity is always exposed to **residual risks** that cannot be entirely avoided even by a risk management system such as that implemented at HUGO BOSS.

RISK CATEGORIES

External risks	Strategic risks	Financial risks	Operative risks	Organizational risks
Overall economy	**Collection**	**Currencies**	**Suppliers and sourcing markets**	**IT**
Politics and society	**Brand and corporate image**	**Taxes**	**Quality**	**Personnel**
Environment and health	**Investments**	Financing and liquidity	**Logistics**	**Governance and compliance**
Competition	Vision and direction	Changes in interest rates	**Sales and distribution**	Legal
Product piracy		Counterparties		Facilities
		Pensions		Occupational health and safety

Material risks are shown in bold and are explained in more detail below. In contrast, risks assessed as only having a low potential impact are not explained in more detail.

Material external risks

HUGO BOSS is subject to a variety of external risks, mainly in connection with macroeconomic, political and social developments, environmental and health aspects, and competition.

Macroeconomic risks

As a global company, HUGO BOSS is exposed to **macroeconomic risks** in terms of global economic trends. This means that an economic downturn is generally accompanied by a decline in demand for premium and luxury goods, which can have a negative impact on the Company's sales and earnings performance. Economic effects can occur globally as well as regionally, and may influence each other.

In order to reduce the impact of economic fluctuations, HUGO BOSS aims to **balance regional distribution of sales**. The Group continuously monitors the macroeconomic environment as well as industry developments in order to identify risks at an early stage and be able to react immediately. **Internal early indicators** are analyzed regularly to allow the impact of potential macroeconomic risks to be forecast. > Group Management

Possible **responses** to a cyclical downturn in demand include, in particular, reducing production and sourcing activity, stricter managing trade net working capital, increasing cost controlling, and implementing price adjustments.

In its publication of 25 January 2022, the IMF anticipates **global growth** to slow to 4.4% this year (2021: 5.9%), half a percentage point less than forecast in October still. The main reason for this is the global spread of the **Omicron virus variant** towards the end of 2021 and its impact on economies. The outlook is also based on the assumption that current global challenges will persist in 2022. For example, the emergence of new COVID-19 variants could prolong the pandemic and lead to renewed economic disruptions. Ongoing **geopolitical tensions**, such as the Ukraine conflict, pose a further risk to overall economic development.

In addition, **ongoing disruptions to global supply chains**, the volatility of freight costs and energy prices, as well as the further increase in wages, are expected to result in a relatively high level of global inflation in the foreseeable future. Monetary countermeasures, such as **key interest rate hikes**, are likely to slow the economy, thus representing additional risks to financial stability, capital flows and currencies. The potential negative impact of macroeconomic developments on Group sales and earnings performance in 2022 could be generally high. Management estimates the likelihood of occurrence as possible. > Outlook, > Risk Report, Environmental and Health Risks

Political and social risks

HUGO BOSS is exposed to **political and social risks** due to the global nature of its business activities. For example, changes in the political and regulatory environment, geopolitical tensions, military conflicts, changes in government, or terrorist attacks can have a negative impact on the consumer climate.

Global uncertainties in the context of political and social developments are expected to increase further in 2022. In particular, persistent geopolitical tensions such as the Ukraine conflict, an escalation of trade-policy conflicts or the ongoing threat of terrorist attacks pose significant risks for the global apparel industry and thus also for the Group's business development.

Due to its likely increasing importance, HUGO BOSS assesses the risk resulting from political and social changes as an **"emerging risk"**. It raises strategic questions, for example regarding the influence of demographic changes on consumer behavior and the supply chain. This reveals the close link between the social risk and the industry risk and the risks associated with suppliers and sourcing markets. In evaluating and managing the risk, the risk owners and risk experts in the Group work in interdisciplinary teams on the **ongoing analysis and monitoring** of current political and social developments and their impact on the Group's own business activity. The central risk management coordinates and supports this process.

The Group's global distribution in more than 120 countries is intended to provide a **natural hedge** against adverse developments in individual markets or regions. Unexpected developments in important sales markets can have a high financial impact. The Management currently considers the likelihood of this risk to be possible.

Environmental and health risks

The global value chain of HUGO BOSS is subject to **environmental and health risks** that may result from pandemics or environmental and natural disasters as well as the consequences of climate change.

The further course of the **COVID-19 pandemic** will continue to pose material risks for HUGO BOSS in 2022. The main uncertainties at the time of preparing this report relate primarily to the duration of the pandemic – for example with regard to new virus variants and related renewed waves of infection as well as potential setbacks in vaccination campaigns – and the negative implications of the various restrictions on public life, especially regional lockdown measures. With regard to the latter, there is a material risk of renewed temporary store closures in markets important to HUGO BOSS during the course of the year, which are currently unforeseeable. This is accompanied by the risk that a deterioration in consumer sentiment or a slower than expected recovery in international tourism could have a material impact on business performance. In addition to lost sales opportunities, the occurrence of the described risks would ultimately have a negative impact on the Group's profitability and cash flow.

In addition, there are fundamental supplier and sourcing market risks connected to the pandemic. Challenges include shortages in global production and logistics capacity, as well as a related increase in material, production and freight costs. For example, in the event of a further deterioration of the situation in sourcing markets that are important for the Group, the production of individual suppliers or multiple suppliers may be temporarily interrupted. This could lead to disruptions in the Company's value chain and thus to additional sales risks as a result of delayed product availability. Although no significant impact of the pandemic on the Group's supply chain were observed at the time this report was prepared, the Company remains in close contact with its partners to ensure it is well prepared for any restrictions that may arise. > Sourcing and Production, > Risk Report, Material Operational Risks

Already at an early stage of the pandemic, HUGO BOSS established various task forces and crisis teams to carefully monitor and mitigate the various impacts of COVID-19, with a focus on employee health and safety as well as business continuity. At Group level, there is an interdisciplinary coronavirus crisis team which closely monitors the course of the pandemic and comprehensively coordinates all measures taken by the Group to protect its employees. In addition, as part of Group management, a particularly close and regular exchange between the Managing Board, Group Controlling and the management of the corporate divisions and the Group companies has been taking place since the beginning of the pandemic. > Group Management

Overall, Management considers the risks above and beyond the financial impacts already taken into account in the "Outlook" section for 2022 to be unlikely. The potential effect on earnings performance is classified as high. > Outlook, > Risk Report, Material Operational Risks

Risks, as a result of climate change, such as increasing **water scarcity**, are considered as unlikely for fiscal year 2022, and are associated with low possible losses. In the future, however, this risk could become more significant for HUGO BOSS. In the long term there is a risk that an increasing scarcity of water could have negative consequences on the cultivation of cotton, leading to a reduced availability of cotton fibers and higher material costs. Cotton is by far the most used material in the Company's products.

HUGO BOSS has a **central emergency management system** in order to be able to react promptly and appropriately to an environmental or natural disaster occurring. Its structural organization pools cross-functional skills needed to handle emergencies and is intended to ensure efficient coordination with clear decision-making paths. Overall, the Management considers that environmental and health risks are unlikely to occur in 2022, but as having a high potential impact on the Group's net assets, financial position and results of operations.

Competitive risks

The competitive environment of HUGO BOSS is generally highly dynamic. Changes in the competitive environment can influence the Company's success, particularly in the medium to long term. On the one hand, HUGO BOSS **competes directly** with well-known apparel companies in the premium and luxury segments for customers, but also for production capacity, retail space in preferred locations, and brand ambassadors. In addition, in the highly **competitive casualwear segment**, BOSS and HUGO are competing with a large number of global and regional brands with strong links to casualwear and streetwear aimed at younger consumers in particular. Intensive competition for customers may in principle lead to **harmful competitive behavior**, such as persistently intense discounting.

The Group is convinced that further **increasing the relevance** of its two brands, BOSS and HUGO, is the most important factor for its long-term success. Therefore, as part of its "CLAIM 5" strategy HUGO BOSS places customers and their needs at the center of its actions. All strategic initiatives are aimed at sustainably increasing the brand strength of BOSS and HUGO, with the goal of becoming **one of the top 100 global brands**. In this context, the Company started to renew its brand identity and significantly expand its marketing investments in 2021. From a sales perspective, as part of "CLAIM 5", the Company will further optimize its distribution and significantly advance its **omnichannel** activities in the coming years in order to offer its customers a seamless brand experience across all touchpoints. Although HUGO BOSS considers itself generally well positioned in international competition, the competitive risks considered as possible have moderate financial implications. > Group Strategy

Material strategic risks

HUGO BOSS considers collection risks, risks to the brand and corporate image, as well as investment risk to be among the material strategic risks.

Collection risks

Changing fashion and lifestyle trends can cause **collection risks**. Challenges in the collection development process above all involve recognizing trends in a timely manner as part of creative management and incorporating these as quickly as possible into commercially successful collections. > Research and Development

Extensive **analyses of relevant target groups and markets** and of the successful sale of previous collections are intended to reduce collection risks. In addition, direct **customer proximity** in the Company's own retail business, feedback from wholesale partners, the use of digital tools to **identify trends** in line with the strategic claim "Lead in Digital", and insights from **customer relationship management (CRM)** enable changes in buying behavior to be identified at an early stage and taken into account accordingly in the development of future collections. In the course of the ongoing **digitalization of the collection development process**, HUGO BOSS is managing to further shorten lead times in order to respond even more quickly to global trends. > Research and Development

The **branding refresh** being pushed as part of "CLAIM 5" includes the products and both brands' logos. With the Spring/Summer 2022 collections of BOSS and HUGO, which have been available since early 2022, customers around the world are experiencing both brands with a completely new "look and feel" for the first time. Clear brand codes and design elements, among other characteristics, are intended to make both brands even more recognizable and to strengthen the more youthful, confident brand image. In this context, the Company is pursuing the clear ambition to establish BOSS as a **true 24/7 lifestyle brand** across all wearing occasions. As part of this, the Company intends to fully exploit the potential of casualwear in the future, while at the same time strengthening its important formalwear business. Equally important, HUGO is to be established as the **first point of contact for younger customer groups**. > Group Strategy, "Product is King"

The potential negative impact from collection risks are considered to be high. Based on the risk mitigation measures implemented, however, Management considers the probability of occurrence to be unlikely.

Risks to the brand and corporate image

The occurrence of **risks for the brand and corporate image** can have a negative impact on the economic success of HUGO BOSS. For example, an inadequate quality of the products or services on offer in the own retail business, an uncontrolled pricing and markdown policy, the use of distribution channels that are damaging to the brand, an unattractive marketing mix, or non-compliance with laws or social standards could have a damaging impact on brand image.

As a consequence, **protecting and maintaining the brand image** has a high priority at HUGO BOSS. Ensuring a globally uniform brand and shopping experience, strict quality controls, a centrally managed pricing policy, the establishment of a seamless brand experience across all touchpoints as part of the strategic claim "Rebalance Omnichannel", an active compliance management system, and exacting occupational and social standards contribute towards this target. In addition, legal trademark protection and the prosecution of product piracy are important efforts to secure the brand image.

The corporate image of HUGO BOSS is reflected in how it is **perceived by its stakeholders**. All communication activities are managed by the central departments Corporate Communication, Investor Relations, and Global Corporate Responsibility & Public Affairs. These are involved in continuous dialog with all important interest groups. Compliance with laws, standards and guidelines, both within the Group and by partners, is regularly verified. Management considers a negative impact on the brand and corporate image to be unlikely. The potential impact on the Group's net assets, financial position and results of operations is considered to be significant.

Investment risks

The Group's own retail activities are exposed to **investment risks** in connection with the modernization of the store network, selective of new store openings, as well as cross-channel integration and digitalization initiatives. The risk of bad investments refers in particular to investments in stores for which long-term rental agreements have been entered into, but which in retrospect fall short of the Company's profitability targets. Bad investments can also result from the development and implementation of new store concepts and digital elements.

The risk in connection with **impairment** of property, plant and equipment, intangible assets, right-of-use assets at the level of the Group's own retail stores, and goodwill represents the largest risk position within investment risks. In principle, it cannot be ruled out that a deterioration in the business outlooks or a change in the level of market rents may lead to an impairment of the Group's assets. However, such an impairment would be non-cash in nature. For 2022, the Group considers the risk of significantly higher impairment losses to be unlikely, while having a significant financial impact. > Notes to the Consolidated Financial Statements, Note 10

For major investment projects there is a specific **approval process**. Apart from qualitative analyses, for example with regard to potential locations of own stores, this also includes an analysis of each project's net present value. **Central investment controlling** evaluates the planned investment projects with respect to their contribution to the Group's profitability targets. In addition, subsequent analyses are conducted at regular intervals to verify the profitability of projects that have already been realized. Appropriate countermeasures are taken in the event of any negative deviations from the profitability targets originally set. The Group's investment risk is considered to be unlikely in 2022 due to the measures implemented, with a potentially significant financial impact. > Group Management

Material financial risks

Material financial risks include currency risks and tax risks.

Currency risks

Due to the global nature of its business activities as well as the Group's internal financing activities, HUGO BOSS is exposed to **currency risks** that may have an impact on the Group's net income and equity.

In the **operating business**, currency risks primarily arise due to products being procured and sold in different currencies at unequal amounts **(transaction risk)**. Significant cash flows in foreign currencies primarily arise from the Group's global sales and sourcing activities in foreign currencies. Currency risks in financing result from financial receivables, liabilities and loans to finance Group companies (transaction risk). As of the reporting date, the main financing loans were hedged using forward exchange contracts. In addition, currency risks exist in connection with the translation of financial statements of Group companies outside the eurozone into the Group currency, the euro **(translation risk)**. The translation risk is monitored on an ongoing basis, however the Group does not hedge against it, as the impact on the Group's statement of financial position and the Group's income statement is not cash-effective. > Notes to the Consolidated Financial Statements, Currency Translation

Currency risks are managed centrally by the **Group Treasury department**. Corporate guidelines form the basis for the selection and scope of hedging and, at the same time, are intended to ensure strict functional separation of trading, settlement and control of all financial market transactions. The primary objective is to mitigate currency exposure using **natural hedges**. In this way, foreign currency exposures from business operations across the Group can be offset against each other as much as possible, thereby minimizing the need for hedging measures. **Forward exchange contracts and swaps** as well as **plain vanilla options** can be concluded to hedge the remaining exposures. > Notes to the Consolidated Financial Statements, Note 20

Future cash flows from the **Group's production activities in Turkey** are designated to be an effective hedging relationship shown on the balance sheet (hedge accounting). The derivative financial instruments used in this instance are solely intended to hedge underlying transactions and are traded over the counter.

In accordance with the **requirements of IFRS 7**, HUGO BOSS has calculated the impact of transaction risk on the Group's net income and equity. This is determined based on the balance sheet currency exposure as of December 31, 2021. The exposures include cash, receivables and liabilities, as well as intercompany loans held in currencies other than the functional currency of each respective Group company.

HUGO BOSS applies the **value-at-risk method** to quantify and manage currency risk. In this context, it can be assumed that the total financial currency exposure and its hedging ratio as of the reporting date are representative for the entire reporting period. In principle, there may be differences between the values determined using the value-at-risk method and the actual effects on the Group's net income.

Aggregated across all currencies considered, the **diversified portfolio risk** for the Group's net income after hedging amounts to EUR 8 million (2020: EUR 7 million). Hedging costs for concluding forward exchange transactions are not included. The largest foreign currency exposure results from the balance sheet exposure towards the U.S. dollar, pound sterling and renminbi. Due to the hedge accounting implemented in the Group, the sensitivity of the Group's equity does not correspond to that of the Group's net income. If the euro had appreciated or depreciated against the Turkish lira by the standard deviation, the Group's equity would have decreased or increased by EUR 2 million in the reporting year (2020: EUR 1 million).

Management assumes that significant changes in the exchange rates relevant for HUGO BOSS are also possible in fiscal year 2022. Based on the results of the value-at-risk analysis, the impact of the **transaction risk** on the Group's net income is considered to be low. However, a significant level of **translation risk** cannot be ruled out. Overall, Management therefore assumes currency risks to be likely and, if materializing, significant.

Tax risks

As a globally operating group, HUGO BOSS is subject to a variety of **tax laws and regulations**. Changes in this area could lead to higher tax expenses and tax payments, but also have an influence on recognized actual and deferred tax assets and liabilities. All tax-related issues are regularly analyzed and evaluated by the **Group Tax department**. The expertise of external local experts such as lawyers and tax advisors is also taken into account.

Tax risks exist for all assessment periods still open. Sufficient provisions were recognized for known tax risks. The amount provided for is based on various assumptions, for example the interpretation of respective legal requirements, the latest court rulings and the opinion of the authorities, which is used as a basis for measuring the loss amount and its likelihood of occurrence.

The Group tax department regularly assesses the likelihood of the future usefulness of **deferred tax assets**, which have been recognized on unused tax losses. This assessment takes into account various factors, such as future taxable results in the planning periods, past results and measures already taken to increase profitability. HUGO BOSS applies a forecast period of a maximum of five years for this purpose. Actual figures may differ from the estimates in this regard.

As for taxes, risks may occur primarily from **modifications of tax legislation** in various countries, due to varying assessment of existing topics by tax authorities or tax field audits. There may also be risks in transfer pricing in relation to the business model of the Company. The Group therefore considers tax risks to be possible overall, while assessing the financial impact as high. > Notes to the Consolidated Financial Statements, Note 5

Material operational risks

HUGO BOSS summarizes risks associated with suppliers and sourcing markets, as well as quality, logistics and sales and distribution risks under material operational risks.

Risks associated with suppliers and sourcing markets

Risks associated with **suppliers and sourcing markets** exist in connection with possible dependencies on individual suppliers or production sites, a possible increase in product costs, and the possible divergence between production and sales.

HUGO BOSS attaches great importance to the careful selection of suppliers and the establishment and maintenance of long-term strategic partnerships. However, there is a risk that production from one or more suppliers may be temporarily interrupted due to supplier-related or regional events. Excessive **dependence on individual suppliers or production sites** could lead to disruptions in the Group's supply chain and thus to sales risks. HUGO BOSS therefore pursues the goal of a **regionally balanced strategic sourcing mix** in order to minimize risks, such as local or regional capacity shortfalls as far as possible. In this context, the production and sourcing process is coordinated centrally by the Sourcing/Production department. Supplier relationships are regularly monitored and evaluated with the aim of identifying risks in a timely manner and initiating appropriate measures to ensure product availability. In fiscal year, the largest external supplier accounted for 7% of the total sourcing volume, while the largest single external production site accounted for 3% (2020: 8% and 5%, respectively).

In the medium term, within the framework of important strategic initiatives relating to the topic of **"nearshoring"**, the Company is pursuing the goal of relocating a part of its sourcing volume closer towards its sales markets Europe and the Americas, thus further strengthening their respective share of the global sourcing mix. The expansion of the Company's own production capacities at the Izmir (Turkey) site plays a central role in this. In addition to closer proximity to its most important sales markets, HUGO BOSS will also benefit from greater **independence from external influences**. > Sourcing and Production

In view of **earthquake risks** and possible risks due to **political uncertainties**, particularly comprehensive measures have been implemented at the Company's largest production site in Izmir (Turkey) in order to limit the impact of a production downtime on Group revenues. For the majority of the production volume, contingency plans are in place to transfer production to external suppliers. In addition, the financial risk in the event of an earthquake is partially covered by insurance policies. Based on the measures implemented, Management considers risks from dependence on individual suppliers or the regional distribution of sourcing volumes to be unlikely overall. The related financial impact may in principle be high.

Wage increases in production, in particular in emerging economies, and a rise in the price of relevant raw materials such as cotton, wool and leather, may lead to **higher product costs** and thus have a negative impact on the profitability of the Group. In particular, in the wake of the COVID-19 pandemic, global value chains are exposed to particular strains. Challenges include shortages in terms of global sourcing and production capacities and a related increase in material and production costs. HUGO BOSS counters these risks with margin-based collection planning, measures to improve efficiency in the production and sourcing processes, continuous optimization in the use of materials, and regular review of its pricing policy. It is assumed that risks from higher production costs are possible in principle and that these could have a significant negative impact on earnings development.

The forecasting of sales volumes, planning of production capacities and allocation of raw materials and finished goods as part of the sourcing processes involves **scheduling risks**. Deviations from the appropriate allocation can lead to over-scheduling resulting in high inventory levels on the one hand. On the other, it can also lead to under-scheduling with the risk unrealized sales opportunities. In order to reduce this risk, the Group is working on constantly improving its forecasting quality and on further increasing the flexibility of merchandise management across distribution channels and markets. At the same time, HUGO BOSS aims to coordinate purchasing and sales even better in the future by further shortening the collection development times, thereby enabling it to respond even better to market trends and customer needs. In view of the generally high volumes, the scheduling risk is generally classified as possible. Depending on the extent, the related financial impact could be high.

Overall, the aggregated potential impact of risks associated with suppliers and sourcing markets is considered to be high. The aggregated likelihood of occurrence is classified as possible.

Quality risks

When sourcing materials and manufacturing its products, HUGO BOSS places the highest emphasis on **quality**. Intensive quality controls at all stages of production and the incorporation of customer feedback are intended to contribute to the continuous improvement of the production process. In addition, both the Company's own production sites as well as those of its partners are regularly monitored to ensure strict compliance with central quality guidelines. Incoming goods inspections as well as intensive quality tests at the Metzingen site are designed to ensure the high quality standards of HUGO BOSS. Nevertheless, the Group considers a certain degree of product returns for quality reasons to be possible. The impact on earnings development is considered to be high despite the recognition and regular review of corresponding provisions for returns. > Sourcing and Production

Logistics risks

HUGO BOSS is exposed to **logistics risks** that relate on the one hand to potential interruptions in the transport of goods, for example due to a possible shortage of sea and air freight. This directly involves risks of a general increase in freight costs as well as significantly delayed product availability. In addition, the temporary downtime or loss of warehouse locations may lead to lost sales opportunities. The storage of inventories is centered on selected sites directly operated by HUGO BOSS. The distribution centers for hanging goods, flat-packed goods and the Company's online business, all located in the immediate vicinity of the headquarters in Metzingen, form the core of the Group-wide logistics network.

In light of the COVID-19 pandemic, competition for global transport and logistics capacity has intensified noticeably. On the one hand, this has led to a significant increase in freight costs. At the same time, risks arise with regard to disruptions or significant delays in product availability. Thanks to its **resilient value chain** and timely and forward-looking actions, HUGO BOSS was able to secure sufficient product availability in fiscal year 2021. The Company benefited in particular from its well-balanced global sourcing mix, the flexibility of its own production sites, long-term strategic partnerships with suppliers, and the successful onboarding of new partners as part of the general business recovery and strong growth in 2021. In addition, in the prior fiscal year, HUGO BOSS took new, solution-oriented and in some cases unconventional approaches in transportation and logistics. In addition to **shifting early from sea to air freight**, a small number of passenger aircrafts were chartered to ensure product availability in the short term for the fast and uncomplicated shipment of goods from Asia to Europe. HUGO BOSS will continue to use all means at its disposal in the current fiscal year to ensure sufficient product availability at the point of sale. However, significant interruptions in product availability and related lost sales opportunities cannot be completely ruled out. > Sourcing and Production

With the aim of constantly improving the **efficiency and flexibility** of its logistics while minimizing logistics risks as far as possible, HUGO BOSS will continue to work on further optimizing its global logistics platform in the future. In addition, compliance with comprehensive **fire protection and safety measures** is continuously monitored at all warehouse locations. HUGO BOSS has also taken out insurance to cover the direct financial risk from a loss of goods or equipment stored in warehouses. Based on the measures implemented, the likelihood of occurrence of logistics risks in 2022 is considered to be unlikely. However, the related financial impact could in principle be significant.

Sales and distribution risks

Sales and distribution risks exist in connection with the Group's own retail activities, in particular with regard to inventory management as well as the duration of storage and consequently the recoverability of merchandise. In the wholesale business, sales and distribution risks mainly relate to a possible dependence on individual wholesale partners as well as bad debt losses.

The aim of the centrally organized inventory management is to ensure the forward-looking, optimal allocation of Group-wide inventories while at the same time maintaining flexibility in order to be able to respond to increases or decreases in demand at short notice. **Downturns in demand or misjudgements of sell-through rates** can have a negative impact on inventory turnover. HUGO BOSS therefore strives to continuously improve its inventory management. **Granting additional discounts** as a countermeasure inevitably has a negative impact on the gross margin and ultimately on the Group's profitability, and is therefore constantly monitored by the Group Controlling department. A centrally managed pricing policy, differentiated retail formats and coordinated collections are aimed at achieving a constant improvement in retail productivity.

Inventory risks may result from increased storage periods and a potential reduction in their marketability as a consequence. In line with the principle of net realizable value, **impairments on inventories** are recognized accordingly and reviewed on a monthly basis. As part of the process, system-based analyses of movement rate, range of coverage and net realizable value are applied across the Group. Sufficient write-downs were recognized as of the reporting date in the opinion of the Management. > Notes to the Consolidated Financial Statements, Note 12

Attention is paid to ensure a balanced customer structure to avoid a potential **overdependence on individual customers** in the wholesale channel. The Group Controlling department constantly monitors key performance indicators such as the order intake, sales and supply rates and reports these on a regular basis to the Managing Board. In this way, countermeasures can be initiated promptly in the event of risks arising. > Group Management

In the wholesale channel, the Group is exposed to the **risk of bad debt losses** due to the potential insolvency of individual trading partners, as well as to cumulated losses resulting from an economic slowdown in individual markets. The **Group-wide receivables management** follows uniform rules, for example regarding credit rating checks and the setting of and compliance with customer credit limits, monitoring of the age structure of receivables, and the handling of doubtful receivables. In individual cases, this means that deliveries are only made upon prepayment or business is discontinued with customers with an unsatisfactory credit rating. The Internal Audit department regularly reviews compliance with the Group guidelines. As of the reporting date, there was no concentration of default risks due to significant outstanding receivables from individual customers. The overall financial impact of potential bad debt risks is considered to be significant. > Notes to the Consolidated Financial Statements, Note 13

In summary, Management estimates the likelihood of occurrence of sales and distribution risks as possible. The cumulative financial impact is assessed as high mainly due to potential discounts and impairments.

Material organizational risks

HUGO BOSS considers IT risks, personnel risks, and governance and compliance risks to be among the material organizational risks.

IT risks
Smooth business operations with efficient processes are strongly dependent on a powerful and secure IT infrastructure uniformly implemented throughout the Group. Serious **failures of the Group's IT system** may result in significant business interruptions. In addition, **cyber attacks** can lead to major system interruptions, loss of confidential data, and the ensuing loss of reputation and liability claims. In order to reduce these risks, preventative system maintenance and security checks are carried out by the central IT department on a regular basis, multi-level security and anti-virus concepts are implemented, and job-related access rights are assigned. In addition to this, access control systems, daily data backups of the Group-wide ERP system, an uninterrupted power supply as well as regular online training sessions for staff should increase IT security in the Group. The Internal Audit department regularly monitors the security and reliability of the IT systems as well as the effectiveness of the implemented control mechanisms.

HUGO BOSS assumes that global cyberattacks will continue to increase in the future, and consequently classes them as an **"emerging risk"**. With the objective of further improving the ability to respond to potential attacks, the Company aims to keep working on the continuous development of its information security program. In this context, the Company has implemented a security information and event management system, which is intended to provide a complete overview of the Group's IT security. Due to the implemented measures, the Management currently considers the occurrence of IT risks to be unlikely. However, the associated financial impacts could generally be high.

Personnel risks
Achieving HUGO BOSS's strategic and financial targets is largely dependent on the skills and commitment of its employees and on safeguarding a fair and value-based corporate culture. Personnel risks mainly stem from **recruitment bottlenecks, shortages of specialists** and **excessive employee turnover**. HUGO BOSS counters this risk with a forward-looking personnel planning, comprehensive development and training measures, the continuous development of its performance-based remuneration system and flexible working models to better combine work and private life. Overall satisfaction, as determined in an annual **employee survey** conducted in cooperation with Great Place to Work® Germany, rose to 76% in 2021 (2020: 72%). This means that the Company has achieved its target of increasing Group-wide overall satisfaction to 75% by 2025 ahead of schedule. Management assesses overall personnel risks as unlikely, while having a moderate financial impact. > Employees and Teams

Governance and compliance risks

All HUGO BOSS employees are required to comply with the **Code of Conduct** applicable throughout the Group and the **compliance rules** applicable in specific areas. The Group companies are subject to regular risk analyses and detailed audits where applicable. Adherence to the compliance rules is monitored by the central Compliance division and breaches are reported to the Managing Board and Supervisory Board. > Corporate Governance and the Corporate Governance Statement, > Combined Non-Financial Statement, Anti-Corruption and Bribery Matters

Breaches of **data protection laws** represent an increased compliance risk. The Group counters this risk using a system that complies with data protection laws and through **appropriate technical and organizational measures**. All employees are educated on data protection matters through activity-related training courses, the obligation to adhere to the Code of Conduct, and a separate duty of confidentiality. All internal processes and systems for processing personal data are measured on an ongoing basis and continually improved to ensure compliance with legal data protection requirements. Management classifies risks in the context of governance and compliance as unlikely, yet considers the potential financial risk to be high. > Combined Non-Financial Statement, Social Matters

Report on the accounting-related internal control system and the risk management system pursuant to Sec. 289 (4) and 315 (4) HGB

The system of internal control and risk management of HUGO BOSS, as applied to the (Group) financial reporting process and the financial statements closing process, aims to accurately reflect all business transactions in the accounting records. This is intended to ensure the **reliability of the financial reporting** and that **all accounting-related activities comply with laws and guidelines**. All assets and liabilities should be recorded accurately in the consolidated financial statements with regard to recognition, disclosure and valuation, which should enable a reliable statement to be made on the Group's net assets, financial position and results of operations. As well as adherence to legal regulations and the Company's internal guidelines, the use of efficient IT systems, a clear definition of responsibilities, and suitable training and development for employees in the Finance department form the basis of a proper, consistent and efficient financial reporting process.

Using efficient IT systems

Controls across all business units require reliable information to be available and provided on time. The reporting systems of HUGO BOSS are therefore of great importance. The use of a uniform, SAP-based ERP system across the Group is intended to ensure **high levels of control quality**.

The aim of the **Group-wide SAP Security Policy** is to prevent unauthorized access to data and to ensure the integrity, availability and authenticity of data of relevance to financial reporting at all times. It also contains requirements for controls designed to ensure a properly functioning central Finance department. System-enabled controls and workflow-based processes that impose the dual-control principle, a suitable separation of functions, and internal approval procedures supplement the IT security of the accounting-related processes. This includes invoice verification and approval, sourcing processes and SAP authorization management carried out by the central IT department.

Clear definition of responsibilities

As part of the standardized reporting, the Group companies prepare IFRS financial statements on a monthly basis and submit these to the **central Finance department** together with further key performance indicators and explanations. The central Finance department is also responsible for specifying and monitoring compliance with reporting obligations and deadlines. Automated and standardized reporting formats are in place for the vast majority of reporting topics. The Finance department is responsible for the maintenance of all the master data for the chart of accounts applicable throughout the Group as well as the continuous review of all reporting formats with respect to their compliance with the latest applicable international financial reporting requirements. When preparing the consolidated financial statements, the Finance department also aims at showing all business transactions in the Group in a uniform manner.

The central Finance department is also responsible for developing uniform **guidelines and instructions** for accounting and tax-related processes and keeping them up to date. This mainly encompasses the preparation and revision of a bad debt allowance policy, an investment guideline, an IFRS accounting manual and binding intercompany reconciliation requirements.

All Group companies are legally independent entities. Apart from the managing directors, who are responsible for business operations in the respective market, the finance managers are responsible for all topics of relevance to the Company's financial reporting or tax situation. The **finance manager is also responsible** for the continuous monitoring of the most important key performance indicators as well as the monthly reporting of financial KPIs to the central Finance department and the preparation of a multi-year budget for the respective market. In his capacity as technical supervisor of all finance managers, the Chief Financial Officer (CFO) of HUGO BOSS is authorized to issue directives on, and is thus responsible for, the Group-wide financial management and financial reporting processes.

On a quarterly basis, the finance managers and managing directors of the Group companies confirm **compliance in writing with the defined principles** and the **execution of management controls** with regard to the accounting process. Reports also have to be submitted regarding the appropriateness of controls for ensuring data integrity and data protection in the event of fraud or serious infringements of the internal control system.

Material accounting and valuation topics and the impact of the new or changed IFRS standards and interpretations are discussed with the **Group auditors** in regular meetings held at least on a quarterly basis.

The **Internal Audit department** is part of the system of internal control and in its oversight function reviews compliance with and the effectiveness of the defined controls with regard to the accounting process. The annual audit plan is coordinated with the Managing Board and the Audit Committee of the Supervisory Board. This is where key audit matters are defined. Additional ad hoc audits can also be performed at any time. All audit reports are submitted directly to the CFO and, on request, to the full Managing Board. The Internal Audit department also reports regularly to the Audit Committee of the Supervisory Board.

Training and development of employees

Training sessions are organized at regular intervals for employees involved in the accounting process. Updates on accounting-related topics are also communicated across the Group via the "Accounting Newsletter". The finance managers also meet at regular intervals with managers in the central Finance department for the "Finance Manager Meeting". Regular trainings are held for finance employees of the entire Group under the auspices of the "Financial College" in current developments, in international financial reporting and any topics relevant for preparing the annual financial statements.

Opportunities report

In connection with the successful execution of the "CLAIM 5" strategy, particular importance is attached to the **early identification and consistent exploitation of business opportunities**. This is an important element in sustainably increasing the value of the Company and is also closely linked to the ambition of HUGO BOSS of becoming one of the top 100 global brands. At HUGO BOSS, opportunities are defined as possible positive deviations from planned targets or corporate planning assumptions.

Opportunity management

Due to its direct link to the targets of the respective business divisions, **responsibility** for identifying, assessing, and exploiting business opportunities lies with the operational management in the respective regions, individual markets, and central functions. In this context, opportunities are always considered in conjunction with any associated risks. They are only pursued if they outweigh the associated risks and the risks are considered to be manageable and their potential impact limited.

Short-term opportunities, defined as potential positive deviations from the planned operating result for the current fiscal year, are discussed at regular intervals with the management of the respective market or region or with the central functions. If necessary, appropriate measures are initiated to exploit them. The **long-term management of opportunities** is directly linked to the Group strategy. Opportunities identified and evaluated in terms of their contribution to the enterprise value are analyzed in detail several times a year as part of the strategic planning process. On this basis, the Managing Board allocates the necessary resources to the operational units to enable them to benefit from the realization of the respective opportunities.

Illustration of material opportunities

HUGO BOSS has identified the following **material opportunities**, which originate both in the corporate environment and in the Group strategy "CLAIM 5" as well as in the operational execution itself.

External opportunities

As a company in the global apparel industry, HUGO BOSS can benefit directly from **favorable macroeconomic developments** and their impact on consumer confidence and buying behavior. For example, an earlier than expected lifting of the restrictions related to the **COVID-19 pandemic** could have a positive impact on the global business development of HUGO BOSS. In this context, the lifting of social distancing measures and a resulting increase in the number of social events, or a faster than expected normalization of international travel could have a material positive effect on consumer sentiment and thus also on the Company's business. Irrespective of this, **social trends** that emphasize the value of high-quality premium apparel more strongly than in the past could also support the overall sales performance of HUGO BOSS, irrespective of the development of consumer confidence.

The main challenges arising from the pandemic include shortages in global **production and logistics capacity** as well as a related increase in material, production and freight costs. In this context, HUGO BOSS benefits, among other factors, from its well-balanced global sourcing mix and the flexibility of its own production sites. In fiscal year 2021, the Company was thus able to ensure sufficient product availability. Nevertheless, the Company expects the elevated level in material, production, and freight costs to persist also throughout fiscal year 2022. A faster than expected normalization in this respect may have a direct positive impact on the Company's profitability. > Sourcing and Production

Regulatory and legal changes can have a potentially positive impact on the Company's sales and earnings performance. For example, more consistent prosecution and punishment of infringements of trademark rights can positively impact the sales performance. In addition, the elimination of tariffs can improve the profitability of the Company.

Financial opportunities

Favorable **exchange rate developments** can have a positive impact on the Company's earnings development. The Group Treasury department continuously analyzes the market environment and is responsible for identifying and exploiting relevant opportunities within the framework of financial management principles.
> Financial Position

Strategic and operational opportunities

As part of its **growth strategy "CLAIM 5"**, HUGO BOSS aims at significantly increasing the relevance of its two brands BOSS and HUGO and thus achieving significant top- and bottom-line growth in the medium term. With an broad range of premium apparel and accessories, the Company intends to profit in particular from the globally **growing middle and upper class**. In this regard, the Company is particularly focusing on younger customer groups, such as **Gen Z**, which is particularly relevant for the consumer goods industry as it is estimated to make up the largest customer group in that sector by 2030. > "CLAIM 5" growth strategy

In this context, fully in line with its strategic claim **"Boost Brands"**, the Company has already started in 2021 to comprehensively renew the brand image of BOSS and HUGO, making them even more appealing to consumers. In this regard, HUGO BOSS is firmly committed to increasing additional **marketing investments** by more than EUR 100 million by 2025. Going forward, the campaigns of BOSS and HUGO will follow a clear "social-first" approach, aimed at inspiring new and, above all, younger target groups – also through collaborations with well-known personalities – as HUGO BOSS aims at turning customers into true fans. In addition, **exceptional events and collaborations** will continue to help increasing brand relevance and consequently fully exploiting the related sales potential. A significant increase in brand relevance can have a positive impact on customer demand and thus also a direct positive impact on the sales and earnings performance of HUGO BOSS. > Group Strategy, "Boost Brands"

HUGO BOSS also intends to fully exploit opportunities in connection with further enhancing the appeal of its product range. Under the claim **"Product is King"**, the **BOSS** brand will be established as a true 24/7 lifestyle brand, thus leveraging opportunities to attract new customer groups across all wear occasions. As the first point of contact for younger customers, **HUGO** focuses on a wide range of trendy and modern products while putting a strong focus on relevant product groups – including denim, jersey, bodywear and outerwear – in which the Company sees significant growth opportunities. At the same time, HUGO BOSS will strongly invest in optimizing its **price-value proposition** in the coming years to ensure premium quality, a high level of innovation and sustainability, and to guarantee clear distinguishing features. HUGO BOSS is also committed to exploiting the full potential of **casualwear** in the future, thus helping to lead the casualization trend. At the same time, the Company aims to further strengthen its important **formalwear** business via a modern interpretation. The latter as well as the continuing trend towards casualization thus represent enormous potential, which should enable HUGO BOSS to continue to be a leader in the upper premium segment of the global apparel market. > Group Strategy, "Product is King"

As part of its distribution activities, HUGO BOSS sees particular opportunities to further drive traffic and conversion rates along all consumer touchpoints. In order to translate brand power into at all touchpoints, HUGO BOSS will further optimize its distribution structure as part of the claim **"Rebalance Omnichannel"**, and significantly advance its omnichannel activities in the coming years. In this context, the Company aims to ensure a **seamless brand experience across all consumer touchpoints**. To this end, the Company will further expand its presence at all digital touchpoints, for example via the global expansion of its online flagship hugoboss.com. In addition, the implementation of a much more **emotional store concept** is expected to lead to productivity increases in brick-and-mortar retail. HUGO BOSS also intends to win back market share in key product categories in brick-and-mortar wholesale. With a strong focus on its most important wholesale partners, BOSS in particular will establish itself as a **true 24/7 lifestyle brand** in the wholesale business. The introduction of the BOSS Camel line and the re-introduction of BOSS Black, BOSS Orange, and BOSS Green also play an important role in this context. Consistent exploitation of the various sales-related opportunities may have a direct positive impact on the business performance of HUGO BOSS. > Group Strategy, "Rebalance Omnichannel"

HUGO BOSS sees **digitalization** as key for a personalized, omnichannel customer experience while also considering it to be a significant opportunity to further increase efficiency and flexibility along the entire value chain. Under the claims **"Lead in Digital"** and **"Organize for Growth"**, the Company is thus fully committed to the further digitalization of all business activities – from digital trend detection and product development to opportunities for AI-enabled pricing, and the Company-wide rollout of digital showrooms.

In this context, HUGO BOSS plans to increase its investment in digitalization by more than EUR 150 million by 2025. The **HUGO BOSS Digital Campus**, established in 2021, will play a key role in this, as it is expected to further strengthen the Company's digital expertise and bring customer experience to a new level through the targeted use of data. Data analysis can also be used to further optimize the management of sourcing, production, and sales processes. Successes in this area may have a direct positive impact on the sales and earnings performance of HUGO BOSS. > Group Strategy, "Lead in Digital", > Group Strategy, "Organize for Growth"

In recent years, the importance of environmental and the climate protection has increased noticeably, including among consumers. Besides high-quality products and a unique shopping experience, customers today increasingly demand compliance with high social and ecological standards. HUGO BOSS regards the intensification of its diverse **activities in the area of sustainability** as an additional opportunity to win over young and sustainability-oriented customers in particular. HUGO BOSS has thus firmly embedded the topic of sustainability in its "CLAIM 5" strategy. In addition to circular products, the Company is increasingly focusing on innovative, sustainable materials and manufacturing techniques during collection creation and aims to significantly expand its RESPONSIBLE Styles offering going forward. Besides direct opportunities in terms of revenue increases and cost reductions, HUGO BOSS also regards acting sustainably as an opportunity to further enhance the general reputation of the Company and its brands. > Sustainability, > Combined Non-Financial Statement

Organizational opportunities

HUGO BOSS firmly believes that its employees are the foundation to the successful execution of its "CLAIM 5" growth strategy. The Company therefore aims at promoting a **corporate culture** in which the values of entrepreneurial spirit, personal ownership, team mentality, simplicity and quality, and youthful spirit are firmly anchored. This is accompanied by the opportunity to implement ideas and processes faster and more comprehensively than before, and consequently to achieve competitive advantages.

As an international company, **diversity** is a fundamental part of the corporate culture at HUGO BOSS. The Company is convinced that heterogeneous and inclusive teams can achieve better and more creative solutions to complex issues and thus make a positive contribution to the successful execution of the "CLAIM 5" strategy. In recognition of the importance of the topic, HUGO BOSS has implemented numerous initiatives to ensure a discrimination-free working environment and equal opportunities for all employees. Among other things, the position of Head of Global Diversity and Inclusion was established and successfully filled for the first time in 2021. In addition, an internal task force supports the execution of defined measures to further advance selected topics such as inclusion or diversity in leadership positions. HUGO BOSS firmly believes that intensifying its activities in the area of diversity contributes positively to employee satisfaction and is also considered a relevant factor by potential applicants.

HUGO BOSS aligns its **personnel work** with the goal of shaping the general conditions in the Company in a way that every employee is able to develop his or her individual talent to advance and to contribute directly to the successful execution of "CLAIM 5". To this end, the company builds in particular on the insights from the annual employee survey. Further successes in strategic personnel work could have a direct positive impact on sales and earnings performance in the future. > Employees and Teams

OVERALL STATEMENT ON THE BUSINESS PERFORMANCE AND SITUATION OF THE GROUP

In fiscal year 2021, HUGO BOSS recorded **strong improvements in sales, earnings, and free cash flow**. As a result of the lifting of pandemic-related restrictions and strong progress in vaccination campaigns, global consumer sentiment picked up noticeably over the course of the year. The corresponding **increase in local demand** was particularly evident in Europe and the Americas. In the third quarter, in light of a further strong recovery of its global business, HUGO BOSS already returned to pre-pandemic sales and earnings levels. Finally, in the fourth quarter, the Company recorded the highest quarterly sales in its history, driven by a further **acceleration in momentum**. As a result, HUGO BOSS was able to exceed its sales and earnings targets for fiscal year 2021, which had already been revised upwards back in October. > Comparison of Actual and Forecast Business Performance

In addition to its strong operational and financial performance, HUGO BOSS also made first great strides in successfully executing several key brand, product, and sales initiatives as part of its **"CLAIM 5" strategy** presented in August 2021. The targets set out in "CLAIM 5" include doubling sales to EUR 4 billion by 2025 and returning to an EBIT margin of 12%. This, in turn, shall enable HUGO BOSS to become one of the top 100 global brands. As part of the strategic claim **"Boost Brands"**, in 2021, the Company began to comprehensively renew the global brand image of BOSS and HUGO and expand its marketing activities – with a strong focus on social media – in order to significantly drive brand relevance, in particular among younger consumers. In line with its claim **"Product is King"**, in 2021, BOSS clearly emphasized its ambition to further strengthen its position in the important casualwear segment and to establish itself as a true 24/7 lifestyle brand. At the same time, HUGO – with its broad range of trendy and modern products – has made important initial progress towards becoming the first point of contact for younger consumers. HUGO BOSS also made first successes with regard to its two claims **"Lead in Digital"** and **"Rebalance Omnichannel"**. To these ends, the Company successfully established the HUGO BOSS Digital Campus, which is intended to accelerate the digitalization of the business model and further strengthen the Company's global digital business. At the same time, HUGO BOSS also further optimized its global store network in 2021, pushing ahead in particular with the modernization and emotionalization of existing points of sale. In line with its claim **"Organize for Growth"**, the Company further strengthened its organizational structure in 2021 and also made important progress towards further driving efficiency and flexibility along its value chain. At the same time, HUGO BOSS intensified its diverse activities in the area of **sustainability** also in 2021, in particular by significantly expanding the proportion of more sustainable products in its brands' offerings. > Group Strategy

Overall, **Group sales** increased by 43% currency-adjusted, totaling EUR 2,786 million in 2021 (2020: EUR 1,946 million). Both brands – BOSS and HUGO – as well as all regions and distribution channels contributed to growth. Consequently, currency-adjusted sales remained only 1% below pre-pandemic levels (2019: EUR 2,884 million). In light of the strong top-line performance, **operating profit (EBIT)** also recovered noticeably over the course of the year, recording strong improvements. Consequently, HUGO BOSS generated an EBIT of EUR 228 million in fiscal year 2021 (2020: minus EUR 236 million). The earnings development was also supported by improvements in gross margin as well as strong operating overhead leverage. As a result of the significant top- and bottom-line growth as well as noticeable improvements in trade net working capital (TNWC), **free cash flow** increased to a record level of EUR 559 million (2020: EUR 164 million). > Earnings Development, > Financial Position

In **fiscal year 2022**, HUGO BOSS will put particular emphasis on its "CLAIM 5" strategy as well as the continued successful execution of its strategic initiatives aimed at achieving another important milestone with regard to its 2025 financial ambition. The Company thus anticipates further strong top- and bottom-line improvements in the current fiscal year. HUGO BOSS expects **Group sales** to increase between +10% and +15% to a record level of between EUR 3.1 billion and EUR 3.2 billion in 2022. The Company also aims to improve **EBIT** within a range of +10% and +25% to an amount of between EUR 250 million and EUR 285 million in 2022. In this context, the investments planned for 2022 as part of "CLAIM 5" – above all in products, brands, and digital expertise – will be largely offset by efficiency gains. > Outlook

In view of the strong operational and financial performance in 2021, the very solid financial position as well as management's confidence in the successful execution of its "CLAIM 5" growth strategy, HUGO BOSS is planning to **resume dividend payments**. Consequently, the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 24, 2022, a dividend of EUR 0.70 per share for fiscal year 2021. In view of its healthy balance sheet structure and the strong free cash flow generation, the Group is in an **exceedingly solid economic situation** at the time of preparing this report. > Outlook

Metzingen, February 24, 2022

HUGO BOSS AG
The Managing Board

Daniel Grieder
Yves Müller
Dr. Heiko Schäfer
Oliver Timm
Ingo Wilts

CHAPTER 3 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE STATEMENT

Good corporate governance as a key factor for long-term business success

Close and continuous dialog between Managing Board and Supervisory Board

Managing Board and Supervisory Board issue declaration of compliance

The Managing Board and the Supervisory Board are convinced that **good corporate governance** is a key factor for long-term business success. Good corporate governance is therefore an integral part of HUGO BOSS and an aspiration encompassing all areas of the Company. The Managing Board and Supervisory Board consider themselves obligated to ensure the Company's continuation as a going concern as well as sustainable value creation through responsible, transparent, and long-term corporate governance. At the same time, HUGO BOSS aims to live up to and further strengthen the trust placed in the Company by its employees, shareholders, business partners and the general public.

In fiscal year 2021, the Managing Board and Supervisory Board dealt in detail with compliance with the requirements of the German Corporate Governance Code (GCGC) and, as a result, issued the **Declaration of Compliance dated December 2021**. It is included at the end of this chapter and, like previous declarations of compliance, published on the Company's website. Apart from the exception mentioned therein, HUGO BOSS complies with the recommendations of the GCGC as amended on December 16, 2019, published in the Bundesanzeiger [German Federal Gazette] on March 20, 2020.

The **Corporate Governance Statement** (pursuant to Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code]) contains, among other things, the declaration of compliance, disclosures on corporate governance practices, and a description of the working methods of the Managing Board and the Supervisory Board. It is also available at cgs.hugoboss.com.

Corporate governance practices

As an internationally active Group, HUGO BOSS is aware of its corporate responsibility towards employees, society and the environment. Consequently, **responsible corporate action** is an important prerequisite for ensuring competitiveness and long-term success. Thus, HUGO BOSS not only places the highest demands on innovation and the quality of its own products, but also takes social and ecological factors into account in all activities along the value chain. As part of its "CLAIM 5" strategy, HUGO BOSS also considers **sustainability** to be an integral part of its business activities. Corporate responsibility is divided into six fields of actions: we, environment, employees, partners, product, and society. HUGO BOSS always acts in compliance with regulatory frameworks as well as its internal guidelines. > Sustainability

Corporate compliance

HUGO BOSS operates in a large number of countries and therefore in different legal systems. At HUGO BOSS, **corporate compliance** is a key responsibility of the Managing Board, comprising measures to ensure adherence to statutory and other legal requirements, internal corporate guidelines, and codices. This includes, among other things, data protection, antitrust and anti-corruption regulations as well as the provisions of capital market law. HUGO BOSS expects all employees to act in a legally impeccable manner at all times in their day-to-day work.

The **Compliance Officer** reports directly to the CFO in his role as Chief Compliance Officer and supports the Managing Board in monitoring effective compliance management. Together with the compliance officers in the Group companies, the Compliance Officer ensures that the compliance program is implemented and continuously developed throughout the Group. The Audit Committee is regularly informed about the activities of the Compliance department.

HUGO BOSS has summarized Group-wide principles of conduct in a **Code of Conduct** and in more detailed Group policies, thus creating the basis for ensuring the legality of all employee activities. The focus is on regulations governing conduct in compliance with competition law, the avoidance of conflicts of interest, the appropriate handling of company information, data protection, respect for fair working conditions and respectful treatment as well as anti-corruption. Employees are continuously familiarized with the regulations of the Code of Conduct and the Group policies. To this end, HUGO BOSS offers **face-to-face training sessions** as well as an **e-learning program** to be completed regularly by all employees with computer access. HUGO BOSS does not tolerate any deliberate misconduct or persistent violations of the Code of Conduct.

Employees can obtain support and advice on matters concerning legal conduct from their supervisors or the Compliance department. As a supplementary reporting channel, HUGO BOSS has also established a Group-wide **ombudsman system**. Employees, suppliers, and trading partners can contact an external ombudsman in confidence if there are any indications of fraud, infringements of antitrust law or breaches of compliance guidelines. If desired, it is also possible to do this anonymously. The ombudsman's contact details are available to all employees via the Company's intranet and can also be found on the Company's website. The same applies to the **whistleblowing portal** established in 2021, which also offers the opportunity to report misconduct and criminal offenses confidentially and anonymously. HUGO BOSS has also published important information on the protection of whistleblowers and the handling of reports in its own **whistleblower policy** on the Company's website and intranet.

Capital market communication

HUGO BOSS reports regularly, comprehensively, and without delay on its business situation, operational and financial performance, as well as material changes within the Group. The **Investor Relations activities** include regular dialog with institutional investors, financial analysts, and private shareholders. As part of the annual and quarterly financial results releases, audio or video conferences are held for financial analysts and institutional investors. The Group's strategy and relevant strategic developments are also discussed in detail at a **Capital Markets Day** on a regular basis. In addition to dedicated events at which the Company presents itself to private investors, the **Annual Shareholders' Meeting** offers an opportunity to obtain comprehensive information about the Company's performance. All key information and financial releases, such as press releases, voting rights notifications, financial reports, the financial calendar, and presentations of roadshows and conferences, are published on the **Company's website**. > group.hugoboss.com

Cooperation, composition, and activities of the Managing Board and Supervisory Board

The management structure of HUGO BOSS is derived from the requirements of German corporate law. As a German stock corporation, HUGO BOSS AG has a **dual management and control structure**. The Managing Board is responsible for the Group strategy and Group management. The Supervisory Board advises the Managing Board and monitors its management activities.

The Managing Board and Supervisory Board cooperate closely for the benefit of the Group. The common objective is to **sustainably increase the enterprise value**. The Managing Board regularly informs the Supervisory Board in a timely manner and in detail of issues of relevance for the Group concerning strategy, planning, business development, risk position, changes in the risk situation and compliance. Deviations from targets and budgets are explained to the Supervisory Board and its committees in detail. The strategic alignment and further development of the Group are also discussed and coordinated with the Supervisory Board.

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. **No conflicts of interest** of members of the Managing Board or Supervisory Board were reported in fiscal year 2021. The mandates held by the Managing Board and Supervisory Board members in statutory supervisory boards or comparable domestic and foreign oversight committees of business enterprises are listed in the notes to the consolidated financial statements. > Notes to the Consolidated Financial Statements, Additional disclosures on the members of the Supervisory Board and the Managing Board

The Managing Board

The Managing Board of HUGO BOSS AG consists of the Chairman of the Managing Board and the members of the Managing Board with equal rights and their respective areas of responsibility. At the end of fiscal year 2021, the Managing Board comprised **five members**.

The HUGO BOSS Group is managed by the Managing Board of the parent company HUGO BOSS AG, in which all of the Group management functions are bundled. The **Managing Board's core duties** include developing and successfully executing the Group strategy, corporate finance, risk management (including the implementation and monitoring of the risk management system), decisions on the collections, product sourcing, and management of the distribution network. In addition, the Managing Board is responsible for preparing the annual, consolidated, and interim financial statements, and for representing the Company to the media and the capital market.

The **bylaws** of the Managing Board govern the internal organization of the Managing Board, in particular the allocation of duties among its members as well as the procedure for adopting resolutions. The bylaws also define the disclosure and reporting duties as well as the matters requiring the approval of the Supervisory Board. The bylaws of the Managing Board are available on the Company's website. > group.hugoboss.com

The Supervisory Board pays attention to diversity in the composition of the Managing Board **(diversity concept for the Managing Board)**. Diversity among the Managing Board's members serves to ensure the Company's success over the long term. The Supervisory Board takes account of a number of aspects in the composition of the Managing Board, including the following:

- Members of the Managing Board should have long-standing management experience.
- Members of the Managing Board should have an international background (i.e., individuals who possess experience gained outside Germany due to current or past activities and/or who hold non-German citizenship).
- As many different educational and professional backgrounds as possible should be represented in the Managing Board as a whole.
- In addition to the legally required qualifications, the Managing Board as a whole should have members with knowledge of branding, supply chain matters, and distribution.
- To ensure long-term succession planning, the Managing Board as a whole should have a well balance of ages among its members.
- The Supervisory Board is pursuing the target of having at least one woman on the Managing Board by December 31, 2023 at the latest.
- Members of the Managing Board may not, as a rule, be older than 60 years of age when they are appointed.

Decisions on the specific **composition of the Managing Board** are made by the Supervisory Board in the interest of the Company and taking into account all the circumstances of the individual case. With the exception of the target for the proportion of women on the Managing Board, the aforementioned composition targets were achieved throughout the reporting period.

Pursuant to Sec. 111 (5) AktG ["Aktiengesetz": German Stock Corporation Act], the Supervisory Board had set the **target of having at least one woman on the Managing Board** of the Company for the period up to December 31, 2021, but did not meet this target. The Supervisory Board strives to ensure an appropriate representation of women on the Managing Board. However, personnel decisions are always made with a view to the qualifications of all candidates. In the personnel decisions made by the Supervisory Board during the reference period, the most suitable person for the respective position was selected on this basis from a diverse group of candidates in a multi-stage process, irrespective of gender. Pursuant to Sec. 111 (5) AktG, the Supervisory Board has again set the target of one woman on the Managing Board for the reference period up to December 31, 2023.

The GCGC stipulates that the Managing Board shall pay attention to **diversity** when filling management positions in the Company, and shall in particular strive for an appropriate consideration of women. The Managing Board is committed to this objective. It has already paid attention to the diversity of the workforce and will continue to do so in future. Pursuant to Sec. 76 (4) AktG, the Managing Board had set the target of achieving a proportion of women of at least 30% at the first management level, and at least 35% at the second management level below the Managing Board for the reference period up to December 31, 2021.

As of December 31, 2021, **the proportion of women at the first management level below the Managing Board** was 29%. While the proportion of women was hence above the prior-year level (December 31, 2020: 25%), it was slightly below the target figure. HUGO BOSS strives to ensure that all genders are adequately represented within the workforce. However, positions are filled solely on the basis of the qualifications of the applicants, even if – as in the case of the first management level below the Managing Board – this leads to a proportion of women that is lower than the target. With a share of women of 45%, the **target for women at the second management level below the Managing Board** was again clearly exceeded as at December 31, 2021 (December 31, 2020: 43%). Pursuant to Sec. 76 (4) AktG, the Managing Board has set a target gender quota of at least 40% women in the first management level, and 50% in the second management level below the Managing Board to be achieved for the reference period up to December 31, 2025. > Employees and Teams

Jointly with the Managing Board, the Supervisory Board is responsible for **long-term succession planning** for the Managing Board. In this context, the Supervisory Board considers the target for the proportion of women on the Managing Board and the criteria set out in the diversity concept for the Managing Board's composition as well as the requirements of the German Stock Corporation Act (Aktiengesetz) and the GCGC. Respecting the specific qualification requirements and the aforementioned criteria, the Personnel Committee draws up an ideal profile, on the basis of which it compiles a shortlist of available candidates. Interviews are then conducted with these candidates before a recommendation is submitted to the Supervisory Board for approval. When developing the requirement profiles and selecting the candidates, the Supervisory Board is supported, if necessary, by external consultants.

The Supervisory Board

HUGO BOSS attaches great importance both to the **competencies** and **independence** of the Supervisory Board members as well as to **diversity** in the composition of the Supervisory Board. The members of the Supervisory Board of HUGO BOSS have the necessary knowledge, skills, and professional experience to duly perform their duties.

In accordance with the recommendation in Sec. C.1 of the GCGC, the Supervisory Board at its meeting on December 7, 2017 adopted a **Supervisory Board competency profile** and set specific targets for its **composition**. Accordingly, the Supervisory Board should include at least two members with an international background. In fiscal year 2021, the Supervisory Board had four members who were nationals of countries other than Germany until the departure of Antonio Simina, and three members after his departure. In addition, other Supervisory Board members who have German nationality have international professional experience. Furthermore, none of the members may have any potential conflicts of interest. **No conflicts of interest** of members of the Supervisory Board were reported in fiscal year 2021. None of the current members of the Supervisory Board 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 addition, no member of the Supervisory Board should be older than 69 years at the time of election. However, the Supervisory Board has not set a standard limit for the length of membership of the Supervisory Board. HUGO BOSS has the opinion that a predefined length of membership is not appropriate, as the Company benefits from the expertise of long-standing Supervisory Board members.

The Supervisory Board has also defined a specific target with regard to the number of **independent members** of the Supervisory Board within the meaning of the GCGC. Accordingly, of the twelve members of the Supervisory Board, including the six employee representatives, a total of at least nine members shall be independent. In addition to the six employee representatives, the four shareholder representatives Iris Epple-Righi, Christina Rosenberg, Robin J. Stalker, and Hermann Waldemer are to be regarded as independent within the meaning of the recommendation in Sec. C.6 of the GCGC.

The Supervisory Board also adopted the following additional composition targets, with the help of which **diversity** on the Supervisory Board as a whole is aimed for **(diversity concept for the Supervisory Board)**:

- The Supervisory Board should have at least two members with an international background (i.e., persons who possess experience gained outside Germany due to current or past activities and/or hold non-German citizenship).
- The Supervisory Board should have at least one member holding expertise in branding, supply chain and/or national or international distribution matters.
- The Supervisory Board should have at least two members who are currently or formerly managers of another company.
- The Supervisory Board should have at least four members possessing extensive knowledge and experience of the Company itself.
- Aside from the employee representatives, the Supervisory Board should have at least three members who are independent and two who have expertise in the areas of accounting or auditing.

The targets for filling positions were either reached or exceeded throughout the reporting period.

The Supervisory Board currently comprises five women, with the **gender quota** pursuant to Sec. 96 (2) AktG being met separately for the shareholder side and the employee side at HUGO BOSS. With three female employee representatives and two female shareholder representatives, the gender quota is met on both sides.

The Supervisory Board regularly reviews the **efficiency** of its activities. In fiscal year 2021, as in previous years, the assessment of the members of the Supervisory Board was obtained by means of comprehensive questionnaire. The external evaluation of the completed questionnaires and the suggestions for improvement contained therein were analyzed and discussed in detail at the Supervisory Board meeting on December 1, 2021. The Supervisory Board drew an overall favorable conclusion.

The Supervisory Board has adopted **bylaws** which, among other things, govern its duties and responsibilities as well as the procedures for convening, preparing, and chairing meetings and for passing resolutions. The bylaws of the Supervisory Board are available on the Company's website. > group.hugoboss.com

The Supervisory Board has formed five **committees** on behalf of and representing the Supervisory Board as a whole, which fulfill duties assigned to them to the extent permitted by law, the Articles of Incorporation and/or bylaws. For the Audit Committee, the Personnel Committee and the Working Committee, the bylaws provide for equal representation of stockholder representatives and employee representatives.

1. Audit Committee

The Audit Committee, which has equal representation of shareholders and employees, consists of six members elected by the Supervisory Board from among its members. In accordance with the GCGC, the Chairman of the Committee shall be independent. The Audit Committee is responsible for monitoring the financial reporting process, the effectiveness of the systems of internal control, risk management and internal auditing, as well as the audit of the annual financial statements. In particular, it has the following duties:

- To perform a preliminary audit of the annual financial statements and the consolidated financial statements, the combined management report of HUGO BOSS AG and the Group and the profit appropriation proposal, to discuss the audit report with the external auditor and to prepare the Supervisory Board's decision on the approval of the annual financial statements and the consolidated financial statements;
- To examine the quarterly reports (interim reports and quarterly statements) and discuss them with the Managing Board;
- To prepare the Supervisory Board's proposal to the Annual Shareholders' Meeting for the appointment of an auditor, and, in particular, review of the auditor's independence and the additional services provided by the auditor;
- Following consultation with the Managing Board, to engage the external auditor and to sign the corresponding fee agreement for the audit of the annual financial statements and the consolidated financial statements on the basis of the resolution passed at the Annual Shareholders' Meeting, including the determination of the key audit matters and the auditor's reporting duties towards the Supervisory Board;
- To verify compliance to legal requirements and internal company guidelines.

The Supervisory Board aussured itself of the independence of the members of the Audit Committee representing the shareholders and of the Chairman of the Audit Committee, Robin J. Stalker.

As of December 31, 2021, the Audit Committee comprises the following members: Robin J. Stalker (Chairman), Gaetano Marzotto, Sinan Piskin, Martin Sambeth, Bernd Simbeck, and Hermann Waldemer.

2. Personnel Committee

The Personnel Committee, which has equal representation of shareholders and employees, consists of the Chairman of the Supervisory Board and five other members elected by the Supervisory Board from among its members. It decides on matters relating to the service agreements of the Managing Board members and other contractual matters (including those relating to former Managing Board members and their surviving dependents), prepares the decisions of the Supervisory Board on the appointment and, if necessary, dismissal of members of the Managing Board, and, together with the full Supervisory Board and the Managing Board, ensures long-term succession planning. Decisions concerning the compensation of Managing Board members (including former Managing Board members and their surviving dependents) as well as regular deliberation on and the review of the compensation system are the responsibility of the full Supervisory Board. However, the Personnel Committee submits proposals in preparation for decisions on these matters. In addition, the Personnel Committee makes decisions in accordance with Sec. 114 AktG (Contracts with Supervisory Board Members) and Sec. 115 AktG (Loans to Supervisory Board Members) as well as matters requiring the Supervisory Board's consent in connection with senior management (including the granting of loans to senior management within the meaning of Sec. 89 (2) AktG). To the extent permitted by law, it represents the Company in transactions with Managing Board members (including former Managing Board members and their surviving dependents).

As of December 31, 2021, the Personnel Committee comprises the following members: Hermann Waldemer (Chairman), Anita Kessel, Luca Marzotto, Sinan Piskin, Christina Rosenberg, and Bernd Simbeck.

3. Working Committee

The Working Committee, which has equal representation of shareholders and employees, consists of the Chairman of the Supervisory Board and five other members elected by the Supervisory Board from among its members, assisting and advising the Chairman of the Supervisory Board. In accordance with the statutory provisions, the Working Committee works closely with the Managing Board to prepare the meetings of the Supervisory Board. In particular, the Working Committee performs the monitoring duties between the meetings of the Supervisory Board. This does not prejudice the monitoring duties of the individual members of the Supervisory Board. The Working Committee makes decisions on transactions requiring consent in cases where the Supervisory Board has delegated its powers accordingly. To the extent permitted by law, the Working Committee is authorized to make decisions on urgent matters instead of the full Supervisory Board. In such cases, the Working Committee shall inform the Supervisory Board immediately in writing and in detail verbally at the next Supervisory Board meeting about the decision, the reasons and the necessity of the Committee's resolution.

As of December 31, 2021, the Working Committee comprises the following members: Hermann Waldemer (Chairman), Iris Epple-Righi, Katharina Herzog, Luca Marzotto, Tanja Silvana Nitschke, and Sinan Piskin.

4. Nomination Committee

The Nomination Committee consists of two members elected by the shareholder representatives of the Supervisory Board from among its members, and is thus composed exclusively of shareholder representatives in accordance with the recommendation in Sec. D.5 of the GCGC. Its task is to identify suitable candidates for the election of shareholder representatives to the Supervisory Board, and to propose them to the Supervisory Board for its election proposals at the Annual Shareholders' Meeting.

As of December 31, 2021, the Nomination Committee comprises the following members: Hermann Waldemer (Chairman) and Gaetano Marzotto.

5. Mediation Committee

The Mediation Committee consists of the Chairman of the Supervisory Board, its Deputy, and one member each elected by the employee and shareholder representatives on the Supervisory Board by a majority of the votes cast. Its sole purpose is to perform the duties referred to in Sec. 27 (3) and Sec. 31 (3) Sentence 1 MitbestG ["Mitbestimmungsgesetz": German Co-Determination Act]. Accordingly, the Mediation Committee makes proposals for the appointment of members of the Managing Board in the event that a previous proposal has not received the legally required majority.

As of December 31, 2021, the Mediation Committee comprises the following members: Hermann Waldemer (Chairman), Anita Kessel, Gaetano Marzotto, and Sinan Piskin.

Risk management and risk controlling

HUGO BOSS considers a responsible approach to risks to be an essential component of good corporate governance. The **risk management system** anchored in the value-based Group management is intended to enable the Company to identify and to assess risks at an early stage and to control risk positions through appropriate measures. Ensuring appropriate and effective risk management and risk controlling is of particular importance. The systems are continuously enhanced and adapted to changing conditions. Inherently, however, these cannot provide full protection against losses from business transactions or fraud. > Risk Report

Financial reporting and audit of the financial statements

The financial reports of HUGO BOSS AG are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The Audit Committee established by the Supervisory Board regularly **monitors the financial reporting process** and the **audit of the financial statements**. The audit has been performed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, since fiscal year 2012. Mr. Peter Werling has signed the auditors' report since December 31, 2019 and Mr. Tobias Störzinger since December 31, 2020. It was agreed with the auditor with respect to the reporting year that the Chairman of the Audit Committee shall be informed without delay during the audit of any possible grounds for disqualification or partiality that could not be immediately rectified. It was also agreed that the external auditor is obliged to report on any findings or events arising during the performance of the audit that are of importance to the duties of the Supervisory Board. In addition, the external auditor is obliged to inform the Supervisory Board and state in his audit report if findings are made during the audit that are inconsistent with the declaration of compliance made by the Managing Board and Supervisory Board pursuant to Sec. 161 AktG. Moreover, the Supervisory Board requested a declaration of independence from the external auditor and duly convinced itself of the auditor's independence. This declaration also included mandates to perform non-auditing services.

In order to implement the provisions of Regulation (EU) No. 537/2014 on the **mandatory rotation of the auditor**, a public tender procedure was conducted in fiscal year 2021 to select a new auditor for HUGO BOSS AG and the HUGO BOSS Group from fiscal year 2022 onwards. A project team was set up to ensure an efficient and effective selection procedure, which acted under the supervision and decision-making authority of the Audit Committee. In accordance with EU regulations on a public tender, the entire process was fair, transparent and non-discriminatory. At the end of the procedure and on the basis of detailed reporting on the procedure and the assessment of applicants, the Audit Committee recommended two applicants to the Supervisory Board and supplemented the recommendation with a preference for one of these applicants. The Supervisory Board will submit a corresponding proposal for a vote to the Annual Shareholders' Meeting in fiscal year 2022.

Compensation of the Managing Board and Supervisory Board

HUGO BOSS considers transparent and comprehensible reporting on the compensation of the Managing Board and Supervisory Board to be another key element of good corporate governance. The **compensation report** pursuant to Sec. 162 AktG presents and describes the compensation of the current and former members of the Managing Board and the Supervisory Board of HUGO BOSS AG in fiscal year 2021. The main features of the compensation systems for the Managing Board and Supervisory Board in fiscal year 2021 are also presented. > Compensation Report

Declaration of compliance

In December 2021, the Managing Board and Supervisory Board of HUGO BOSS AG issued the following declaration prescribed by Sec. 161 AktG:

"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, International Securities ID DE000A1PHFF7

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 2020, the recommendations of the Government Commission "German Corporate Governance Code" in the version of December 16, 2019 – published in the Federal Gazette on March 20, 2020 – ("GCGC") have been and will be complied with except for:

- Deviating from the recommendation in G.11 sentence 2 GCGC, the currently existing employment contracts with the members of the Managing Board do not provide for the possibility to withhold or reclaim variable compensation in justified cases. The compensation system approved by the Annual Shareholders Meeting on May 11, 2021 provides for this possibility. The corresponding adjustment of the employment contracts will be made at the latest in the context of the extension of an existing contract or in the case of a new appointment, so that the recommendation will be complied with from that point on.

Metzingen, December 2021"

COMPENSATION REPORT

Presentation and description of the compensation of the Managing Board and the Supervisory Board

Compensation system geared towards long-term success of HUGO BOSS

Report complies with the requirements of Sec. 162 AktG and is based on the German Corporate Governance Code

HUGO BOSS considers transparent and comprehensible reporting on the compensation of the Managing Board and the Supervisory Board to be an **important element of good corporate governance**. The following compensation report pursuant to Sec. 162 AktG ["Aktiengesetz": German Stock Corporation Act] presents and describes the compensation of the current and former members of the Managing Board and of the Supervisory Board of HUGO BOSS AG in fiscal year 2021. In order to facilitate the context of the information provided and to promote understanding, the main features of the compensation systems for the Managing Board and the Supervisory Board applicable in fiscal year 2021 are also presented. A detailed description of the compensation systems for the Managing Board and the Supervisory Board can be found at compensation.hugoboss.com.

Review of compensation in fiscal year 2021

Resolution on the approval of the compensation system for the Managing Board

In view of the Act Implementing the Shareholder Rights Directive II ("SRD II") and the revision of the German Corporate Governance Code (GCGC), structural changes to the compensation system for the members of the Managing Board became necessary. Based on the recommendation of its Personnel Committee, the Supervisory Board decided to submit the **changes to the compensation system for the members of the Managing Board** to the Annual Shareholders' Meeting. This amended compensation system was approved by the shareholders at the Annual Shareholders' Meeting on May 11, 2021, by a majority of 93.83% of the represented capital. An overview of the major changes to the formerly applicable compensation system is published on the Company's website at the above link.

Application of the compensation system for the Managing Board in fiscal year 2021

The **amended compensation system for the Managing Board**, for which the main features are presented later in this report, was approved at the Annual Shareholders' Meeting on May 11, 2021, and applies to all new appointments and agreement extensions. In addition, the existing service agreements of the current members of the Managing Board of HUGO BOSS are to be adapted accordingly, although they already largely correspond to the compensation system described. If adjustments are only made in the context of new appointments or agreement extensions, this is expressly indicated in the following. In addition, individual compensation was granted to the members of the Managing Board within the meaning of Sec. 162 AktG in fiscal year 2021, which had been agreed in previous fiscal years under the compensation system applicable at the time. This compensation is also presented and explained below, where relevant.

The Personnel Committee regularly reviews the **appropriateness and customarily nature of the compensation** of the Managing Board members and, if necessary, proposes adjustments to the Supervisory Board in order to ensure that compensation for the members of the Managing Board is customary for the market and competitive within the applicable framework. The suitability was last reviewed when developing the current compensation system. In this context, the compensation of the members of the Managing Board was compared with the companies of the DAX and MDAX, taking into account the size criteria of revenues, employees and market capitalization **(horizontal comparison)**. The review led to the conclusion that the compensation of the members of the HUGO BOSS Managing Board continues to be considered in line with the market. The appropriateness of the Managing Board compensation within the Group is reviewed annually based on the development of the Managing Board compensation compared to the development of the senior management compensation, defined as the first management level below the Managing Board, and to the development of the compensation of the employees as a whole, defined as the average compensation of the Group's full-time employees **(vertical comparison)**.

In accordance with the applicable compensation system, the Supervisory Board has set specific **target compensation** for each member of the Managing Board. The target compensation set for the members of the Managing Board was not adjusted in fiscal year 2021, nor is any adjustment planned for fiscal year 2022 – with the exception of possible adjustments in the context of individual agreement extensions.

In fiscal year 2021, there were two key personnel changes on the Managing Board of HUGO BOSS. Effective June 1, 2021, Daniel Grieder joined the Managing Board of HUGO BOSS as new **Chief Executive Officer (CEO)**. The Supervisory Board of HUGO BOSS AG had appointed Daniel Grieder as Chief Executive Officer for a period of five years on June 16, 2020. Chief Financial Officer (CFO) Yves Müller had temporarily assumed the role of Spokesperson of the Managing Board effective July 16, 2020. Correspondingly, Daniel Grieder receives a pro-rata compensation for fiscal year 2021. Yves Müller received a performance-related allowance for the interim assumption of the additional responsibility. In addition, effective January 1, 2021, Oliver Timm joined the Managing Board of HUGO BOSS AG as the new **Chief Sales Officer (CSO)**. Oliver Timm was appointed CSO on June 29, 2020.

Chief Brand Officer (CBO) Ingo Wilts informed the Supervisory Board of HUGO BOSS AG on February 23, 2022 that he will resign from his office as a member of the Managing Board for personal reasons with effect from February 28, 2022 and will thus leave the Managing Board of HUGO BOSS AG. The duties falling under the responsibility of Ingo Wilts shall be assumed by Chief Executive Officer Daniel Grieder.

The **"CLAIM 5" growth strategy**, presented on August 4, 2021, is aimed at significantly accelerating top- and bottom-line growth by 2025. The compensation of the Managing Board is closely linked to this strategy, as the performance-related compensation components (STI and LTI) are based on the development of financial performance criteria such as sales, operating profit (EBIT) and relative total shareholder return (RTSR), among other things. The inclusion of two non-financial performance criteria also emphasizes the Company's social and environmental responsibility as well as the objective of a sustainable, long-term successful business performance, which is also firmly anchored in "CLAIM 5". Overall, the design of the compensation system thus provides **important incentives for the successful execution of the Group strategy**.

In the case of the **short-term incentive (STI)**, the strong sales and earnings development in fiscal year 2021, which, in addition to the general market recovery, is due to the successful execution of the "CLAIM 5" strategy, resulted in a financial outperformance of criteria targets set for fiscal year 2021 at the beginning of the reporting year. The average level of target achievement for the STI 2021 amounted to 139%. The payment due for fiscal year 2021 from the **long-term incentive (LTI)** tranche issued in fiscal year 2018 amounts to 60% of the target value (payment in fiscal year 2022).

In the past fiscal year, the Supervisory Board **did not make use** of the options provided by the compensation system in accordance with legal provisions to temporarily deviate from the compensation system or to make adjustments to the target achievement in certain circumstances.

This compensation report is prepared jointly by the Managing Board and the Supervisory Board. The compensation report is reviewed separately by the **external auditor**. In addition to the formal audit required by law pursuant to Sec. 162 (1) and (2) AktG, the content of the compensation report is also audited. The corresponding **report on the audit of the compensation report** is attached to this compensation report.
> Independent Auditor's Report on the Audit of the Content of the Remuneration Report prepared to comply with Sec. 162 AktG

Application of the compensation system for the Supervisory Board in fiscal year 2021

The **compensation system for the Supervisory Board**, which is **unchanged from the prior year**, was applied in full as set out in Art. 12 of the Company's Articles of Association.

Effective August 31, 2021, Antonio Simina, the long-serving **Deputy Chairman of the Supervisory Board**, retired. Bernd Simbeck, who had previously been a member of the Supervisory Board of HUGO BOSS AG from 2010 to 2015, re-joined the Supervisory Board on September 1, 2021, as the **successor** to the retired Antonio Simina. As set out in Art. 12 of the Company's Articles of Association, both receive pro-rata compensation for their activities in fiscal year 2021.

Compensation of the members of the Managing Board in fiscal year 2021

Overview of the structure of the compensation system for the Managing Board

The compensation system complies with the requirements of the German Stock Corporation Act, in particular the requirements of the Act Implementing the Shareholder Rights Directive II (SRD II), and is based on the recommendations of the GCGC as amended on December 16, 2019. The compensation system of the Managing Board is an important element of the Group's orientation and is intended to significantly **contribute to driving operational performance** and the **successful execution of the Group strategy**, and thus to the long-term success of HUGO BOSS. It is intended to support successful and sustainable corporate management. The compensation of the members of the Managing Board is therefore linked to the short- and long-term development of the Company. By selecting suitable performance criteria, important incentives are simultaneously set for the successful execution of the "CLAIM 5" strategy.

This means that the compensation of the members of the Managing Board is made up of non-performance-related and performance-related components. The **target total compensation** of the Managing Board consists of fixed compensation, fringe benefits, pension commitments, the target amount of the short-term incentive (STI) and the target amount of the long-term incentive (LTI), and thus mainly comprises performance-related compensation elements. The aim is to strengthen the performance aspect of the compensation system. The proportion of the target amount of the LTI, which has a total term of four years, in the total target compensation exceeds that of the STI (ratio of around 60:40). This is intended to ensure that the compensation structure as a whole is geared toward a **sustainable and long-term successful business development**.

Malus and clawback regulations are provided for the variable compensation components. The total annual compensation of the members of the Managing Board is also limited to a **maximum compensation**. In addition, the **Share Ownership Guidelines** form another essential element of the compensation system. The compensation system also regulates **further compensation-related legal matters**, such as agreement terms and commitments upon termination of Managing Board activities.

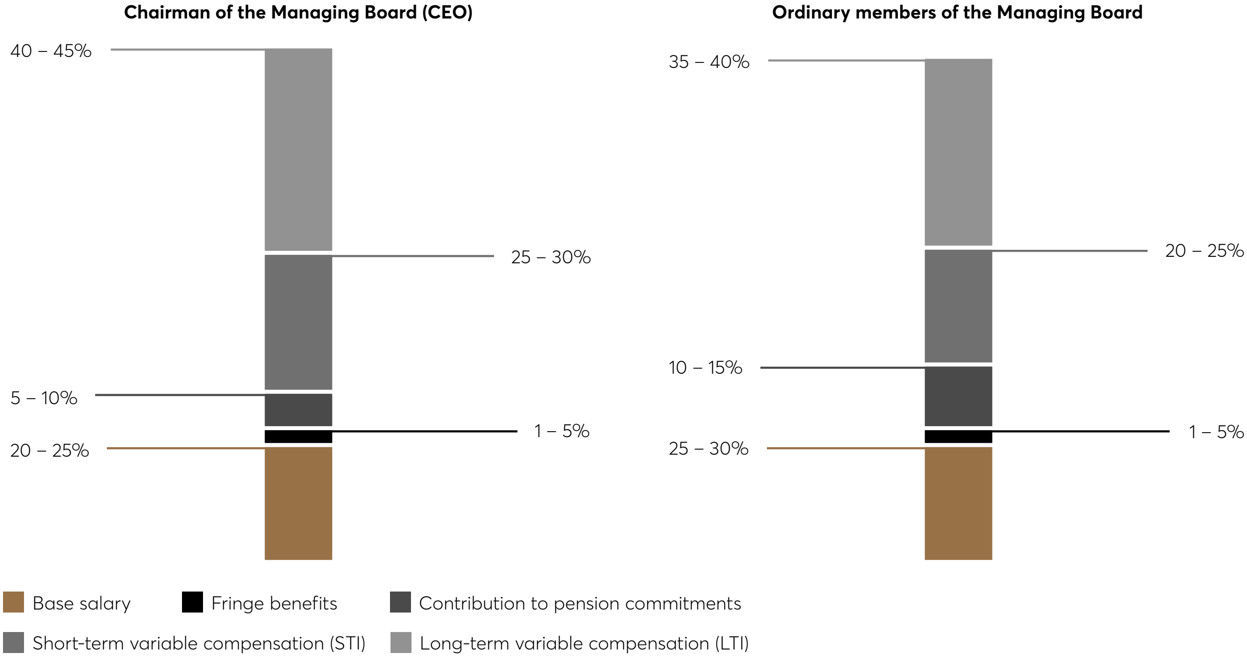
The following table shows the **basic components of the compensation system for the Managing Board and their structure**. The components and their specific application in fiscal year 2021 are explained in detail below.

OVERVIEW OF THE COMPENSATION SYSTEM

Fixed compensation	Base salary	Annual fixed compensation, paid as a monthly salary	
	Fringe benefits	Benefits in kind, which include the use of a company car, insurance allowances and, to a lesser extent, other equipment and benefits required for the performance of Managing Board duties.	
	Contributions to pension commitments	• Contribution plan (payment into a reinsurance policy) • Contribution: 40% of the fixed base salary • Fixed age limit: 65 years	
Performance-related (variable) compensation	Short-term variable compensation (STI)	Plan type	Target bonus system
		Plan term	1 year
		Performance targets	• 40% EBIT (target achievement: 0%–150%) • 30% sales (target achievement: 0%–150%) • 30% trade net working capital as a percentage of sales (target achievement: 0%–150%)
		Payout	In cash at the end of the fiscal year (cap: 150% of the individual target amount)
	Long-term variable compensation (LTI)	Plan type	Performance share plan
		Plan term	4 years
		Performance targets	• 1/3 relative total shareholder return (RTSR) (target achievement: 0%–200%) • 1/3 return on capital employed (ROCE) (target achievement: 0%–200%) • 1/6 employee satisfaction (target achievement: 0%–200%) • 1/6 performance in the field of sustainability (target achievement: 0%–200%)
		Payout	In cash at the end of the four-year plan term (cap: 250% of the individual target amount)
Special compensation (sign-on; allowance)		• No possibility of special compensation at the discretion of the Supervisory Board in the event of extraordinary performance • Granting of further, special compensation elements on a temporary basis (payments to new members of the Managing Board, for example to compensate for the loss of variable compensation from former employers, or for taking on additional responsibility on an interim basis)	
Malus and clawback		Withholding or reclaiming part or all of variable compensation (STI and LTI) in the event of compliance violations or incorrect consolidated financial statements	
Share ownership guidelines (SOG)		• 200% of annual gross base salary for the Chairman of the Managing Board (CEO) • 100% of annual gross base salary for ordinary members of the Managing Board	
Maximum compensation		• EUR 11,000,000 for the Chairman of the Managing Board (CEO) • EUR 5,500,000 for ordinary members of the Managing Board	

The **relative proportions of the individual compensation components** in relation to the total target compensation (i.e., assuming a target achievement of 100% for the two variable compensation components) are detailed as follows:

COMPENSATION STRUCTURE OF THE MANAGING BOARD



Non-performance-related (fixed) compensation components

The fixed compensation components consist of the fixed basic compensation, fringe benefits and contributions to retirement benefits.

The **fixed basic compensation** is paid as a monthly salary. It takes into account the role assigned to the member of the Managing Board and the associated duties and responsibilities of that member. The current annual basic compensation is EUR 1,300 thousand for Daniel Grieder, EUR 750 thousand for Yves Müller, EUR 725 thousand for Dr. Heiko Schäfer, EUR 750 thousand for Oliver Timm and EUR 725 thousand for Ingo Wilts.

In addition to the basic compensation, members of the Managing Board also receive **fringe benefits** to a lesser extent which they tax individually in accordance with the applicable tax regulations to the extent that a non-cash benefit arises for them from private use. The fringe benefits primarily include private use of the company car, contributions to health and nursing care insurance, the conclusion of and contributions to accident and D&O insurance (with deductible in accordance with Sec. 93(2) sentence 3 AktG), a minor clothing allowance for purchasing HUGO BOSS products for representative purposes, the reimbursement of reasonable tax consultancy costs as well as, to a lesser extent, other equipment and benefits required for the performance of the duties of the Managing Board. In addition, for new members of the Managing Board, reasonable costs for accommodation in Metzingen, home and return flights and relocation costs in the event of moving to Metzingen (or the surrounding area) will be reimbursed.

The **pension commitments** to the members of the Managing Board are defined contribution pension commitments. HUGO BOSS pays an annual pension contribution of 40% of the individual basic compensation into an employer's pensions liability insurance policy for the members of the Managing Board. The amount of retirement benefit in this regard corresponds to the amount accumulated by means of the individual employer's pension liability insurance. This results from the total annual pension contributions plus an annual interest rate depending on the respective insurance tariff. An entitlement to retirement benefits arises on or after reaching a fixed age of 65 or in the event that the Managing Board member becomes permanently unable to work due to illness or accident before reaching the age limit and leaves the Company. In the event of the death of the member of the Managing Board, their spouse or registered partner under the German Civil Partnership Act and their orphans are entitled to a survivor's pension. If the member of the Managing Board leaves the Company before retirement, the entitlement to pension benefits is retained for a pensionable service period of more than three years. If the member of the Managing Board leaves the Company before reaching the fixed retirement age, the entitlement amount corresponds to the benefits from the non-contributory reinsurance policy at the time of departure. Ongoing pension payments are adjusted annually by at least 1%. The Supervisory Board received guidance from an independent compensation expert when designing the contribution-based pension scheme for the current members of the Managing Board.

A pension commitment exists through the Company for Mark Langer, former Chairman of the Managing Board (CEO), in the form of a **benefit-based pension commitment**. The amount of the subsequent post-employment benefit is limited to 60% of the pensionable income in this regard. A post-employment benefit shall be paid to the surviving dependents in the form of a widow's or an orphan's pension. If the Chairman of the Managing Board (CEO) leaves the Company before becoming eligible for a pension, the period by which the benefits become vested has been agreed in accordance with the statutory regulations. However, there was no pro rata temporis reduction of the pension entitlement as provided for under legal provisions. For pension purposes, Mark Langer is placed in the position as if the employment had lasted until December 31, 2021 as originally planned. Ongoing pension payments are adjusted annually by at least 1%.

In addition, HUGO BOSS offers the members of the Managing Board the option of acquiring **additional pension benefits** under deferred compensation agreements. This supplementary pension plan can take the form of retirement benefits or, alternatively, the form of occupational incapacity benefits and/or surviving dependents' benefits and/or the form of a lump-sum death grant. The pension benefits take the form of monthly payments, while surviving dependents' benefits can also be granted in the form of a lump-sum capital payment. The contributions from deferred compensation agreements are included in the statement of the non-performance-related compensation awarded and due for the respective fiscal year. Provisions and plan assets are recognized at the same amount.

PENSION COMMITMENTS (IN EUR THOUSAND)

	Daniel Grieder Chairman of the Managing Board (since June 1, 2021)		**Yves Müller** Member of the Managing Board (since December 1, 2017) Spokesperson of the Managing Board (from July 16, 2020 until May 31, 2021)		**Dr. Heiko Schäfer** Member of the Managing Board (since March 16, 2020)		**Oliver Timm** Member of the Managing Board (since January 1, 2021)	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Service cost under IFRS	303	0	380	315	290	215	300	0
Pension provision under IFRS	0	0	0	0	0	0	0	0

	Ingo Wilts Member of the Managing Board (from August 15, 2016 until February 28, 2022)		**Mark Langer** Chairman of the Managing Board (from May 19, 2016 until July 15, 2020) Member of the Managing Board (from January 15, 2010 until May 18, 2016)		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
Service cost under IFRS	290	280	0	706	**1,563**	1.516
Pension provision under IFRS	0	0	0	3,735	**0**	3.735

Performance-related (variable) compensation components

The compensation system of the Managing Board comprises two performance-related components: short-term variable compensation (STI) and long-term variable compensation (LTI). Both are linked to the performance of the Company and are intended to provide **incentives for the successful execution of the Group strategy** and for the **value-creating and long-term development of HUGO BOSS**. The performance criteria and the key indicators used in fiscal year 2021 for the performance assessment in the context of variable compensation are consistent with the Group strategy, and derived from the strategic targets as well as operational performance indicators of HUGO BOSS. In addition, they correspond to the applicable compensation system.

Short-term incentive (STI) for 2021

General functioning

The STI is the short-term variable compensation component, with its general functioning and structure remaining unchanged from the previous compensation system, which was applicable up to and including April 1, 2021. The term is one fiscal year. The amount of the STI is based on the development of financial performance criteria. In accordance with the Group's management system, the Supervisory Board has defined the following **three financial performance criteria as target components**:

- Sales (the sales proceeds recognized in the consolidated financial statements using the exchange rates underlying the budget)
- EBIT (the Group's net income before interest and taxes)
- Trade net working capital (TNWC; the total of raw and finished goods as well as trade receivables less trade payables) as a percentage of sales > Group Management

EBIT contributes a **weighting** of 40% to the overall target achievement of the STI, while sales and TNWC each contribute 30% to the overall target achievement.

The STI **payout** is calculated, on the basis of an individual target amount for each member of the Managing Board as defined in the respective service agreement and the overall target achievement, as follows:

STI TARGET BONUS SYSTEM

The **maximum payout** from the STI is capped at a total of 150% of the target amount. There is no guaranteed minimum target achievement. Consequently, the payout can also be waived completely. The STI is payable within a week of the Supervisory Board approving the consolidated financial statements for the respective fiscal year.

Contribution to the long-term development of the Group

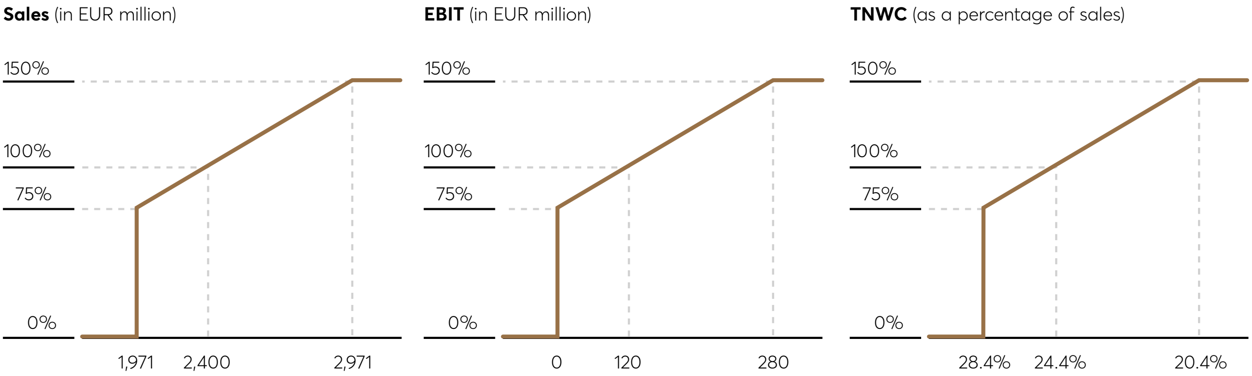
The STI is intended to ensure the **ongoing execution of the operational targets**, the achievement of which is of material importance for the long-term success of the Group. In light of the "CLAIM 5" strategy, which aims at achieving significant top- and bottom-line improvements by 2025, sales and EBIT are key target figures of the STI. At the same time, the TNWC is the most important indicator for managing the efficient use of capital and is therefore taken as the third financial performance criterion in the STI.

Financial performance criteria

At the beginning of the fiscal year, the Supervisory Board decided on a **target**, a **minimum target** and a **maximum target** for the three financial performance criteria of sales, EBIT and TNWC. The target for the respective financial performance criterion is derived from the budget plan approved by the Supervisory Board. If the target is reached, target achievement is 100%. If the target value is greater than or equal to the maximum target, target achievement is 150%. In this case, a further increase in the target value does not lead to a further increase in target achievement. If the minimum target is reached, target achievement is 75%. If the target value is below the minimum target, target achievement is 0%. Target achievement between the specified targets (75%; 100%; 150%) is interpolated on a linear basis.

For fiscal year 2021, the Supervisory Board has set the following **target achievement corridors** at the beginning of the fiscal year with regard to the respective financial targets:

STI TARGET ACHIEVEMENT CORRIDORS FOR FISCAL YEAR 2021



In the event of **100% target achievement** for the STI 2021, a total amount of EUR 3,015 thousand would be paid out (Daniel Grieder EUR 875 thousand, Yves Müller EUR 500 thousand, Dr. Heiko Schäfer EUR 500 thousand, Oliver Timm EUR 650 thousand and Ingo Wilts EUR 490 thousand). For Daniel Grieder, the target value is calculated pro rata temporis from the start of his Managing Board activities on June 1, 2021. On a one-off basis, Daniel Grieder was guaranteed a target achievement of 100% for fiscal year 2021.

With regard to the financial performance criteria relevant for fiscal year 2021, the Supervisory Board determined the following **target achievement** based on the performance corridors defined at the beginning of the fiscal year:

TARGET ACHIEVEMENT STI 2021 (IN EUR MILLION)

Target component	Target weighting	Target value 2021 (based on target achievement of 100%)	Performance corridor (Min/Max) 2021	Actual value 2021	**Target achievement 2021**
Sales[1]	30%	2,400	1,971 to 2,971	2,781	133%
EBIT	40%	120	0 to 280	228	134%
Trade net working capital as a percentage of sales	30%	24.4%	28.4% to 20.4%	17.2%	150%
Total	**100%**				**139%**

1 Using the exchange rates underlying the budget.

For fiscal year 2021, the **average target achievement** is therefore 139%.

Target achievement STI 2021

The **individual payout amounts** for the STI 2021, which are allocated to the compensation awarded and due in fiscal year 2021, are therefore as follows:

PAYOUT FOR THE STI 2021

	Target amount (in EUR thousand)	Total target achievement	**Payout amount (in EUR thousand)**
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	875	139%	1,212
Yves Müller, Member of the Managing Board since December 1, 2017, Spokesperson of the Managing Board from July 16, 2020 until May 31, 2021	500	139%	693
Dr. Heiko Schäfer, Member of the Managing Board since March 16, 2020	500	139%	693
Oliver Timm, Member of the Managing Board since January 1, 2021	650	139%	900
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	490	139%	679
Total	**3,015**	**139%**	**4,176**

To settle the entitlement from the STI 2021, the former Chairman of the Managing Board (CEO) Mark Langer will receive a payment of EUR 725 thousand based on a target compensation of EUR 750 thousand and a maximum amount of EUR 725 thousand agreed in the separation agreement dated April 2020. Payment will be made at the same time as the payment of the STI 2021 to the current members of the Managing Board in fiscal year 2022.

Outlook for the STI for fiscal year 2022

For the **STI for fiscal year 2022**, the three financial performance criteria described above, together with their respective weighting, remain unchanged. The specific targets for the three performance criteria will be disclosed and described in the compensation report for fiscal year 2022.

Long-term incentive (LTI) for 2021

General functioning

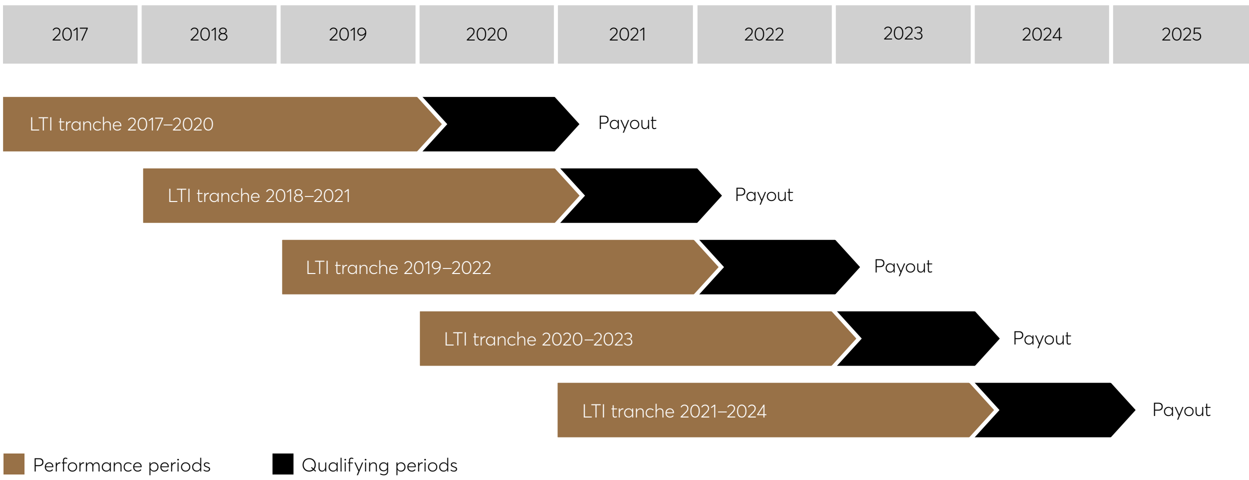
The LTI is the long-term variable compensation component with its general functioning and structure remaining largely unchanged from the previous compensation system, which was applicable up to and including April 1, 2021. Differences from the previous compensation system are indicated as such. The LTI is designed in the form of a **performance share plan** that takes into account both financial targets relevant to the Group strategy and non-financial ESG (environment, social, governance) targets. Consequently, the LTI is intended to ensure that the members of the Managing Board of HUGO BOSS pursue a sustainable business policy which is aligned to the interests of the Company. Accordingly, the Supervisory Board has determined the following **four performance criteria as additively linked target figures** for the LTI:

- Relative total shareholder return (RTSR) of the HUGO BOSS share
- Return on capital employed (ROCE)
- Employee satisfaction
- The Company's performance in the field of sustainability

The targets for the RTSR and ROCE performance criteria each account for one third of the LTI, while the targets for employee satisfaction and sustainability each account for one sixth.

The LTI is granted in annual tranches. Each tranche has **a three-year performance period**, which corresponds to the Group's medium-term planning horizon and which is followed by an **additional qualifying period of one year**, during which the performance of the share price continues to be taken into account. This results in a total term of four years.

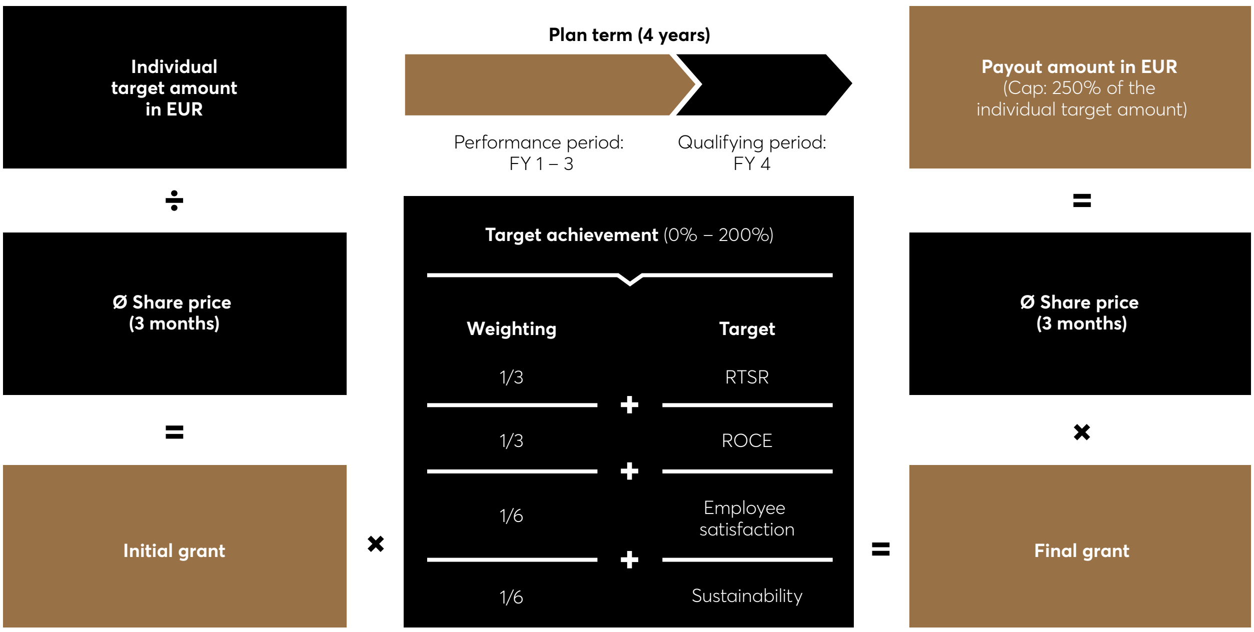
PERFORMANCE PERIODS AND QUALIFIYING PERIOD OF LTI TRANCHES



The LTI provides that the members of the Managing Board receive a **defined number ("initial grant")** of **virtual shares ("tranches")** at the beginning of the plan or at the start of their activity. The initial grant is determined by the size of **a target amount ("LTI budget")** defined in the respective service agreement divided by the price of the HUGO BOSS share for the last three months prior to the date of granting the initial grant. After the end of the performance period, the **final number of virtual shares ("final grant")** is calculated based on the achievement of certain targets. The **final payout entitlement** is calculated by multiplying the final grant by the Company's share price during the last three months of the qualifying period and is paid out in cash.

The **actual payout from the LTI** is therefore calculated as follows:

LTI TARGET ACHIEVEMENT SYSTEM



The **target achievement** of the individual LTI target components is limited to a maximum of 200%, while the resulting LTI payout is capped at a total of 250% of the individual target amount.

Contribution to the long-term development of the Group

The long-term goal of HUGO BOSS is to **sustainably increase the enterprise value**. In this regard, the share price performance of HUGO BOSS is of particular importance. The RTSR therefore takes into account the relative shareholder return of HUGO BOSS compared to the relevant competitive environment. This is intended to provide an incentive to outperform competitors in the long term. The ROCE, another financial performance criterion, also sets incentives for increasing the profitability of HUGO BOSS and using capital efficiently. The inclusion of two non-financial performance criteria in the LTI emphasizes social and environmental responsibility and the goal of sustainable corporate development. As a result, the Managing Board compensation is closely aligned with the interests of shareholders and other stakeholders.

Individual LTI budget for the LTI 2021–2024 issued in fiscal year 2021

The following table shows the **grants** for the LTI 2021–2024 issued in fiscal year 2021. It includes the target amount, the number of provisionally granted virtual shares, the payout cap and the fair value at grant date in accordance with “IFRS 2 Share-based Payment”. In the case of Daniel Grieder, the LTI budget is determined pro-rata temporis from the start of his Managing Board activities on June 1, 2021.

ALLOCATION OF LTI 2021–2024

	Target amount ("LTI budget") in EUR thousand	Average share price of HUGO BOSS in Q4 2020 in EUR	Provisionally granted number of virtual shares ("initial grant")	Payout cap (250% of target amount) in EUR thousand	Fair value at grant date in EUR thousand
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	1,400	24.56	57,004	3,500	2,418
Yves Müller, Member of the Managing Board since December 1, 2017, Spokesperson of the Managing Board from July 16, 2020 until May 31, 2021	750	24.56	30,538	1,875	787
Dr. Heiko Schäfer, Member of the Managing Board since March 16, 2020	725	24.56	29,520	1,813	760
Oliver Timm, Member of the Managing Board since January 1, 2021	1,000	24.56	40,717	2,500	1,049
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	740	24.56	30,131	1,850	776

Financial and non-financial performance criteria for the LTI 2021–2024 issued in fiscal year 2021
The targets and thresholds set out below for the LTI's four performance criteria apply throughout the entire performance period of the tranche.

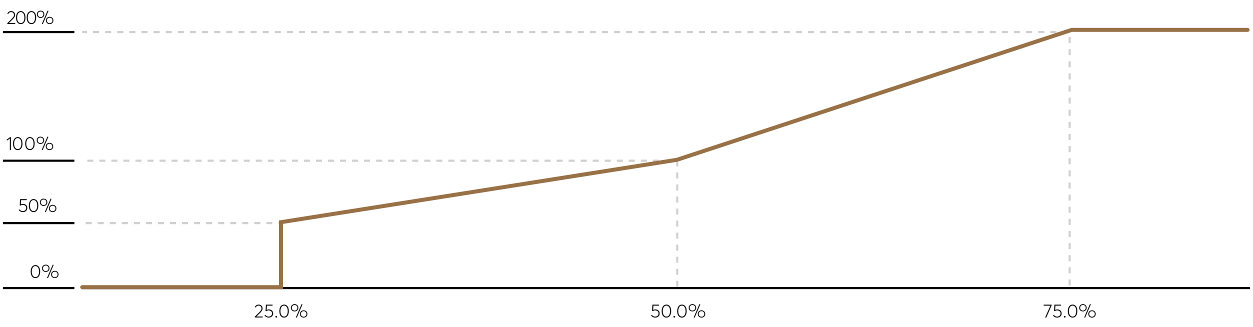
The **RTSR** is a benchmark for the sustainable increase in enterprise value. It measures the share price performance and notionally reinvested dividends of HUGO BOSS compared to a selected group of relevant competitors in the premium segment of the global apparel industry over the performance period. The composition of the peer group is shown in the following table:

RELATIVE TOTAL SHAREHOLDER RETURN (RTSR) – PEER GROUP

Burberry Group plc	Levi Strauss & Co.	SMCP Group
Capri Holdings Ltd.	Moncler Group	Tapestry Inc.
G-III Apparel Group	PVH Corp.	VF Corp.
Guess Inc.	Ralph Lauren Corp.	

The Supervisory Board is convinced that the comparison with relevant competitors in the premium segment of the global apparel industry best reflects the strategic positioning of the two brands BOSS and HUGO. In the previous compensation system applicable up to and including April 1, 2021, the RTSR was based on a comparison with the MSCI World Textiles, Apparel & Luxury Goods Performance Index.

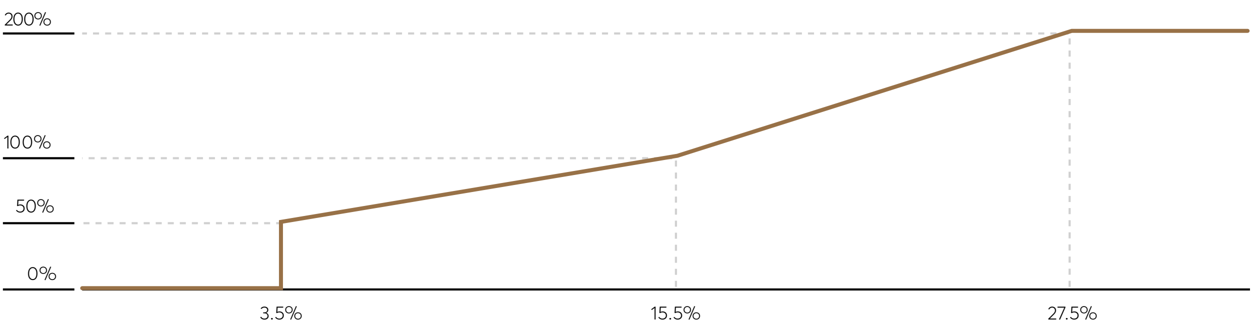
RTSR TARGET ACHIEVEMENT CORRIDOR FOR LTI TRANCHE 2021-2024



To **determine the target achievement level of the RTSR**, the TSR (share price performance and notionally reinvested dividends) of HUGO BOSS and the peer companies is determined for each year of the performance period. The TSR values of the individual companies are then ranked by size and assigned to percentile ranks. The average value of the percentile ranks of HUGO BOSS in the three years of the performance period determines the target achievement. If the 50th percentile (median) is achieved, i.e., HUGO BOSS is exactly in the middle of the ranking of the peer companies, target achievement corresponds to 100%. If the TSR of HUGO BOSS is in the 75th percentile or higher, i.e., HUGO BOSS is among the 25% best companies, target achievement is 200%. Higher percentile ranks do not lead to any further increase in target achievement. If the 25th percentile is achieved, target achievement corresponds to 50%. If the TSR of HUGO BOSS is below the 25th percentile, i.e., HUGO BOSS is among the bottom 25% of companies, target achievement is 0%. Target achievement between the specified targets (50%; 100%; 200%) is interpolated on a linear basis.

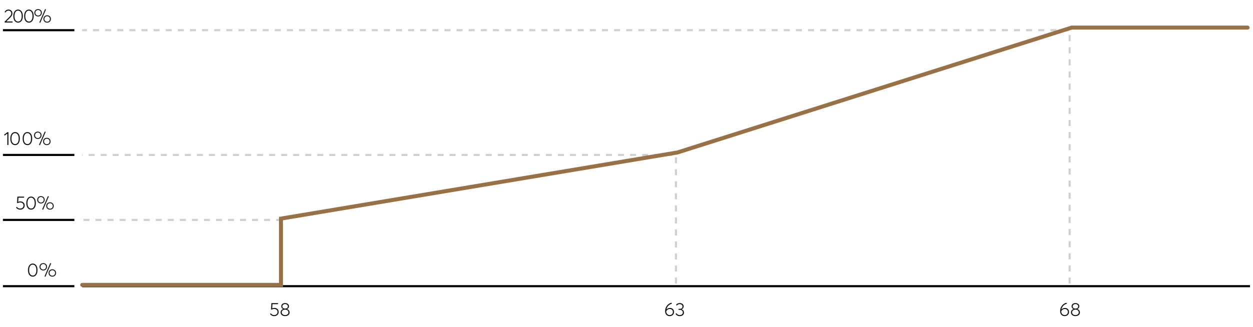
The **ROCE** represents the return on capital employed and is determined by dividing the EBIT by average capital invested.

ROCE TARGET ACHIEVEMENT CORRIDOR FOR LTI TRANCHE 2021-2024



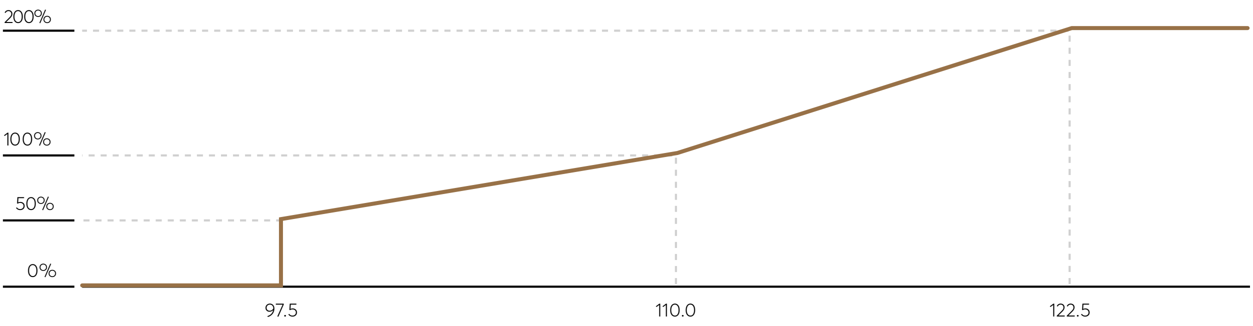
The degree of **employee satisfaction** is measured by the "Employee Trust Index", part of an employee survey conducted annually by an independent institute. For the LTI 2018–2021 , the degree of employee satisfaction is also compared with the top 100 companies in Germany.

EMPLOYEE SATISFACTION TARGET ACHIEVEMENT CORRIDOR FOR LTI TRANCHE 2021-2024



The **sustainability performance** is determined by the Company's ranking in the Dow Jones Sustainability Indices (DJSI) DJSI World and DJSI Europe, in which the sustainability performance of listed companies is assessed by an independent index provider.

SUSTAINABILITY TARGET ACHIEVEMENT CORRIDOR FOR LTI TRANCHE 2021-2024



Target achievement for the performance criteria ROCE, employee satisfaction and sustainability performance is measured for each fiscal year during the three-year performance period against the respective target value set before the start of the tranche and determined using of the above performance corridors.

The Supervisory Board sets a **target**, a **minimum target** and a **maximum target** for ROCE, employee satisfaction and sustainability in each case. If the target is reached, the target achievement is 100%. If the target value is greater than or equal to the maximum target, target achievement is 200%. A further increase in the target value does not lead to a further increase in the target achievement above 200%. When the minimum target is reached, target achievement is 50%. If the target value is below the minimum target, target achievement is 0%. Target achievement between the specified targets (50%; 100%; 200%) is interpolated on a linear basis.

Annual target achievement levels of the performance criteria for the LTI 2021–2024 issued in fiscal year 2021

As shown, target achievement for the LTI's performance criteria is determined on an annual basis. For fiscal year 2021, the Supervisory Board has determined the following **target achievement for the LTI 2021–2024**:

TARGET ACHIEVEMENT 2021 OF THE LTI 2021-2024 (ON A PRELIMINARY BASIS)

Target component	Target weighting	Target value (based on target achievement of 100%)	Performance corridor (Min/Max)	Actual value 2021	Target achievement 2021
RTSR	33%	50.0%	25.0% to 75.0%	100.0%	200%
ROCE	33%	15.5%	3.5% to 27.5%	15.2%	99%
Employee satisfaction	17%	63	58 to 68	71	200%
Sustainability performance	17%	110.0	97.5 to 122.5	144.1	200%
Total	**100%**				**166%**

For fiscal year 2021, the **target achievement level** (on a preliminary basis) of the LTI 2021–2024 is 166%.

Payout from the LTI 2018–2021 issued in fiscal year 2018

The following table provides an overview of the **overall target achievement** of the LTI 2018–2021 awarded in fiscal year 2021 (payout in fiscal year 2022):

FINAL TARGET ACHIEVEMENT LTI 2018–2021

Target component	Target weighting	Target value (based on target achievement of 100%)	Performance corridor (Min/Max)	Actual value 2018	Actual value 2019	Actual value 2020	Actual value (average 2018–2020)	Final target achievement
RTSR	33%	2.5%	(10.0)% to 15.0%	(17.1)%	(54.8)%	(58.8)%	(43.6)%	0%
ROCE	33%	42.0%	30.0% to 55.0%	43.4%	35.3%	33.5%	37.4%	81%
Employee satisfaction	17%	90	80 to 100	76	78	78	77	0%
Sustainability performance	17%	105.0	92.5 to 117.5	125.0	111.6	130.3	122.3	200%
Total	**100%**							**60%**

The final target achievement level of the LTI 2018–2021 is 60%. The **individual payout amounts resulting from the LTI 2018–2021** (payout in fiscal year 2022) are as follows:

PAYOUT FOR THE LTI 2018–2021

	Target amount ("LTI budget") in EUR thousand	Average share price of HUGO BOSS in Q4 2017 in EUR	Provisionally granted number of virtual shares ("initial grant")	Final target achievement	Finally granted number of virtual shares ("Final Grant")	Average share price of HUGO BOSS in Q4 2021 in EUR	Payout amount in EUR thousand
Members of the Managing Board as of December 31, 2021							
Yves Müller, Member of the Managing Board since December 1, 2017, Spokesperson of the Managing Board from July 16, 2020 until May 31, 2021	654	72.19	9,062	60%	5,465	53.78	294
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	638	72.19	8,831	60%	5,326	53.78	286
Former Members of the Managing Board							
Mark Langer, Chairman of the Managing Board from May 19, 2016 until July 15, 2020, Member of the Managing Board from January 15, 2010 until May 18, 2016	900	72.19	12,468	60%	7,519	53.78	404
Total	**2,192**		**30,361**		**18,310**		**985**

Daniel Grieder, Dr. Heiko Schäfer and Oliver Timm will not receive any payment from the LTI 2018–2021, as they were not yet members of the Managing Board in fiscal year 2018.

Under the separation agreement of September 2019, former member of the Managing Board Bernd Hake was entitled payments for the pro-rata earned tranches of the LTI 2018–2021, LTI 2019–2022 and LTI 2020–2023 totaling EUR 664 thousand, in accordance with the service agreement and the agreed severance payment cap, which became due on February 29, 2020.

Total number of virtual shares outstanding at the end of fiscal year 2021

The following overview shows the total number of **virtual shares (initial grant)** held by the members of the Managing Board at the end of fiscal year 2021:

TOTAL NUMBER OF VIRTUAL SHARES (INITIAL GRANT) AT THE END OF FISCAL YEAR 2021 (IN UNITS)

	LTI 2021–2024	LTI 2020–2023	LTI 2019–2022	LTI 2018–2021	Balance at the end of fiscal year 2021
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	57,004	0	0	0	57,004
Yves Müller, Member of the Managing Board since December 1, 2017, Spokesperson of the Managing Board from July 16, 2020 until May 31, 2021	30,538	17,016	11,482	9,062	68,098
Dr. Heiko Schäfer, Member of the Managing Board since March 16, 2020	29,520	12,766	0	0	42,286
Oliver Timm, Member of the Managing Board since January 1, 2021	40,717	0	0	0	40,717
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	30,131	17,745	11,666	8,831	68,373
Total	**187,910**	**47,527**	**23,148**	**17,893**	**276,478**

Outlook on the financial and non-financial performance criteria of LTI 2022–2025
The Supervisory Board is convinced that the four target components described above promote the **sustainable and long-term development of the Company**. For this reason, the four target components also apply to the LTI 2022–2025 to be issued in fiscal year 2022.

Special compensation (sign-on, bonuses)

The compensation system does not provide for the possibility of special compensation for extraordinary performance, which may be granted at the discretion of the Supervisory Board. Under certain circumstances, it may be necessary to grant additional special compensation elements on a temporary basis. These involve one-off payments to new members of the Managing Board, for example to compensate for the loss of variable compensation from former employers, in order to attract the Managing Board member to HUGO BOSS **(sign-on)**. In addition, the Supervisory Board is able to compensate a member of the Managing Board in the event they take on additional responsibility on an interim basis for these temporary increased duties **(bonus)**. Any special compensation is limited in its amount, as it falls under the maximum compensation defined in section III in accordance with Sec. 87a (1) sentence 2 No. 1 AktG.

Following the departure of Mark Langer in July 2020, Yves Müller, in addition to his role as Chief Financial Officer, also assumed the position of **Spokesperson of the Managing Board** and was thus responsible for part of Mark Langer's former duties (Corporate Strategy, Corporate Communication, Group's own retail business, and Wholesale). These responsibilities were then handed over again when Oliver Timm joined the Managing Board on January 1, 2021, (handover of the Group's own retail business and Wholesale) and when Daniel Grieder joined as Chairman of the Managing Board (CEO) on June 1, 2021 (handover of Corporate Strategy and Corporate Communication). Against this backdrop, the Supervisory Board had decided to grant a performance-related **bonus** of up to EUR 600 thousand for the additional duties and responsibilities, at the sole discretion of the Supervisory Board. Non-financial criteria were chosen for the performance assessment in the form of successful performance of the office of Spokesperson and a smooth handover to Daniel Grieder. A partial amount of EUR 200 thousand was already paid out in fiscal year 2020. Following the handover of Yves Müller to Daniel Grieder, the Supervisory Board, on the recommendation of the Personnel Committee, determined a maximum target achievement of 100% and therefore a total bonus of EUR 600 thousand in view of the excellent work and smooth handover. The remaining EUR 400 thousand was paid out in fiscal year 2021.

The Supervisory Board also decided to grant a **one-off payment (sign-on)** of EUR 500 thousand to Oliver Timm, who has been a member of the Managing Board since January 1, 2021. This serves to partially **compensate for the loss of variable compensation components** (restricted stock units) from his former employer. A partial amount of EUR 300 thousand was already paid out in fiscal year 2021. A further EUR 100 thousand will be paid out in each of the fiscal years 2022 and 2023.

Malus and clawback regulations

Under the current compensation system, the service agreements of the members of the HUGO BOSS Managing Board shall contain malus and clawback regulations that enable the Supervisory Board, under certain conditions, to reduce **variable compensation components that have not yet been paid out (malus)** or **to reclaim variable compensation components that have already been paid out (clawback)**. The Supervisory Board is therefore able, at its reasonable discretion, to withhold or reclaim part or all of the variable compensation if the member of the Managing Board is in breach of a material obligation to exercise due diligence within the meaning of Sec. 93 AktG, a material obligation under the service agreement or of the essential rules and conduct principles laid down in the Company's Code of Conduct (compliance malus and compliance clawback). The Supervisory Board is also entitled to claim back a variable compensation that has already been paid if it becomes apparent after the payment that the audited and approved consolidated annual financial statements on which the calculation of the amount of the payment was based were incorrect and therefore had to be corrected in accordance with the relevant accounting rules (performance clawback).

In fiscal year 2021, the Supervisory Board **did not make use** of the option to reduce or reclaim variable compensation components.

Share Ownership Guidelines

The Share Ownership Guidelines (SOG) are an essential part of the Managing Board compensation system. In order to further align the interests of the Managing Board and shareholders, the SOG are intended to oblige the members of the Managing Board to **buy and hold shares in HUGO BOSS AG**. The size of the share ownership obligation (SOG target) is measured based on the individual gross base salary of each member of the Managing Board. The Chairman of the Managing Board must invest two times and all other ordinary members of the Managing Board must invest one time their gross basic compensation and maintain these shares for the entire duration of their Managing Board activities.

The required number of shares must be held within five years, with the **required number of shares** being built up on a linear basis and reviewed annually by the Group General Counsel at the end of each year. The annual minimum holding may be exceeded at any time. The rules and time limits of the Market Abuse Regulation must be observed when buying and selling the shares.

According to the compensation system, **the number of shares to be held** is determined based on the average closing price of the HUGO BOSS shares in Deutsche Börse's Xetra trading in the month prior to the appointment of the respective member of the Managing Board or prior to the respective last adjustment of the basic salary of the Managing Board member.

The members of the Managing Board are entitled to contribute any **existing pre-held shares**. The following table shows the **shares held** by the members of the Managing Board as of December 31, 2021:

SHARE OWNERSHIP OF THE MANAGING BOARD MEMBERS

	Contributed existing pre-held shares acquired prior to Managing Board activity	Shares acquired during Managing Board activity	Number of shares as of December 31, 2021	XETRA closing price on December 30, 2021	**Total value of shares as of December 31, 2021 (in EUR thousand)**
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	40,000	31,000	71,000	53.50	3,799
Yves Müller, Member of the Managing Board since December 1, 2017, Spokesperson of the Managing Board from July 16, 2020 until May 31, 2021	0	16,000	16,000	53.50	856
Dr. Heiko Schäfer, Member of the Managing Board since March 16, 2020	1,500	8,430	9,930	53.50	531
Oliver Timm, Member of the Managing Board since January 1, 2021	1,333	16,500	17,833	53.50	954
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	0	5,350	5,350	53.50	286
Total	**42,833**	**77,280**	**120,113**	**53.50**	**6,426**

Maximum compensation

MAXIMUM LIMITS OF COMPENSATION (LIMITATION OF VARIABLE COMPENSATION AND MAXIMUM COMPENSATION)

Compensation component	**Cap**
Short-term variable compensation	150% of the target amount
Long-term variable compensation	250% of the target amount
Maximum compensation	Chairman of the Managing Board: EUR 11,000,000 Ordinary Managing Board member: EUR 5,500,000

The compensation of the members of the Managing Board is limited in two respects. Firstly, the **performance-related components are subject to maximum limits**, which amount to 150% of the target amount for the STI and 250% for the LTI. These limits were complied with in all cases with respect to the performance-related compensation awarded and due in fiscal year 2021, as shown in the following table:

Compliance with the maximum compensation for the performance-related compensation of the Managing Board awarded and due in fiscal year 2021

		Daniel Grieder Chairman of the Managing Board (since June 1, 2021)			**Yves Müller** Member of the Managing Board (since December 1, 2017) Spokesperson of the Managing Board (from July 16, 2020 until May 31, 2021)			**Dr. Heiko Schäfer** Member of the Managing Board (since March 16, 2020)		
(in EUR thousand)		**Target compen-sation**	**Max.**	**Payout**	**Target compen-sation**	**Max.**	**Payout**	**Target compen-sation**	**Max.**	**Payout**
Short-term variable compensation	STI 2021	875	1,313	1,212	500	750	693	500	750	693
Long-term variable compensation	LTI 2018–2021	–	–	–	654	1,635	294	–	–	–

		Oliver Timm Member of the Managing Board (since January 1, 2021)			**Ingo Wilts** Member of the Managing Board (from August 15, 2016 until February 28, 2022)			**Mark Langer** Chairman of the Managing Board (from May 19, 2016 until July 15, 2020) Member of the Managing Board (from January 15, 2010 until May 18, 2016)		
		Target compen-sation	**Max.**	**Payout**	**Target compen-sation**	**Max.**	**Payout**	**Target compen-sation**	**Max.**	**Payout**
Short-term variable compensation	STI 2021	650	975	900	490	735	679	750	725[1]	725
Long-term variable compensation	LTI 2018–2021	–	–	–	638	1,594	286	900	2,250	404

1 In accordance with the separation agreement of April 2020.

Secondly, in accordance with Sec. 87a (1) sentence 2 No. 1 AktG, the Supervisory Board has determined a **maximum compensation** that limits the total amount actually payable for the compensation awarded for a particular fiscal year, consisting of basic compensation, fringe benefits, expenses for the pension commitment, any special compensation and short-term variable and long-term variable compensation. This maximum compensation can only be reviewed retrospectively once payment has been made from the LTI tranche issued in the respective fiscal year.

The **maximum compensation valid** for fiscal year 2021 is EUR 11.0 million for the Chairman of the Managing Board and EUR 5.5 million for the ordinary members of the Managing Board. Compliance with the maximum compensation for fiscal year 2021 can only be reported in the compensation report for fiscal year 2024, since the final payout for the LTI 2021–2024 depends on the share price performance of HUGO BOSS in the fourth quarter of 2024.

Compensation-related legal matters

Regulations for the termination of Managing Board activity

In the event of premature termination of the service agreement (in the absence of due cause for terminating the service agreement by the Company), the respective member of the Managing Board is entitled to a **severance payment** which is always limited to the amount of the total compensation, including fringe benefits, for a period of 24 months, but is not compensated more than the remaining term of the agreement ("severance payment cap"). In the current Managing Board agreements, the period for calculating the severance pay varies, but in no case exceeds 24 months. When agreements are extended, the severance pay scheme is also standardized for all members of the Managing Board. For these purposes, the total compensation is calculated on the basis of the total compensation received for the last full fiscal year and, where appropriate, on the basis of the predicted total compensation for the current fiscal year. In the event of termination of a Managing Board agreement, the payment of any outstanding variable compensation components is made in accordance with the originally agreed targets and comparison parameters and according to the due dates or holding periods specified in the agreement.

The service agreements do not provide for any severance payment in the event of premature termination of the service agreement for due cause for which the respective member of the Managing Board is responsible. In the event of regular termination, the service agreements do not include a severance payment scheme.

The service agreements with the members of the Managing Board Yves Müller, Dr. Heiko Schäfer and Ingo Wilts contain a provision under which, in the event of a **change of control** (acquisition of more than 30% of the voting rights in HUGO BOSS AG), the respective member of the Managing Board is granted an extraordinary right to termination and, if the service agreement is indeed terminated, a severance payment to the respective member of the Managing Board. In principle, the amount of severance pay corresponds to the severance payment to be made in the event of the service agreement being terminated prematurely and is therefore subject to the same severance payment cap. The agreements of Daniel Grieder and Oliver Timm do not provide for any corresponding provisions for a change of control.

For new appointments or extension agreements with members of the Managing Board, provisions for a change of control are waived for all members of the Managing Board. There are no other compensation agreements.

Post-contractual non-compete clause

A **post-contractual non-compete clause** has been agreed for the members of the Managing Board. For a period of 12 months after termination of the service agreement, members of the Managing Board are not entitled, directly or indirectly, to work for or to form or invest in any other company in the area of premium or luxury brand fashion and/or accessories. This post-contractual non-compete clause applies to the countries in which HUGO BOSS and the affiliated companies of HUGO BOSS within the meaning of Sec. 15 et seq. AktG are operating at the time of termination of the service agreement. HUGO BOSS is obliged to pay the member of the Managing Board a monthly amount of one twenty-fourth (Daniel Grieder, Oliver Timm) or one twelfth (Yves Müller, Dr. Heiko Schäfer, Ingo Wilts) of the annual target compensation (basic compensation as well as STI and LTI with a respective target achievement of 100% each) for the duration of this post-contractual non-compete clause.

For new appointments or extension agreements, the regulations are standardized and an agreement is reached for any severance payments to be credited to the payment for the post-contractual non-compete clause.

Individualized disclosure of the compensation of the Managing Board

Compensation awarded and due to current members of the Managing Board in the past fiscal year pursuant to Sec. 162 AktG

The following table shows the non-performance-related and performance-related compensation components awarded and due to **current members of the Managing Board** (active as of December 31, 2021) in the past fiscal year, including the respective relative share in accordance with Sec. 162 AktG. These include the basic compensation paid in the fiscal year, the fringe benefits accrued in the fiscal year, the pension allowance paid in the fiscal year, the STI 2021 awarded in fiscal year 2021 (payout in fiscal year 2022), the LTI 2018–2021 awarded in fiscal year 2021 (payout in fiscal year 2022), and any special compensation.

COMPENSATION AWARDED AND DUE

		Daniel Grieder Chairman of the Managing Board (since June 1, 2021)				**Yves Müller** Member of the Managing Board (since December 1, 2017) Spokesperson of the Managing Board (from July 16, 2020 until May 31, 2021)			
		2021		2020		**2021**		2020	
		in EUR thousand	**in %**	in EUR thousand	in %	**in EUR thousand**	**in %**	in EUR thousand	in %
Fixed compensation	Basic compensation	758	37	–	–	750	35	641	50
	Fringe benefits	68	3	–	–	30	1	13	1
	Pension allowance	0	0	–	–	0	0	0	0
Total		**826**	**41**	**–**	**–**	**780**	**36**	**654**	**51**
Short-term incentive	STI 2021	1,212	59	–	–	693	32	0	0
	STI 2020	0	0	–	–	0	0	411	32
Long-term incentive	LTI 2018–2021	0	0	–	–	294	14	0	0
	LTI 2017–2020	0	0	–	–	0	0	12	1
Total		**1,212**	**59**	**–**	**–**	**986**	**46**	**423**	**33**
Other	Special compensation	0	0	–	–	400	18	200	16
Total compensation		**2,038**	**100**	**–**	**–**	**2,166**	**100**	**1,277**	**100**

		Dr. Heiko Schäfer Member of the Managing Board (since March 16, 2020)				Oliver Timm Member of the Managing Board (since January 1, 2021)			
		2021		2020		**2021**		2020	
		in EUR thousand	**in %**	in EUR thousand	in %	**in EUR thousand**	**in %**	in EUR thousand	in %
Fixed compensation	Basic compensation	725	50	509	57	750	38	–	–
	Fringe benefits	19	1	5	1	45	2	–	–
	Pension allowance	0	0	0	0	0	0	–	–
Total		**744**	**52**	**515**	**57**	**795**	**40**	**–**	**–**
Short-term incentive	STI 2021	693	48	0	0	900	45	–	–
	STI 2020	0	0	386	43	0	0	–	–
Long-term incentive	LTI 2018–2021	0	0	0	0	0	0	–	–
	LTI 2017–2020	0	0	0	0	0	0	–	–
Total		**693**	**48**	**386**	**43**	**900**	**45**	**–**	**–**
Other	Special compensation	0	0	0	0	300	15	–	–
Total compensation		**1,436**	**100**	**901**	**100**	**1,995**	**100**	**–**	**–**

		Ingo Wilts Member of the Managing Board (from August 15, 2016 until February 28, 2022)			
		2021		2020	
		in EUR thousand	**in %**	in EUR thousand	in %
Fixed compensation	Basic compensation	725	42	653	52
	Fringe benefits	22	1	12	1
	Pension allowance	0	0	0	0
Total		**747**	**44**	**665**	**53**
Short-term incentive	STI 2021	679	40	0	0
	STI 2020	0	0	434	34
Long-term incentive	LTI 2018–2021	286	17	0	0
	LTI 2017–2020	0	0	161	13
Total		**965**	**56**	**595**	**47**
Other	Special compensation	0	0	0	0
Total compensation		**1,712**	**100**	**1,261**	**100**

Compensation awarded and due to former members of the Managing Board in the past fiscal year

The following table shows the non-performance-related and performance-related compensation components awarded and due to **former members of the Managing Board** who terminated their activities within the last ten fiscal years, including the respective relative share in accordance with Sec. 162 AktG:

COMPENSATION AWARDED AND DUE

		Mark Langer Chairman of the Managing Board (from May 19, 2016 until July 15, 2020) Member of the Managing Board (from January 15, 2010 until May 18, 2016)				**Bernd Hake** Member of the Managing Board (from March 1, 2016 until July 2, 2019)			
		2021		2020		**2021**		2020	
		in EUR thousand	**in %**	in EUR thousand	in %	**in EUR thousand**	**in %**	in EUR thousand	in %
Fixed compensation	Basic compensation	0	0	0	0	–	–	0	0
	Fringe benefits	0	0	0	0	–	–	0	0
	Pension allowance	0	0	0	0	–	–	0	0
Total		**0**	**0**	**0**	**0**	**–**	**–**	**0**	**0**
Short-term incentive	STI 2021	725	64	0	0	–	–	0	0
	STI 2020	0	0	656	72	–	–	0	0
Long-term incentive	LTI 2018–2021	404	36	0	0	–	–	0	0
	LTI 2017–2020	0	0	255	28	–	–	167	100
Total		**1,129**	**100**	**911**	**100**	**–**	**–**	**167**	**100**
Other	Pension payments	0	0	0	0	–	–	0	0
	Deferred compensation payments	0	0	0	0	–	–	0	0
Total compensation		**1,129**	**100**	**911**	**100**	**–**	**–**	**167**	**100**

No non-performance-related or performance-related compensation components were awarded and due to the former members of the Managing Board Claus-Dietrich Lahrs (Chairman of the Managing Board from August 1, 2008 to February 29, 2016) and Christoph Auhagen (ordinary member of the Managing Board from December 1, 2009 to April 22, 2016) in fiscal year 2021 or in fiscal year 2020.

Target compensation and actual compensation of the members of the Managing Board for the past fiscal year

The following table shows the respective **target compensation** of the members of the Managing Board active as of December 31, 2021 for fiscal year 2021. This includes the target compensation agreed for the fiscal year in the event of a target achievement of 100%, supplemented by details of the minimum and maximum compensation achievable on an individual basis. In addition, the allocation for the fiscal year are stated as **actual compensation** according to the GCGC. This actual compensation comprises the fixed compensation paid out in the fiscal year, the fringe benefits accrued in the fiscal year, the pension allowance due for the fiscal year, the payout due in March 2022 from the STI 2021, and the payout due in March 2022 from the LTI 2018–2021. The ongoing pension commitments also include the service costs incurred for the fiscal year in accordance with IFRS.

TARGET COMPENSATION AND ACTUAL COMPENSATION ACCORDING TO GCGC IN FISCAL YEAR 2021

		Daniel Grieder Chairman of the Managing Board (since June 1, 2021)				**Yves Müller** Member of the Managing Board (since December 1, 2017) Spokesperson of the Managing Board (from July 16, 2020 until May 31, 2021)			
(in EUR thousand)		**Target compensation**	**Minimum compensation**	**Maximum compensation**	**Allocation**	**Target compensation**	**Minimum compensation**	**Maximum compensation**	**Allocation**
Fixed compensation	Basic compensation 2021	758	758	758	758	750	750	750	750
	Fringe benefits 2021	68	68	68	68	30	30	30	30
	Pension allowance 2021	0	0	0	0	0	0	0	0
Total		**826**	**826**	**826**	**826**	**780**	**780**	**780**	**780**
Short-term incentive	STI 2021	875	875[1]	1,313	1,212	500	0	750	693
Long-term incentive	LTI 2021–2024	1,400	0	3,500	0	750	0	1,875	0
	LTI 2018–2021	–	–	–	0	–	–	–	294
Total		**2,275**	**875**	**4,813**	**1,212**	**1,250**	**0**	**2,625**	**986**
Pension	Service costs 2021	303	303	303	303	380	380	380	380
Other	Special compensation 2021	0	0	0	**0**	400	0	400	**400**
Total compensation		**3,404**	**2,004**	**5,941**	**2,341**	**2,810**	**1,160**	**4,185**	**2,546**

		Dr. Heiko Schäfer Member of the Managing Board (since March 16, 2020)				**Oliver Timm** Member of the Managing Board (since January 1, 2021)			
(in EUR thousand)		**Target compensation**	**Minimum compensation**	**Maximum compensation**	**Allocation**	**Target compensation**	**Minimum compensation**	**Maximum compensation**	**Allocation**
Fixed compensation	Basic compensation 2021	725	725	725	725	750	750	750	750
	Fringe benefits 2021	19	19	19	19	45	45	45	45
	Pension allowance 2021	0	0	0	0	0	0	0	0
Total		**744**	**744**	**744**	**744**	**795**	**795**	**795**	**795**
Short-term incentive	STI 2021	500	0	750	693	650	0	975	900
Long-term incentive	LTI 2021–2024	725	0	1,813	0	1,000	0	2,500	0
	LTI 2018–2021	–	–	–	0	–	–	–	0
Total		**1,225**	**0**	**2,563**	**693**	**1,650**	**0**	**3,475**	**900**
Pension	Service costs 2021	290	290	290	290	300	300	300	300
Other	Special compensation 2021	0	0	0	**0**	300	300	300	**300**
Total compensation		**2,259**	**1,034**	**3,596**	**1,726**	**3,045**	**1,395**	**4,870**	**2,295**

		Ingo Wilts Member of the Managing Board (from August 15, 2016 until February 28, 2022)			
(in EUR thousand)		Target compen-sation	Minimum compen-sation	Maximum compen-sation	Allo-cation
Fixed compensation	Basic compensation 2021	725	725	725	725
	Fringe benefits 2021	22	22	22	22
	Pension allowance 2021	0	0	0	0
Total		**747**	**747**	**747**	**747**
Short-term incentive	STI 2021	490	0	735	679
Long-term incentive	LTI 2021–2024	740	0	1,850	0
	LTI 2018–2021	–	–	–	286
Total		**1,230**	**0**	**2,585**	**965**
Pension	Service costs 2021	280	280	280	280
Other	Special compensation 2021	0	0	0	**0**
Total compensation		**2,257**	**1,027**	**3,612**	**1,992**

1 Target achievement of 100% guaranteed on a one-off basis for fiscal year 2021.

Compensation of the members of the Supervisory Board in fiscal year 2021

Principles of the compensation system for the Supervisory Board

The **compensation of the members of the Supervisory Board** as determined by the Annual Shareholders' Meeting is governed by Art. 12 of the Articles of Association of HUGO BOSS AG and provides both the abstract and the specific framework for the compensation of the members of the Supervisory Board. This ensures that the compensation of the members of the Supervisory Board always complies with the compensation system adopted by the Annual Shareholders' Meeting on May 27, 2020 and adjusted with effect from July 30, 2020.

The compensation of the members of the Supervisory Board comprises **only fixed components**. The compensation consists of two components: a fixed compensation, depending on the position of the respective Supervisory Board member, and additional compensation for the respective committee activities. The compensation regulation thus also takes into account the requirements of the GCGC.

Until July 30, 2020, the members of the Supervisory Board were compensated in accordance with the **previously applicable compensation regulation** of Art. 12 of the Articles of Association of HUGO BOSS AG. According to this regulation, compensation of Supervisory Board members was divided into a fixed and a variable component. The variable component was based on the amount of earnings per share in the consolidated financial statements. The position of Chairman of the Supervisory Board, that of the Deputy Chairman, as well as membership of the committees, were taken into account when calculating the compensation.

Structure and application of the compensation system of the Supervisory Board in fiscal year 2021

Each ordinary member of the Supervisory Board receives a **fixed annual compensation** of EUR 80 thousand (base amount). The Chairman receives 2.5 times (EUR 200 thousand) and the Deputy Chairman receives 1.75 times (EUR 140 thousand) this base amount.

In addition, **members of the Working Committee, the Audit Committee, and the Personnel Committee** will be paid an additional EUR 30 thousand each, and the Chairman of one of these committees will receive an additional EUR 60 thousand each. Members of the Nomination Committee receive an additional EUR 20 thousand. No compensation is paid for the Chairman and members of the Mediation Committee. However, additional compensation will only be paid for the three most highly remunerated positions on committees. This regulation leads to the setting of an individual **maximum compensation** for each member of the Supervisory Board in accordance with the positions held by the respective member in the committees.

COMPENSATION FOR SUPERVISORY BOARD ACTIVITY AND MEMBERSHIP IN A COMMITTEE

Compensation for Supervisory Board function		
Chairman	**Deputy Chairman**	**Ordinary Member**
EUR 200,000 2.5 times the base amount	EUR 140,000 1.75 times the base amount	EUR 80,000 Base amount

Compensation for membership in a committee			
Working Committee	**Audit Committee**	**Personnel Committee**	**Nomination Committee**
Chairman	Chairman	Chairman	Chairman
EUR 60,000	**EUR 60,000**	**EUR 60,000**	**–**
Ordinary Member	Ordinary Member	Ordinary Member	Ordinary Member
EUR 30,000	**EUR 30,000**	**EUR 30,000**	**EUR 20,000**

No further compensation is granted beyond the compensation described above. Consequently, the current system does not provide for a variable compensation component or for attendance fees.

The compensation is **paid out** after the end of the Annual Shareholders' Meeting that decides on the approval of the Supervisory Board for the respective past fiscal year. Members of the Supervisory Board who have only been members of the Supervisory Board or a committee for part of the fiscal year receive pro rata compensation for each month of service or part thereof. Members of the Supervisory Board are reimbursed expenses incurred in connection with the performance of their duties. Any value-added tax (VAT) is reimbursed by the Company if the members of the Supervisory Board are entitled to invoice the Company separately for the VAT and exercise this right.

In fiscal year 2021, the compensation system for the Supervisory Board was applied in full as set out in Art. 12 of the Company's Articles of Association. In fiscal year 2021, the members of the Supervisory Board **did not receive any further compensation or benefits** for services provided individually, in particular consulting and mediation services. Furthermore, no loans or advances were granted to the members of the Supervisory Board, nor were there any contingent liabilities in their favor.

Individualized disclosure of the compensation of the Supervisory Board

The following table shows the **fixed and variable compensation components which were awarded and due to current and former members of the Supervisory Board in the past fiscal year**, including the respective relative share in accordance with Sec. 162 AktG. In accordance with Art. 12 of the Company's Articles of Association, the total amount of the compensation of the Supervisory Board is due after the end of the Annual Shareholders' Meeting that decides on the approval of the Supervisory Board for the respective past fiscal year. The disclosure for fiscal year 2021 relates to the fixed compensation awarded for the Supervisory Board's activities in fiscal year 2021 (payout in fiscal year 2022) and the compensation awarded for committee membership in fiscal year 2021 (payout in fiscal year 2022).

COMPENSATION AWARDED AND DUE

Current members of the Supervisory Board		Fixed compensation (base amount)		Variable compensation[1]		Compensation for committee work		Total compensation	
		2021	2020	2021	2020	2021	2020	2021	2020
Hermann Waldemer Chairman	in EUR thous.	200	108	–	0	150	115	350	223
	in %	57	48	–	0	43	52	100	100
Sinan Piskin Deputy Chairman	in EUR thous.	140	78	–	0	90	64	230	142
	in %	61	55	–	0	39	45	100	100
Iris Epple-Righi	in EUR thous.	80	38	–	0	30	17	110	55
	in %	73	69	–	0	27	31	100	100
Katharina Herzog	in EUR thous.	80	38	–	0	30	17	110	55
	in %	73	69	–	0	27	31	100	100
Anita Kessel	in EUR thous.	80	48	–	0	30	25	110	74
	in %	73	66	–	0	27	34	100	100
Gaetano Marzotto	in EUR thous.	80	48	–	0	50	24	130	72
	in %	62	67	–	0	38	33	100	100
Luca Marzotto	in EUR thous.	80	48	–	0	60	48	140	97
	in %	57	50	–	0	43	50	100	100
Tanja Silvana Nitschke	in EUR thous.	80	48	–	0	30	17	110	65
	in %	73	74	–	0	27	26	100	100
Christina Rosenberg	in EUR thous.	80	38	–	0	30	15	110	53
	in %	73	71	–	0	27	29	100	100
Martin Sambeth	in EUR thous.	80	48	–	0	30	15	110	64
	in %	73	76	–	0	27	24	100	100
Bernd Simbeck (since Sep. 1, 2021)	in EUR thous.	27	–	–	0	20	–	47	–
	in %	57	–	–	0	43	–	100	–
Robin J. Stalker	in EUR thous.	80	38	–	0	60	33	140	71
	in %	57	54	–	0	43	46	100	100

COMPENSATION AWARDED AND DUE

Former members of the Supervisory Board		Fixed compensation (base amount)		Variable compensation[1]		Compensation for committee work		Total compensation	
		2021	2020	2021	2020	2021	2020	2021	2020
Antonio Simina until Aug. 31, 2021	in EUR thous.	53	58	–	0	40	53	93	111
	in %	57	53	–	0	43	47	100	100
Kirsten Kistermann-Christophe until May 27, 2020	in EUR thous.	–	10	–	0	–	0	–	10
	in %	–	100	–	0	–	0	–	100
Fridolin Klumpp until May 27, 2020	in EUR thous.	–	10	–	0	–	6	–	16
	in %	–	63	–	0	–	38	–	100
Michel Perraudin until May 27, 2020	in EUR thous.	–	30	–	0	–	55	–	85
	in %	–	36	–	0	–	64	–	100
Axel Salzmann until May 27, 2020	in EUR thous.	–	10	–	0	–	0	–	10
	in %	–	100	–	0	–	0	–	100

1 From the compensation system valid until July 30, 2020.

The employee representatives, who are members of a trade union, have declared they will pass their compensation to the Hans Böckler Foundation in accordance with the guidelines of the German Trade Union Confederation.

Comparative presentation of compensation and earnings development

The following comparative presentation shows the annual change in the compensation awarded and due to current and former members of the Managing Board and Supervisory Board, the **Company's earnings development** (in terms of sales, EBIT, the Group's net income, and net income of HUGO BOSS AG) and the **compensation of employees on a full-time equivalent basis**, the latter being based on the average wages and salaries of HUGO BOSS employees throughout the Group in the respective fiscal year.

COMPARATIVE INFORMATION – MANAGING BOARD AND SUPERVISORY BOARD COMPENSATION IN COMPARISON WITH EMPLOYEE COMPENSATION AND EARNINGS DEVELOPMENT

(Annual change in %)	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017	2017 vs. 2016
Key earnings figures					
Group sales	43%	(33)%	3%	2%	1%
Group's operating result (EBIT)	197%	(169)%	(1)%	2%	30%
Group's net income	166%	(207)%	(13)%	2%	19%
Net income of HUGO BOSS AG	163%	(191)%	(14)%	(17)%	10%
Employee compensation[1]					
Employees HUGO BOSS Group	9%[2]	–	–	–	–

(Annual change in %)	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017	2017 vs. 2016
Compensation of the Managing Board					
Members of the Managing Board as of December 31, 2021					
Daniel Grieder (Chairman since 06/2021)	–	–	–	–	–
Yves Müller (since 12/2017; Spokesperson of the Managing Board from 07/2020 until 05/2021)	70%	7%	(27)%	1647%	–
Dr. Heiko Schäfer (since 03/2020)	59%	–	–	–	–
Oliver Timm (since 01/2021)	–	–	–	–	–
Ingo Wilts (from 08/2016 until 02/2022)	36%	1%	(25)%	39%	227%
Former members of the Managing Board					
Mark Langer (Chairman from 05/2016 until 07/2020, Ordinary member from 01/2010 until 2005/16)	24%	(46)%	(27)%	25%	76%
Bernd Hake (from 03/2016 until 07/2019)	–	(48)%	(81)%	48%	215%
Christoph Auhagen (from 12/2009 until 04/2016)	–	–	–	–	–
Claus-Dietrich Lahrs (Chairman from 08/2008 until 02/2016)	–	–	–	–	–
Compensation of the Supervisory Board					
Members of the Supervisory Board as of December 31. 2021					
Hermann Waldemer (since 05/2015; Chairman since 05/2020)	57%	47%	(18)%	4%	(9)%
Sinan Piskin (since 11/2008; Deputy Chairman since 05/2020)	62%	37%	(18)%	4%	(9)%
Iris Epple-Righi (since 05/2020)	99%	–	–	–	–
Katharina Herzog (since 05/2020)	99%	–	–	–	–
Anita Kessel (since 05/2015)	49%	(8)%	(18)%	4%	(9)%
Gaetano Marzotto (since 02/2010)	80%	81%	(18)%	4%	(9)%
Luca Marzotto (since 02/2010)	45%	(7)%	(18)%	4%	(9)%
Tanja Silvana Nitschke (since 05/2015)	68%	64%	(18)%	4%	(9)%
Christina Rosenberg (since 05/2020)	106%	–	–	–	–
Martin Sambeth (since 08/2016)	73%	59%	(18)%	4%	142%
Bernd Simbeck (since 09/2021)	–	–	–	–	–
Robin J. Stalker (since 05/2020)	96%	–	–	–	–
Former members of the Supervisory Board					
Antonio Simina (until 08/2021, Deputy Chairman until 05/2020)	(16)%	(44)%	(22)%	4%	(9)%
Kirsten Kistermann-Christophe (until 05/2020)	–	(75)%	(18)%	4%	(9)%
Fridolin Klumpp (until 05/2020)	–	(75)%	(18)%	4%	(9)%
Michel Perraudin (Chairman until 05/2020)	–	(72)%	(15)%	3%	(8)%
Axel Salzmann (until 05/2020)	–	(75)%	(18)%	4%	(9)%

1 In accordance with Sec. 26J (2) sentence 2 EGAktG ["Einführungsgesetz zum Aktiengesetz": German Introductory Act to the Stock Corporation Act], a comparison of the average employee compensation on a full-time equivalent basis over the last five fiscal years in pursuant to Sec. 162(1) sentence 2 No. 2 AktG is not yet to be included in the compensation report.
2 The increase in employee compensation in fiscal year 2021 also reflects the measures implemented in the prior year in connection with COVID-19 to reduce working hours and personnel costs.

CEO Investment Opportunity

Prior to Daniel Grieder assuming his duties, a so called CEO Investment Opportunity was agreed between Daniel Grieder and the Marzotto family, the aim of which is to provide an **incentive for a substantial and sustainable increase in the share price of HUGO BOSS**. This is classified as compensation by a third party. The Supervisory Board discussed the CEO Investment Opportunity agreement at a plenary meeting and noted it with approval in a resolution. There are no conflicts of interest arising from the CEO Investment Opportunity, which is tied to the share price performance of HUGO BOSS. All shareholders in the Company benefit from a sustainable increase in the share price. In addition, attention is paid to the long-term development of the share price.

As compensation by a third party, the CEO Investment Opportunity is **explicitly not part of the compensation system** in accordance with Sec. 87a AktG. Therefore, it is not to be included in the maximum compensation.

Metzingen, March 9, 2022

HUGO BOSS AG
The Managing Board The Supervisory Board

LEGAL DISCLOSURES

Corporate governance statement published on the Company's website

Disclosures under takeover law are made pursuant to Sec. 289a (1), 315a (1) HGB

There are shares in the Company's capital exceeding 10% of voting rights

Corporate governance statement

The **corporate governance statement** (pursuant to Sec. 289f HGB) forms part of the combined management report and can be found at the Company's website at **cgs.hugoboss.com**. It is also included in the section "Corporate Governance and Corporate Governance Statement" of this annual report.

Disclosures under takeover law

The **disclosures under takeover law** pursuant to Sec. 289a (1) and Sec. 315a (1) HGB, which are part of the audited combined management report, are presented and explained below. As far as the Managing Board is aware, there is no further need for any declarations under Sec. 176 (1) Sentence 1 AktG.

Composition of subscribed capital

The subscribed capital of HUGO BOSS AG consists of 70,400,000 no-par value registered ordinary shares with a pro-rata amount of the share capital of EUR 1.00 per ordinary share. The shares are fully paid up. All the shares have the same rights and obligations attached to them. Shareholder rights and obligations derive from the provisions of AktG, in particular those in Sec. 12, 53a ff., 118 ff. and 186 AktG.

Restrictions on voting rights or the transfer of shares

Each share confers one vote at the Annual Shareholders' Meeting and determines the shareholders' proportion of the Company's profits. This does not include own shares held by the Company, from which the Company derives no rights. In the cases in Sec. 136 AktG, the voting right under the affected shares is excluded by law.

Shares in the Company's capital exceeding 10% of the voting rights

On the basis of the voting rights notifications received by the Company on or before December 31, 2021 in accordance with Sec. 33, 34 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act], the following direct or indirect shares in the Company's capital reach or exceed 10% of the voting rights:

According to the voting rights notifications of February 13, 2020 received from PFC S.r.l., Vicenza, Italy, and Zignago Holding S.p.A., Fossalta di Portogruaro, Italy, these companies together hold 15.45% of the voting rights. According to the notification, there is an agreement between the companies resulting in the voting rights held by the companies being attributed to the respective other company. Specifically, PFC S.r.l. directly holds 5.77% of the voting rights in accordance with Sec. 33 WpHG, while Zignago Holding S.p.A directly holds 9.03% of the voting rights in accordance with Sec. 33 WpHG. In addition, PFC S.r.l. holds 0.27% of the voting rights, and Zignago Holding S.p.A. holds 0.38% of the voting rights via instruments pursuant to Sec. 38 (1) No. 2 WpHG. In total, the combined investment thus exceeds 15% of the voting rights. HUGO BOSS AG has not been notified as of December 31, 2021 of any other direct or indirect capital investments that reach or exceed 10% of the voting rights.

All **notifications on changes in the share of voting rights held** are available at the corporate website at **financialreleases.hugoboss.com**. In addition, the reportable shareholdings notified in fiscal year 2021 can be found in the annual financial statements of HUGO BOSS AG for fiscal year 2021.

Shares with special rights granting control authority

There are no shares with special rights granting control authority.

Voting right controls for shares held by employees in the Company's capital

There are no voting right controls applicable to employees who hold shares in the capital of HUGO BOSS AG and are unable to directly exercise their control rights.

Appointment and dismissal of the Managing Board

The **appointment and dismissal of members of the Managing Board** of HUGO BOSS AG is in accordance with Sec. 84 and Sec. 85 AktG and Sec. 31 MitbestG ["Mitbestimmungsgesetz": German Co-Determination Act] in conjunction with Art. 6 of the Articles of Association. In accordance with Art. 6 (1) of the Articles of Association, the Managing Board comprises at least two members. The number of members of the Managing Board is determined by the Supervisory Board pursuant to Art. 6 (2) of the Articles of Association. The Supervisory Board can appoint a Chairman and a Deputy Chairman of the Managing Board. The Supervisory Board can revoke a person's appointment to the Managing Board and appointment to the position of Chairman of the Managing Board for due cause. In accordance with Art. 6 (3) of the Articles of Association, members of the Managing Board may not, as a rule, be older than 60 years of age when they are appointed. They are appointed by the Supervisory Board for no more than five years.

Amendments to the Articles of Association

Amendments to the Articles of Association are made by resolutions passed at the Annual Shareholders' Meeting. Unless prescribed otherwise by the German Stock Corporation Act, resolutions are passed pursuant to Art. 17 (2) of the Articles of Association by simple majority of the votes cast and – if a majority of the capital represented when passing a resolution is required – by simple majority of the share capital represented when the resolution is passed. Pursuant to Art. 20 of the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that only affect the wording.

Powers of the Managing Board with respect to the issue and repurchase of shares

The Managing Board of HUGO BOSS AG may, with the Supervisory Board's consent, increase the share capital by up to EUR 17,600,000 on or before May 10, 2026, by issuing up to 17,600,000 new registered shares on a cash and/or non-cash basis once or repeatedly **(2021 authorized capital)**. In general, shareholders have a subscription right. However, the Managing Board is authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of shareholders up to a maximum of 10% of the share capital (a) to avoid fractional amounts, (b) in the case of a capital increase in exchange for contributions in kind, and (c) in the event that the issue price of new shares in the case of cash-based capital increases is not significantly below the quoted price of the shares already listed on the stock exchange at the time the issue price is finally determined, the time of which should be as close as possible to the time at which the shares are placed; the shares issued, including any shares issued or own shares sold under exclusion of subscription rights pursuant to Sec. 186 (3) Clause 4 AktG – applied directly or by analogy – may not exceed 10% of the share capital either at the time this authorization becomes effective or at the time when it is exercised.

By resolution of the Annual Shareholders' Meeting of May 11, 2021, the Managing Board was authorized until May 10, 2026, with the consent of the Supervisory Board, to issue convertible bonds and/or bonds with warrants, profit participation rights and/or income bonds (or combinations of these instruments) in registered form or made out to the bearer, with or without a maturity, once or several times, including in different tranches simultaneously, in the total nominal amount of up to EUR 750,000,000. In this context, the share capital was conditionally increased by up to EUR 17,600,000 through the issue of up to 17,600,000 new no-par-value registered shares **(2021 conditional capital)**. The conditional capital increase shall only be implemented to the extent that the holders or creditors of conversion/warrant rights arising from the bonds can make use of the bonds, satisfy conversion/warrant obligations or offer shares and no other means of satisfying such rights or obligations are implemented. In general, shareholders have a subscription right. However, the Managing Board is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of shareholders up to a maximum of 10% of the share capital (a) in the case of bonds issued in return for cash consideration and whose issue price is not substantially lower than the theoretical market value of the bonds calculated in accordance with generally accepted methods used in financial mathematics, (b) to avoid fractional amounts, (c) if necessary, to grant the holders or creditors of bonds a subscription right to bonds, as they would be granted as a shareholder, (d) in the case of bonds issued against non-cash contribution; the shares issued, including any shares issued or own shares sold under exclusion of subscription rights pursuant to Sec. 186 (3) sentence 4 AktG – applied directly or by analogy – may not exceed a total of 10% of the share capital at the time this authorization becomes effective or at the time when it is exercised. In addition, the Managing Board is authorized, subject to the consent of the Supervisory Board, to exclude the subscription rights if income bonds and/or profit participation rights are issued without warrant or conversion rights, or warrant or conversion obligations, if these income bonds and/or profit participation rights have a bond-like character.

Pursuant to the resolution of the Annual Shareholders' Meeting of May 27, 2020, the Managing Board is authorized until May 26, 2025, to acquire own shares of the Company up to a total share of no more than 10% of the share capital outstanding as of May 27, 2020, or, if this value is lower, the share capital outstanding at the time the authorization is exercised. The authorization can be exercised directly by HUGO BOSS AG, by a company dependent on HUGO BOSS AG or in which it holds a majority interest, or by commissioned third parties and permits the acquisition of own shares fully or in partial amounts, once or several times. The acquisition can be made through the stock exchange or a public offer addressed to all shareholders to submit sale offers or through the granting of put options to the shareholders. The authorization also allows for a restriction of the principle of equal treatment of all shareholders and any rights of the shareholders to sell shares to the Company in connection with the acquisition of the shares.

Own shares acquired under this authorization can be sold again through the stock exchange or through an offer addressed to all shareholders (also while excluding subscription rights of shareholders). With the consent of the Supervisory Board, they can also be redeemed as compensation, precluding the subscription rights of the shareholders, for the acquisition of companies and investments in companies, for sale at a price that does not fall materially short of the current quoted price and for the admission of the share to foreign stock exchanges. In addition, the Managing Board is authorized, with the consent of the Supervisory Board, precluding the subscription rights of the shareholders, to offer own shares to current or former employees or members of executive bodies of HUGO BOSS AG or affiliated companies, as well as to use the shares for the fulfilment of conversion and warrant rights or conversion obligations of HUGO BOSS AG or its affiliated companies, and to use the shares to carry out a stock dividend. In addition, in the case of an offer to all shareholders to purchase own shares, the subscription right for fractional shares may be excluded. By resolution of the Annual Shareholders' Meeting of May 27, 2020, the Managing Board is further authorized to acquire own shares using equity derivatives.

Change of control regulations

The syndicated loan taken out by HUGO BOSS AG and HUGO BOSS International B.V. and guaranteed by HUGO BOSS AG as well as the bilateral lines of credit contain standard market conditions that grant the contracting parties additional termination rights in the event of a change of control – known as "change of control clauses".

Compensation agreements

The service agreements of the members of the Managing Board Yves Müller, Dr. Heiko Schäfer and Ingo Wilts contain a provision under which, in the event of a change of control (acquisition of more than 30% of the voting rights in HUGO BOSS AG), the contracting parties are granted an additional termination right under certain circumstances and, if the service agreement is in fact terminated, the member of the Managing Board must be compensated. The contracts of Daniel Grieder and Oliver Timm, on the other hand, do not provide for any corresponding provisions for a "change of control". > Compensation Report