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FOREWORD BY THE MANAGING BOARD

Dear Readers,

The year 2016 was shaped by change – globally and also at HUGO BOSS. It is all the more important that we reflect upon the foundations of our Company's success: quality, innovation and responsibility. We also focus upon living together sustainably and being well positioned for the future.

In order to harness new opportunities and realize our potential, we need to be more agile, open and act together responsibly. In the past year, we were able to set an example at HUGO BOSS in this respect. The second Sustainability Days held in October 2016 demonstrated how committed and consistent new solutions are developed in all areas of sustainability management at HUGO BOSS. Our first stakeholder dialog was held shortly thereafter, which was characterized by open and transparent discussions with partners, experts and representatives from non-governmental organizations. We obtained many new ideas, as well as acknowledgment of what we are already doing.

The good evaluation of our climate management by CDP (formerly the Carbon Disclosure Project), as well as the initial valuable results of our collaboration with the Natural Capital Coalition demonstrate that we have been able to make a significant impact in a short period of time. We want to harness this momentum, continue to gain employee appreciation of our sustainability strategy and mobilize their enthusiasm for new approaches. Acting responsibly and in a future-oriented way requires the involvement of each and every employee. Many employees are actively committed to supporting the integration of refugees, which is something we can be proud of. Of course, there are still topics that we wish to continue working on. Ensuring fair and safe working conditions in our complex supply chain remains a prominent theme.

At HUGO BOSS, sustainability is a constant effort. We intend to continue moving consistently forward along this path. Regular independent ratings are used in order to realize potential improvements. We are convinced that our sustainable actions strengthen our Company and our brand, and contribute towards making us an attractive employer. Therefore, I would like to take this opportunity to thank all our employees, partners and everyone else who is committed to sustainability at HUGO BOSS, and with whom we are engaged in open dialog. We wish to also continue in this direction in the future – with the knowledge that we need to collaborate in order to act responsibly and successfully.

We hope you find this report about our sustainability activities in 2016 of interest and we look forward to receiving your suggestions and constructive criticism.

Metzingen, May 2017



Mark Langer

CEO and Chairman of the Managing Board

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REPORT PROFILE

HUGO BOSS AG hereby presents its fourth sustainability report. It addresses a broad readership including employees, customers, business partners, shareholders, investors, non-government organizations (NGOs), as well as representatives from business, academia, government, and the community. The report is published on an annual basis and provides information about the Group's existing and planned sustainability targets and activities. It was written in line with the G4 guidelines of the Global Reporting Initiative (GRI) in accordance with the "core" option. In order to determine and prioritize the report content, the Company conducted a comprehensive materiality analysis in 2015, which was confirmed in 2016 as part of the strategy work and stakeholder dialog.

The report focuses on the HUGO BOSS Group. Unless stated otherwise, all the quantitative details relate to production, logistics and administration locations and the Group's own retail activities in Europe, North America and Asia/Pacific. The companies included in the report are the same as those from 2014; → **Sustainability Report 2014**, see pages 3–4. In 2015, HUGO BOSS established structures and processes for collecting environmental data in the Group's own retail activities and was able to disclose valid key figures in relation to electricity consumption. In addition to electricity consumption, which was reported in 2015, heating energy, greenhouse gas emissions, water, wastewater and waste categories are reported as of 2016.

Since some of the sustainability targets of HUGO BOSS relate to development compared with the base year 2010, key figures are partially illustrated as they would result from the scope of the companies included in base year 2010.

EDITORIAL NOTES

The report is based on the fiscal year 2016, corresponding with the calendar year 2016. It has been approved by the HUGO BOSS AG Managing Board.

Whenever the masculine form is used in this report for the purpose of readability, this of course applies equally to the feminine form as well. The editorial deadline was May 3, 2017. The report is available in German and English.

COMPANY PROFILE

The HUGO BOSS Group is one of the market leaders in the upper premium segment of the global apparel market. The Company offers a comprehensive range of high-quality fashion, as well as accessories in the womenswear and menswear segments under the BOSS and HUGO brands. The product portfolio consists of modern tailoring, elegant evening wear, leisure wear, shoes, leather accessories, as well as licensed fragrances, eyewear, watches, children's fashion, home textiles and writing instruments.



€2.7 billion

in sales in 2016



Approximately **14,000** employees,
of whom 59% are women and 41% men



4 in-house production facilities in
Germany, Italy, Poland and Turkey



Around **1,100** own retail stores



4 collections per year

As an internationally operating company, the Group sells its collections in 127 countries around the world (2015: 125 countries), with Europe as the largest market accounting for 61% of sales. Further important markets are the Americas (22% of sales) and Asia/Pacific (14% of sales). Licensing business accounts for 3% of sales. The HUGO BOSS Group has a regional structure, with its business segments divided into three regions – Europe including the Middle East and Africa, the Americas and Asia/Pacific. The Group's licensing business constitutes an additional operational area.

The textile supply chain is typically characterized by complex processes that are to a large extent beyond a company's boundaries. As a result, sourcing activities play a fundamental role. To ensure the excellent craftsmanship and optimum availability of its products, HUGO BOSS works with a stable network of experienced and specialized suppliers. The HUGO BOSS Group had an active supplier relationship with 231 finished goods suppliers in the reporting year (2015: 257). In the interests of minimizing risk, the sourcing volume is spread across a global network of suppliers to reduce exposure to individual production facilities as much as possible.

WE

Creating values together

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Sustainability is a fixed component of the HUGO BOSS mission statement, strategy and business processes. The aim is to ensure long-term success for the Company through continuous improvement and anticipatory management of opportunities and risks. When developing and implementing its sustainability strategy, HUGO BOSS relies upon dialog and collaboration with its stakeholders and orientates towards the Sustainable Development Goals of the United Nations.

SUSTAINABLE DEVELOPMENT GOALS

HUGO BOSS is making a particular contribution towards implementing the following goals:



MANAGEMENT APPROACH

Sustainable business activity is viewed by HUGO BOSS as an opportunity for ensuring the high quality expected by customers, as well as socially and environmentally friendly production. Both aspects are considered an essential prerequisite for customer loyalty and innovative capability, and therefore as key factors for the Company's long-term success. At the same time, sustainability is an important aspect for further developing the business model through a forward-looking approach, making efficient use of resources and optimizing processes throughout the entire value chain.

Facing the expectations of its main stakeholders, identifying different requirements and holding joint discussions over the challenges and possible solutions to them – all these aspects are viewed by HUGO BOSS AG as a business necessity and as an opportunity to create added value for both society and the Company. Under "We", HUGO BOSS brings together the principles of sustainability management and the dialog with its stakeholders. In 2015, a comprehensive materiality analysis was carried out that served as the basis for the strategy work in the reporting year.

HUGO BOSS has summarized the foundations of its stakeholder management in a Stakeholder Engagement Commitment that can be viewed on the Group's website → group.hugoboss.com.

In light of the business activity in different regions and legal systems, the HUGO BOSS Code of Conduct and strict internal compliance regulations create legal certainty with the employees. Corporate governance at HUGO BOSS meets national and international standards and is an important factor for long-term business success.

The HUGO BOSS Code of Conduct is publicly available on the Group website at → group.hugoboss.com.

STRATEGY AND MANAGEMENT

At HUGO BOSS, sustainability is one of the five attributes that are integrated in its → **corporate strategy** and established in its operational departments.

For further information regarding the HUGO BOSS Group strategy; see page 46 ff of the → **Annual Report 2016**.

THE HUGO BOSS SUSTAINABILITY FIELDS OF ACTION



STRATEGIC PRIORITIES OF THE HUGO BOSS FIELDS OF ACTION

	We	▶ Stakeholder engagement		
	Environment	▶ Climate protection	▶ Sustainable store concept	
	Employees	▶ Employee satisfaction	▶ Occupational health and safety	▶ Human rights
	Partners	▶ Social Standards	▶ Environmental protection	▶ Transparency
	Products	▶ More sustainable materials	▶ Product innovation	▶ Targeted customer communication
	Society	▶ Promotion of perspectives through education		

The sustainability strategy is based on the six fields of action – We, Environment, Employees, Partners, Products and Society – as well as the materiality analysis conducted in 2015. Using a multistage process, the current approaches and targets, as well as strategic priorities were further defined in the six fields of action in 2016. Important impulses were also provided through the stakeholder dialog, which was held in 2016 for the first time.

01|01 MATERIALITY MATRIX 2016



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The basis for the **strategy work** was the materiality analysis conducted in 2015, which involved internal and external stakeholders. Using a multistage process, relevant issues were identified and evaluated in an internal workshop in October 2015. The results were presented to the Sustainability Committee and approved by the Managing Board.

The Sustainability Program which was further developed in the course of the strategy work can be found on pages 60 ff. The process of strategy work is described in the Sustainability Brochure (Thinking Beyond, Acting To The Point) 2016 on page 9.

The Managing Board of HUGO BOSS AG has the overall responsibility for sustainability. During its meetings, it regularly tackles issues relating to occupational health and safety, employee development, risk management, stakeholder dialog and environmental protection. It also decides upon the Group-wide applicable standards and guidelines for sustainability. In order to implement this strategy consistently, the Company has an appropriate sustainability management.

The Sustainability Committee is the central committee for managing the sustainability strategy. It is presided over by the Chief Executive Officer. In the reporting year it was comprised of managers from all relevant central functions (Brand and Creative Management, Business Solutions, Central Services, Finance, Global Communications, Global Sustainability, Human Resources, Investor Relations, Legal Affairs, Logistics, Operations, Retail). The Sustainability Committee is currently composed of 15 members in total.

In 2016, the committee's work focused on revising the sustainability strategy, including the strategic goals, the first international stakeholder dialog, the expansion of cooperations with alliances, the internal Sustainability Days and the development of measures in regards to sustainable and innovative products.

CORPORATE GOVERNANCE

HUGO BOSS is convinced that **good and transparent corporate governance**, which adheres to German and international standards is a key factor in the Group's long-term success. To this end, the Company essentially follows the requirements of the German Corporate Governance Code (DCGK) and issues a compliance declaration every year; see → **Annual Report 2016**, pages 27–28.

Further information on the composition, the tasks and the compensation of the management and supervisory bodies of HUGO BOSS can be found in the → **Annual Report 2016** on pages 7–12 and 90–101.

Responsible handling of risks by the Group constitutes a key element of good corporate governance. **Systematic risk management** permits the Group to identify and evaluate risks at an early stage and to optimize risk positions using appropriate measures. The independent risk management function at the HUGO BOSS AG headquarters is responsible for coordinating the Group-wide risk management. The team is dedicated to further developing the tools of the risk management system and ensuring that risks are identified Group-wide and recorded at regular, predefined intervals.

The process of capturing and aggregating global risks is carried out on the basis of a Group-wide applicable risk atlas that summarizes the individual risks into themed risk areas.

Tax risks, risks in relation to suppliers and sourcing markets, as well as occupational health and safety risks, environmental risks and climate change form a fixed element and are managed through the standardized risk management process. Furthermore, a special tool is used in supplier management that detects and evaluates the country-specific risks; see → **Partner section on page 37**.

The Supervisory Board is involved in risk management via an Audit Committee and regularly deals with relevant issues. For further information on the subject of risk management and the role of the Supervisory Board; see the → **Annual Report 2016**, page 105 ff.

VALUE-BASED CORPORATE GOVERNANCE

A value-based corporate culture forms the basis for collaboration at HUGO BOSS. The focus lies on the five company values; quality, passion, respect, cooperation and innovation. These values form the principles of daily collaboration and are also integrated into the employees' goals.

The **Code of Conduct** is also an important element of the value-based corporate culture at HUGO BOSS and is binding for all employees. To avoid problems with language and comprehension among employees globally, the Code of Conduct is available in more than ten languages and is available to the employees in electronic format. The Code governs relations within the Group, as well as with customers, suppliers and service providers. It contains rules on conflicts of interest, occupational health and safety, as well as corruption and bribery. HUGO BOSS does not tolerate misconduct or infringements of the Code of Conduct.

COMPLIANCE

Corporate compliance comprises the **measures to ensure adherence to legal and official regulations**, as well as the Company's internal guidelines and codes which the Group has undertaken to observe. Corporate compliance and its observance by Group companies is seen as a major responsibility of the Managing Board at HUGO BOSS. This includes antitrust and anti-corruption regulations, as well as provisions under capital market laws. A compliance officer who reports directly to the Chief Executive Officer as Chief Compliance Officer supports the Managing Board's monitoring of effective compliance management. The Supervisory Board's Audit Committee is regularly informed about the Compliance Office's activities.

Employees are regularly familiarized with the contents of the Code of Conduct and the regulations of further corporate guidelines, and are thus made aware of the importance of observing the compliance requirements. For further information see the → **Employees section on pages 32–33**.

Employees can obtain support and advice on issues concerning legally correct conduct from their superiors, the central Compliance Officer or the local compliance officers in the Group companies. HUGO BOSS has also established an independent global ombudsman system as a supplementary reporting channel. Employees, as well as third parties can report violations of compliance guidelines, antitrust infringements or offenses to an external ombudsman on a confidential basis and anonymously.

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During the reporting period, all the companies included in the reporting scope were examined for possible corruption risks. Furthermore, two business locations were audited for compliance with human rights. No cases of corruption were observed in 2016. Nor were any complaints submitted with regard to anticompetitive conduct in the area of consumer protection ✓ or as a result of the infringement of diversity and equal opportunities for employees.

Nine discrimination incidents were reported within the Group. The Company is committed to ensuring the complete clarification of each individual case and taking suitable measures where required. In 2016, suitable measures were implemented and completed in all cases.

Through responsible corporate governance and ethically correct conduct in international business activities, HUGO BOSS understands its obligation to ensure compliance with international applicable tax laws through **clearly defined internal structures and processes**. The Chief Executive Officer, who is currently also responsible for Group Finance & Tax, has overall responsibility for all tax-related themes within the Group. The central tax function reports directly to him. Tax-related issues are regularly analyzed and evaluated by this function. This forms a fixed element of Group-wide risk management; see → **Annual Report 2016**, page 118ff. The estimation of external local experts, such as lawyers and tax advisors is also taken into account.

The Group is aware of the importance that tax-related issues play in the development of local and global economies. For this reason, HUGO BOSS has independently formulated a tax strategy, which it will publish on its website. All subsidiaries perform active retail and business activities on company premises or are shelf companies without any activities. HUGO BOSS reports profits in the countries in which it operates, and disclosure follows internationally and nationally recognized standards. The tax authorities are informed of all the HUGO BOSS Group companies and their respective functions. The Group's basis of consolidation is illustrated transparently in the → **Annual Report 2016** on pages 149–150.

Data privacy also forms part of compliance. **Data privacy guidelines** ensure that the respective legal data privacy regulations are observed in all countries. There were no complaints in this respect in the reporting year.

In 2016, the Group did not incur any penalties as a result of environmental violations ✓. In the proceedings due to soil contamination in Italy, the court judged in favor of HUGO BOSS in the second instance in October 2016. The case is closed now.

STAKEHOLDER DIALOG

As a global company in the apparel industry, HUGO BOSS stands at the crossroads of varying interests and opposing positions. As a result, new ways must be found for reconciling business success with the necessary consideration of people and the environment.

The **exchange with the relevant stakeholders** is fostered by HUGO BOSS. Dialog with stakeholders was further developed already in fiscal year 2014 on the basis of a stakeholder analysis based on Standard AA 1000, and was supplemented by standardized processes.

01|02 FORMATS AND APPROACHES FOR STAKEHOLDER COMMUNICATION

(Potential) employees	Intranet, cooperation with universities, HUGO BOSS website, social networks, trade fairs, employee newspaper, works council, works meeting, seminars
Customers	Customer service (phone or email), customer surveys (including sustainability issues), HUGO BOSS website, customer brochures, social networks, personal discussions, points of sale, customer events and fashion shows
Business partners	Supplier development, workshops, audits, personal discussions
Shareholders and investors	Annual report, quarterly report, telephone conferences, annual general meeting, analysts' conferences, Investor' Day, personal discussions during company visits, roadshows and conferences
Society	Press releases, press conferences, information events, personal discussions, HUGO BOSS website
NGOs	Individual enquiries, personal discussions, thematic discussions, participation in surveys

The Group maintains direct exchange with its external stakeholders throughout the year. HUGO BOSS has further strengthened existing contacts, such as with scientific institutions and the dialog with organizations for animal welfare and protection of biodiversity was continued.

For the first time in 2016, HUGO BOSS held an **international stakeholder dialog** on sustainability. On two days, the participants, including representatives of various non-governmental organizations, union representatives, supply chain experts, researchers and partners; met with members of the HUGO BOSS management team and discussed important issues.

For further information on stakeholder engagement at HUGO BOSS, visit the Group's website → group.hugoboss.com.

The ongoing exchange between employees and the Managing Board is actively encouraged at HUGO BOSS. Employees have the opportunity to speak personally with the members of the Managing Board through different dialog formats, such as the Managing Board forum, the Managing Board breakfast and the annual staff meeting at HUGO BOSS AG. Various dialog formats were used in 2016 to enable exchange between the management team and the employees. Besides, local employee satisfaction surveys were conducted in Europe and Asia, in line with a Group-wide applicable standard (Great Place to Work® Germany). This will continue to be rolled out in the future; see → **Sustainability Program on page 62**.

AWARDS DURING THE REPORTING PERIOD

- “DACH Sector Leader” in the CDP
- RobecoSAM Sustainability Award Bronze Class 2017 and inclusion in the RobecoSAM “Sustainability Yearbook 2017”
- Member of the STOXX Global ESG Leaders Index
- Inclusion in the FTSE4Good Index
- Top 50 position in the Forbes ranking of the most trustworthy companies
- DGNB “Platinum” certificate for the building “D15” in Metzingen and the flat-packed goods distribution center in Filderstadt
- “Second Best Employer” Working in Fashion – TextilWirtschaft
- 2016 Corporate Health Award in the category “Excellence”
- Corporate Consciousness Award – Humane Society of the United States
- Henry Spira Humane Corporate Progress Award – Humane Society of the United States

HUGO BOSS also achieved fourth place in the TEX sector as part of the DJSI Assessment.

MEMBERSHIPS IN ASSOCIATIONS AND INTEREST GROUPS

- Accord on Fire and Building Safety in Bangladesh
bangladeshaccord.org
- Apparel and Footwear International RSL¹ Management (AFIRM) Group
afirm-group.com
- Association for Real Estate and Facility Managers e.V. (RealFM)
realfm.de
- Partnership for Sustainable Textiles (initiative of the German federal government)
textilbuendnis.com
- German Sustainable Building Council (DGNB)
dgnb.de
- German investor relations association (DIRK)
dirk.org
- German Association for Human Resources (DGFP)
dgfp.de
- Dialog Textil-Bekleidung e.V. (DTB)
dialog-dtb.de
- Fair Labor Association (FLA)
fairlabor.org
- Global Social Compliance Programme (GSCP)
theconsumergoodsforum.com/gscp-home
- Global Apparel, Footwear and Textile Initiative (GAFTI)
gafti.org
- German Fashion Association
germanfashion.net
- Südwesttextil e.V.
suedwesttextil.de
- TicinoModa (committee member)
ticinomoda.ch
- Verein Deutscher Textilveredlungsfachleute e.V. (VDTF) (supporting member)
vdtf.de

¹ Restricted Substances List.

EXTERNAL STANDARDS AND AGREEMENTS

- Signatory of the Diversity Charter
charta-der-vielfalt.de
- GSCP standard for environmental audits
- ISO 9001, ISO 14001, ISO 14041 and ISO 50001¹

¹ All ISO certifications mentioned in the text refer to the DIN EN ISO norms.

ENVIRONMENT

Preserving natural resources

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HUGO BOSS takes a leading position in terms of environmental protection and sets itself challenging targets to this end in line with internationally recognized standards. These targets relate to logistics, the planning and operation of the Group's retail stores, administration locations and production facilities.

MANAGEMENT APPROACH

Environmental protection is given high priority at HUGO BOSS. The aim of environmental management is to continually reduce the environmental impact of the Company's activities.

The fundamentals of **environmental protection in all relevant business areas** at HUGO BOSS are described in detail in the Environmental Commitment published in 2015. These also apply to all partners from which the Group purchases goods, see → **Partner section**. Additional requirements defined in the document cover transportation and logistics. Furthermore, the Company has defined the basis for the construction and operations of its retail stores in a Sustainable Store Concept. The concept will be rolled out gradually as of fall 2017.

Important aspects of HUGO BOSS' environmental performance include climate protection and the efficient use of natural resources. In this context, the Company has set specific targets and reports continuously on the implemented measures and progress thereof; see → **page 61**. In order to achieve its environmental targets, HUGO BOSS utilizes environmental and energy management systems in accordance with ISO 14001 and ISO 50001, as well as measures to increase energy efficiency. The Company recognizes the huge opportunity of harmonizing economic and environmental interests in this respect. Facilities are also increasingly using energy from renewable sources.

The HUGO BOSS Managing Board is responsible for Group-wide environmental protection. The members of the Managing Board sit on various committees and regularly receive reports on the progress and measures towards achieving the environmental targets. Compliance with environmental protection laws and the integration of environmental aspects in business decisions are firmly anchored in the Group.



The Company contributes with its environmental activities to the thirteenth goal of the Sustainable Development Goals.

02|01 LOCATIONS WITH ISO CERTIFICATIONS



DIN EN ISO 14001
HUGO BOSS Textile Industries Ltd.
(since 2014)
HUGO BOSS Shoes and Accessories Italia S.p.A.
(since 2015)



DIN EN ISO 50001
HUGO BOSS AG (since 2012)
HUGO BOSS Textile Industries Ltd. (since 2014)
HUGO BOSS Ticino SA (since 2015)
HUGO BOSS AG – retail stores
in Germany and Austria (since 2016)

For further information on the activities to reduce the environmental impact in the supply chain; see the chapter entitled → **Partners**.

For the first time, comprehensive data for the retail stores are included in the following environmental key figures (starting 2016). In addition to electricity consumption, which was reported in 2015, heating energy, greenhouse gas emissions, water, wastewater and waste categories are reported as of 2016. Reporting is based on 275 own stores (not including shop-in-shops), as well as outlets. The disclosed data for retail is partially based on extrapolations or estimations.

ENERGY

HUGO BOSS regularly reviews the potential to **increase the energy efficiency** of its buildings. The use of energy-efficient technologies is taken into account from the start in the planning phase of new buildings. When renovating and constructing new buildings, the Company always strives to reduce the energy consumption and associated emissions through its own energy supply systems and energy-efficient technologies. Categorically, HUGO BOSS seeks to obtain sustainability certifications for all own newly built business properties.

During the reporting year, HUGO BOSS implemented various energy efficiency measures. Besides better utilization of the combined heat and power units (at the Metzingen and Filderstadt sites), measures have been introduced at the international locations to reduce electricity consumption. This includes optimizing operating hours and organizational processes, the use of timers and the refurbishment of technical equipment with a focus on energy efficiency.

At the Company headquarters in Metzingen, the Group purchased around 90% of its electricity from renewable energy sources in 2016. The photovoltaic systems on the roof of the flat-packed goods distribution center in Filderstadt and the administration building D15 on the Metzingen campus generated around 613,572 kWh of electricity in 2016. In total, the volume of electricity from renewable energies within the Group, including retail, equated to 21,998 MWh.

02|02 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY TYPE INCL. RETAIL¹ (in MWh)

	2016
Direct energy consumption	39,284
Indirect energy consumption	71,612
Total energy consumption	110,896

¹ Energy data for retail are generally based on data queries at stores and outlets. 30% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data have been conducted by calculating average values (kWh/m²) for all other stores and outlets.

02|03 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY REGION AND BY ENERGY SOURCE ✓
INCL. RETAIL¹ (in MWh)

Direct energy consumption	Europe	Americas	Asia/Pacific	Total
Heating oil	209	–	–	209
Liquified petroleum gas (LPG)	413	–	7	420
Natural gas	33,839	3,662	14	37,515
Other energy sources	593	–	–	593
Photovoltaic	547	–	–	547
Total direct energy consumption	35,601	3,662	21	39,284
Indirect energy consumption	Europe	Americas	Asia/Pacific	Total
Certified green electricity	21,541	–	457	21,998
Electricity	26,908	16,308	6,398	49,614
Total indirect energy consumption	48,449	16,308	6,855	71,612

¹ Energy data for retail are generally based on data queries at stores and outlets. 30% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data have been conducted by calculating average values (kWh/m²) for all other stores and outlets.

In the reporting year, energy consumption at the analyzed locations was 110,896 MWh. Under consideration of reporting limits from the previous year (excluding retail), this equates to a reduction of 2% in comparison with 2015.

02|04 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY ENERGY TYPE – 2016 INCL. RETAIL¹ (in MWh)

	✓ 2016	2015	2014
Direct energy consumption	39,284	36,674	34,726
Indirect energy consumption	71,612	41,210	41,229
Total	110,896	77,884	75,955

¹ Energy data for retail are generally based on data queries at stores and outlets. 30% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data have been conducted by calculating average values (kWh/m²) for all other stores and outlets.

As some of the environmental targets of HUGO BOSS are measured with the base year 2010, the respective key figures are illustrated in some of the following tables, as they would result from the scope of the companies included in base year 2010.

The decrease of heating oil consumption in 2015 was a result of the closure of the warehouse in Frickenhausen at the end of 2014. The scheduled emptying of the existing tanks at the production site in Izmir resulted in an increase in absolute liquid gas consumption in 2016.

02|05 ENERGY CONSUMPTION WITHIN THE ORGANIZATION BY ENERGY SOURCE¹ (in MWh) –
Like-for-Like (baseline year 2010)

	2016	2015	2014	2010
Direct energy consumption				
Heating oil	183	306	1,843	2,316
Liquified petroleum gas (LPG) ²	420	25	21	20
Natural gas	34,721	34,503	31,083	31,723
Other energy sources	9	–	–	–
Photovoltaic	547	591	511	–
Total direct energy consumption	35,880	35,425	33,458	34,059
Indirect energy consumption				
Certified green electricity	18,436	18,958	19,173	1,972
Electricity	20,622	20,703	19,795	37,069
Total indirect energy consumption	39,058	39,661	38,968	39,041
Total	74,938	75,086	72,426	73,100

¹ Like-for-Like: Values for the reporting year related to the reporting units of the baseline year 2010.

² 2015 data for HUGO BOSS Australia Pty. Ltd. have been slightly adjusted due to altered data collection. This has not led to fundamental changes of trends.

Specific energy consumption rose marginally in 2016 from 26.7 to 27.8 MWh per million euros of sales. However, in comparison with the base year 2010, energy intensity has been reduced by 34%.

02|06 ENERGY INTENSITY¹ (MWh / EUR million sales)
– Like-for-Like (baseline year 2010)

	2016	2015	2014	2010
Actual value	27.8	26.7	28.2	42.3
Accumulated reduction (actual value) in %	-34	-37	-33	–

¹ Ratio of total energy consumption to Group sales.

EMISSIONS

During the reporting year, 59,603 tons of CO₂ (scope 1 + 2 + 3) were emitted across the entire Group. On the reporting boundaries of the previous year (excluding retail), this equates to a reduction of 15 % in comparison with 2015.

Within the scope of **energy management**, there are continuous efforts across the entire Group to reduce energy consumption, thus also reducing greenhouse gas emissions. In existing business properties, the greatest factor here is the technical and organizational optimization. The energy management system ISO 50001 which was introduced at the HUGO BOSS headquarters in Metzingen in 2012 was extended to the Group's own retail stores in Germany and Austria in 2016, where it was also successfully certified.

Emissions were significantly reduced in the area of transport in particular; see → **page 25**.

02|07 DIRECT, INDIRECT AND OTHER GREENHOUSE GAS EMISSIONS – 2016 INCL. RETAIL¹ (in t CO₂)

	✓ 2016	2015	2014
Scope 1			
Own vehicles	2,832	2,818	2,955
Direct energy consumption	8,587	7,967	7,666
Total Scope 1	11,419	10,785	10,621
Scope 2			
Indirect energy consumption	23,857	12,120	12,079
Total Scope 2	23,857	12,120	12,079
Scope 3			
Air travel	4,278	4,901	5,470
Transport	20,049	25,754	28,694
Total Scope 3	24,327	30,655	34,164
Total Scope 1+2+3	59,603	53,560	56,864

¹ Energy data for retail are generally based on data queries at stores and outlets. 30% of stores and outlets were able to report energy consumption with respect to natural gas. 75% of stores and outlets reported data on electricity and district heating. Extrapolations on the basis of existing consumption data have been conducted by calculating average values (kWh/m²) for all other stores and outlets.

02|08 DIRECT, INDIRECT AND OTHER GREENHOUSE GAS EMISSIONS¹ (in t CO₂)
– Like-for-Like (baseline year 2010)

	2016	2015	2014	2010
Scope 1				
Own vehicles	2,559	2,570	2,762	3,653
Direct energy consumption	7,795	7,688	7,381	7,646
Total Scope 1	10,354	10,258	10,143	11,300
Scope 2				
Indirect energy consumption	10,015	11,423	11,101	19,286
Total Scope 2	10,015	11,423	11,101	19,286
Scope 3				
Air travel	3,608	4,210	4,587	4,123
Transport	20,049	25,754	28,694	–
Total Scope 3	23,657	29,964	33,281	4,123
Total Scope 1+2+3	44,026	51,645	54,525	34,709

¹ Like-for-Like: Values for the reporting year related to the reporting units of the baseline year 2010.

With respect to the base year 2010, the greenhouse gas emissions (scope 1 + 2) were reduced in relation to Group sales for 2016 by almost 57%. The original environmental target to reduce CO₂ emissions by 30% by the year 2020 (base year 2010) has thus been exceeded. For this reason, the Group has set new targets with 2016 as the base year; see → [catalog of targets on page 61](#).

02|09 INTENSITY OF GHG EMISSIONS¹: HUGO BOSS TARGET 2020 -30% (in t CO₂/EUR million sales)
– Like-for-Like (baseline year 2010)

	2016	2015	2014	2010
Actual value (Scope 1+2)	7.6	7.7	8.3	17.7
Accumulated reduction (actual value) in %	-57	-56	-53	–

¹ Ratio of GHG emissions (Scope1+2) to Group sales. Values for the reporting year related to the reporting units of the baseline year 2010 (Like-for-Like).

WATER

HUGO BOSS continuously reviews different **measures to reduce water consumption** – especially with its own production locations, where the Group sees the greatest potential.

02|10 WATER CONSUMPTION BY REGION INCL. RETAIL¹ (in m³)



Region	2016
Europe	147,683
Americas	22,413
Asia/Pacific	11,810
Total	181,906

¹ Water consumption data for retail are generally based on data queries at stores and outlets. 10% of stores and outlets were able to report water consumption data. For all other stores and outlets an average value of 0,22 [m³/m²] was used. This average value is derived from a clothing retail benchmark (2013) by the real estate investment management company Redevco (redevco.com).

02|11 WATER CONSUMPTION – 2016 INCL. RETAIL¹ (in m³)

	2016	2015	2014
Water consumption	181,906	136,308	132,648

¹ Water consumption data for retail are generally based on data queries at stores and outlets. 10% of stores and outlets were able to report water consumption data. For all other stores and outlets an average value of 0,22 [m³/m²] was used. This average value is derived from a clothing retail benchmark (2013) by the real estate investment management company Redevco (redevco.com).

The absolute increase in water consumption is due to the extension of the largest production site in Izmir, which was accompanied by an increase of almost 30% in the green areas that need to be watered. Subsequently, the green areas that need to be watered rose by around 10,000 m³ compared with the previous year. Furthermore, there was a leakage at the same site that led to increased water consumption.

02|12 WATER CONSUMPTION¹ (in m³)

– Like-for-Like (baseline year 2010)

	2016	2015	2014	2010
Water consumption	143,381	128,040	123,177	157,198

¹ Like-for-Like: Values for the reporting year related to the reporting units of the baseline year 2010.

The specific water consumption (m³/EUR million sales) was reduced by 41% in comparison with the base year. The original environmental target to reduce water intensity by 40% by 2020 (base year 2010) has thus been exceeded. For this reason, the Group has set new targets, with 2016 as the base year; see → [catalog of targets on page 61](#).

02|13 WATER INTENSITY¹: HUGO BOSS TARGET 2020 -40% (m³/EUR million sales)
– Like-for-Like (baseline year 2010)

	2016	2015	2014	2010
Actual value	53.2	45.6	47.9	90.9
Accumulated reduction (actual value) in %	-41	-50	-47	–

¹ Ratio of total water consumption to Group sales. Values for the reporting year based on the reporting units of the baseline year 2010 (Like-for-Like).

WASTEWATER & WASTE

During the reporting year, 130,045 m³ of wastewater were discharged (2015: 94,835 m³). During the reporting period, no hazardous waste or wastewater at HUGO BOSS was improperly discharged into the environment.

02|14 WASTEWATER DISCHARGES BY REGION – 2016 INCL. RETAIL¹ (in m³)

	✓ 2016	2015	2014
Europe	99,829	82,102	87,036
Americas	18,702	8,899	11,295
Asia/Pacific	11,514	3,834	4,135
Total	130,045	94,835	102,466

¹ It is assumed that the amount of water consumption is equal to the amount of wastewater discharges for all retail stores in scope (stores and outlets).

02|15 WASTEWATER DISCHARGES BY REGION AND DESTINATION INCL. RETAIL¹ (in m³)

	Municipal wastewater disposal	Surface water	Sea	Land	Treated water (third party)	Total
Europe	98,509	1,320	0	0	0	99,829
Americas	18,702	0	0	0	0	18,702
Asia/Pacific	11,514	0	0	0	0	11,514
Total	128,725	1,320	0	0	0	130,045

¹ It is assumed that the amount of water consumption is equal to the amount of wastewater discharges for all retail stores in scope (stores and outlets). Furthermore it is assumed that stores and outlets discharge wastewater by local authority wastewater disposal.

02|16 WASTE VOLUMES BY TYPE AND REGION INCL. RETAIL¹ (in t)

	Europe	Americas	Asia/Pacific	Total
Hazardous waste	45	1	1	47
Nonhazardous waste	4,965	673	460	6,098
Total	5,010	674	461	6,145

¹ Sold products at the stores and outlets in scope as well as transports carried out (consideration of respective product and transport packaging) form the basis for the calculation of retail waste data.

In 2016, the entire waste volume at HUGO BOSS equated to 6,145 tons. Under consideration of reporting limits from the previous year (excluding retail), this equates to an increase of almost 9%. The increased waste volume is due to a number of reasons, including the building works for the expansion of the production facility in Izmir.

02|17 WASTE VOLUMES BY TYPE – 2016 INCL. RETAIL¹ (in t)

	✓ 2016	2015	2014
Hazardous waste	47	35	28
Nonhazardous waste	6,098	4,839	4,233
Total	6,145	4,874	4,261

¹ Sold products at the stores and outlets in scope as well as transports carried out (consideration of respective product and transport packaging) form the basis for the calculation of retail waste data.

While the majority of waste at the Company headquarters in Metzingen is recycled, some of the waste in Turkey is still sent to the landfill. During the reporting year, the entire recycling rate within the Group, excluding retail, was 61% (2015: 71%). This decline is also due to the building extension at the Izmir location, where a one-off non-recyclable waste volume of more than 600,000 kg was created.

02|18 WASTE VOLUMES BY TYPE AND DISPOSAL METHOD INCL. RETAIL¹ (in t) ✓

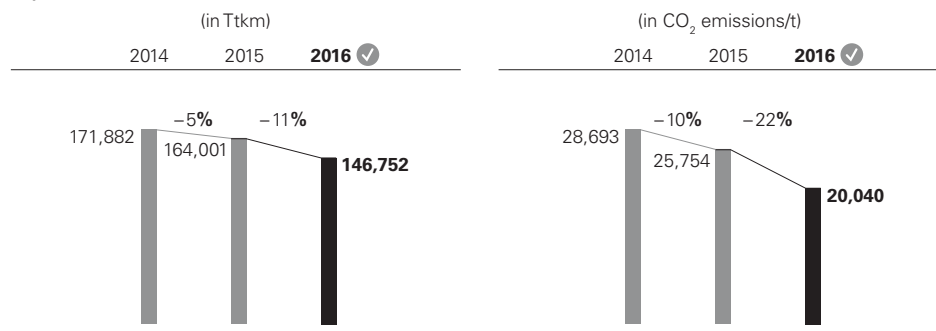
	Recycling	Disposal (landfill)	Incineration	Reuse	Unknown	Total
Hazardous waste	17	26	4	0	0	47
Nonhazardous waste	3,714	1,235	209	50	890	6,098
Total	3,731	1,261	213	50	890	6,145
In %	61	21	3	1	14	100

¹ Sold products at the stores and outlets in scope as well as transports carried out (consideration of respective product and transport packaging) form the basis for the calculation of retail waste data. Retail waste data is classified as "unknown".

LOGISTICS

HUGO BOSS succeeded in further reducing the environmental impact of its incoming shipment flows in the reporting year. In comparison with the previous year, the greenhouse gas emissions (scope 3) in relation to Group sales were reduced by almost 19%.

02|19 ENVIRONMENTAL IMPACTS FROM TRANSPORTATION¹



¹ Takes into account all the incoming goods flows to the HUGO BOSS logistics centers in Germany, the U.S. and Canada, and the transport of raw materials by HUGO BOSS to its producers.

The increased **use of environmentally friendly transport modes** marked a further step towards reducing CO₂ emissions. Following the initial implementation in 2015, HUGO BOSS was able to use the new shipping method over the entire year in 2016 for the first time: by utilizing rail transport from China to Germany and short sea freight from Asia via European southern ports (Italy or Slovenia), not only have the environmental impact been reduced, but lead times have also been optimized. Compared to the combined sea-air shipment, significant emissions reductions of up to 95% per ton-km can be achieved due to transportation by rail.

HUGO BOSS also **changed transport packaging** in 2016: The majority of the self-purchased cardboard boxes that are dispatched from the German distribution centers are FSC[®]-certified¹ since the reporting year. Furthermore, the Company regularly reviews opportunities to optimize packaging and transport units.

¹ FSC[®] licence number N002527.

EMPLOYEES

Fostering a fair and responsible culture

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In order to create an attractive working environment for its employees, where team spirit and willingness to perform are the norm, HUGO BOSS encourages its employees on an individual basis. This is the most important task of human resources management.

MANAGEMENT APPROACH

HUGO BOSS relies upon **qualified employees** who are willing to perform in order to drive forward the Company's position in a challenging market environment. Inspiring and responsible tasks, performance-related compensation, optimal development paths and offers for achieving a work-life balance contribute towards enabling each and every individual to perform to their best ability.

The open and value-based corporate culture forms the basis for this, which includes recognizing diversity and equal opportunities for all employees. These and other prerequisites for the day-to-day collaboration within the Group and for the interaction with customers and suppliers are defined more closely in the HUGO BOSS Code of Conduct.

The Human Resources department structures its activities on the basis of five strategic fields:

- **Diversity:** The diversity of the employees and the related ensuring of equal opportunities is a living reality and a decisive success factor at HUGO BOSS.
- **Culture:** By living the HUGO BOSS values of quality, respect, innovation, passion and cooperation, the Group is creating a culture of openness and creativity that enables each and every individual to contribute towards the Company's success.
- **Talents:** The Company acquires the best employees with the best skills. HUGO BOSS wants to retain them for the long term and offer them systematic support with their professional development.
- **Occupational health and safety:** HUGO BOSS creates a safe and healthy working environment with sport- and health-related activities, as well as measures for occupational safety and reconciling the demands of career and family.
- **Standards:** HUGO BOSS guarantees compliance with human rights and working standards for all employees globally, on the basis of the internationally-recognized standards of the United Nations and the International Labour Organization (ILO).

HUGO BOSS stands for an open and constructive dialog culture – in particular with its employees. Employee representatives are involved in the analysis and discussion of strategically important themes that the Company will tackle in the future. Furthermore, in 2016 HUGO BOSS organized the second internal Sustainability Days at the site in Metzingen with a view to further developing joint awareness of sustainability. The themes that were presented formed the basis for events at other locations such as in Ticino in January 2017.



In the field of Employees, HUGO BOSS particularly contributes to the eighth goal of the Sustainable Development Goals.

EMPLOYMENT

At the end of the fiscal year 2016, 13,545 people were employed at the analyzed locations (2015: 13,529). Compared with the previous year, the number of employees in the reporting scope has changed only marginally. During the reporting year, the working conditions were regulated for 41% of the workforce through collective agreements with trade unions or operational employee agreements (2015: 43%).

03|01 TOTAL WORKFORCE BY REGION (headcount)

	✓ 2016	2015	2014
Germany	3,698	3,592	3,362
Europe (without Germany)	6,443	6,476	6,164
Americas	1,791	1,808	1,877
Asia/Pacific	1,613	1,653	1,640
Total	13,545	13,529	13,043

03|02 EMPLOYEES BY EMPLOYEE CATEGORY AND REGION (headcount) ✓

	Management	Commercial employees	Industrial employees	Apprentices	Temporary workers
Europe	1,082	3,640	4,300	121	998
Americas	479	987	88	0	237
Asia/Pacific	252	1,211	53	2	95
Total	1,813	5,838	4,441	123	1,330

03|03 EMPLOYEES BY EMPLOYMENT TYPE AND REGION (headcount, in %) ✓

	Full time	Part time	Full time in %	Part time in %
Europe	8,521	1,620	84%	16%
Americas	1,276	515	71%	29%
Asia/Pacific	1,377	236	85%	15%
Total	11,174	2,371	83%	17%

The percentage ratio of men and women remained largely stable during the reporting year: the percentage of female employees at HUGO BOSS was 59% (2015: 60%), and the percentage of male employees was 41% (2015: 40%).

03|04 EMPLOYEES BY GENDER AND REGION (in %)

	✓ 2016		2015		2014	
	Women	Men	Women	Men	Women	Men
Europe	60%	40%	60%	40%	61%	39%
Americas	44%	56%	44%	56%	47%	53%
Asia/Pacific	71%	29%	73%	27%	71%	29%
Total	59%	41%	60%	40%	60%	40%

03|05 EMPLOYEES BY GENDER AND EMPLOYEE CATEGORY (in %)

	✓ 2016		2015		2014	
	Women	Men	Women	Men	Women	Men
Management	44%	56%	46%	54%	46%	54%
Commercial employees	61%	39%	62%	38%	62%	38%
Industrial employees	62%	38%	63%	37%	64%	36%
Apprentices	59%	41%	54%	46%	58%	42%
Temporary workers	59%	41%	59%	41%	60%	40%
Total	59%	41%	60%	40%	60%	40%

03|06 EMPLOYEES BY AGE AND EMPLOYEE CATEGORY (in %) ✓

	<30	30≤x<40	40≤x<50	≥50
Management	15%	43%	29%	13%
Commercial employees	40%	36%	14%	10%
Industrial employees	24%	43%	22%	11%
Apprentices	100%	0%	0%	0%
Temporary workers	75%	11%	6%	8%
Total	35%	37%	18%	10%

In 2016, 2,880 new members of staff were employed in the reporting Group companies (2015: 3,435). By contrast, 2,844 people left the Company, 1,940 of whom left due to employee-related reasons.

03|07 NEW HIRES BY REGION¹ (headcount)

	✓ 2016	2015	2014
Europe	1,598	2,112	1,730
Americas	792	523	565
Asia/Pacific	490	800	807
Total	2,880	3,435	3,102

¹ Data without apprentices, interns, diploma students, agency staff.

03|08 TERMINATION BY REASON AND REGION¹ (headcount) ✓

	Termination (total)	Employee-specific	Employer-specific	Redundancy	Retirement	Death, emigration
Europe	1,538	967	427	26	107	11
Americas	710	539	166	0	1	4
Asia/Pacific	596	434	98	63	1	0
Total	2,844	1,940	691	89	109	15

¹ Data without apprentices, interns, diploma students, agency staff.

03|09 TERMINATION BY REASON AND REGION¹ (in %) ✓

	Termination (total)	Employee-specific	Employer-specific	Redundancy	Retirement	Death, emigration
Europe	17%	11%	5%	0%	1%	0%
Americas	46%	35%	11%	0%	0%	0%
Asia/Pacific	39%	29%	6%	4%	0%	0%
Total	24%	16%	6%	1%	1%	0%

¹ Data without apprentices, interns, diploma students, agency staff.

03|10 TERMINATION BY CATEGORY AND REASON¹ (headcount) ✓

	Termination (total)	Employee-specific	Employer-specific	Redundancy	Retirement	Death, emigration
Commercial employees (incl. mgmt.)	2,328	1,672	535	89	19	13
Industrial employees	516	268	156	0	90	2
Total	2,844	1,940	691	89	109	15

¹ Data without apprentices, interns, diploma students, agency staff.

03|11 TERMINATION BY CATEGORY AND REASON¹ (in %) ✓

	Termination (total)	Employee-specific	Employer-specific	Redundancy	Retirement	Death, emigration
Commercial employees (incl. mgmt.)	30%	22%	7%	1%	0%	0%
Industrial employees	12%	6%	4%	0%	2%	0%
Total	24%	16%	6%	1%	1%	0%

¹ Data without apprentices, interns, diploma students, agency staff.

03|12 TERMINATION BY GENDER AND REGION¹ (headcount, in %) ✓

	Women	Men	Women	Men
Europe	828	710	54%	46%
Americas	302	408	43%	57%
Asia/Pacific	428	168	72%	28%
Total	1,558	1,286	55%	45%

¹ Data without apprentices, interns, diploma students, agency staff.

03|13 TERMINATION BY AGE AND REGION¹ (headcount) ✓

	<30	30≤x<40	40≤x<50	≥50
Europe	822	497	157	62
Americas	413	169	67	61
Asia/Pacific	304	232	46	14
Total	1,539	898	270	137

¹ Data without apprentices, interns, diploma students, agency staff.

03|14 TERMINATION BY AGE AND REGION¹ (in %) ✓

	<30	30≤x<40	40≤x<50	≥50
Europe	54%	32%	10%	4%
Americas	58%	24%	9%	9%
Asia/Pacific	51%	39%	8%	2%
Total	54%	32%	9%	5%

¹ Data without apprentices, interns, diploma students, agency staff.

In total, the fluctuation rate in the reporting year equated to 24%, falling slightly compared to the previous year (2015: 25%). The rate of departures due to employee-related reasons was slightly down on the previous year's and stood at 16%.

03|15 EMPLOYEE-SPECIFIC TERMINATION BY REGION¹ (headcount, in %) ✓

	2016		2015		2014	
Europe	967	11%	1,187	13%	1,040	12%
Americas	539	35%	414	27%	344	22%
Asia/Pacific	434	29%	602	38%	666	41%
Total	1,940	16%	2,203	18%	2,050	18%

¹ Data without apprentices, interns, diploma students, agency staff.

COMPENSATION AND ADDITIONAL BONUSES

A fair and transparent compensation system sits at the core of **operational performance**. A culture of motivation and engagement is fostered through consistent equal opportunities. Clearly documented job profiles as well as national and international comparison benchmarks form the basis of the compensation.

In Germany, compensation is in line with the industry-specific wage agreements. HUGO BOSS also offers certain employee groups allowances above the pay scale and variable salary components. Non-payscale employees receive a basic salary plus a bonus, of which half is linked to Group targets and half to the achievement of qualitative and quantitative personal goals. Besides, sustainability aspects form a fixed component of the medium-term management compensation. All other employees share in the Group's success through an annual success bonus that is linked to the achievement of internally defined Group targets.

Further information on the compensation system is available on page 57 of the → **Annual Report 2016**.

With regard to pay structure, at international locations the companies comply, as a minimum, with the national legal framework conditions and the competitive environment. Criteria such as the employee's vocational training, experience and area of responsibility are taken into account when defining the compensation.

HUGO BOSS makes an important contribution towards the company pension of its employees, the scope and conditions of which differ from country to country. Additional benefits include health protection, accident and incapacity to work insurance, maternity leave and similar parental packages.

DIALOG-BASED CORPORATE CULTURE

In accordance with the conventions of the ILO, HUGO BOSS respects the employees' right to join trade unions. This also includes rate negotiations within the framework of the respective national law. Employees are informed in a timely manner of any fundamental changes, under observation of the regional legal requirements. The **annual staff meeting** for employees at the headquarters in Metzingen is a component for regular dialog within the Company, during which discussions are held between the Works Council, the Managing Board and the Vice President of Human Resources. Employees can submit their questions and suggestions in advance in writing or raise them during the meeting. Staff meetings are also held at other international locations, such as Ticino and Izmir. In Izmir, for example, a Communication Committee that was elected by the employees also acts as a link between the interests of the employees and the management team.

VOCATIONAL TRAINING AND FURTHER EDUCATION

In order to secure the long-term requirements for skilled employees, HUGO BOSS offers a wide range of **vocational training professions and dual courses of study**, in collaboration with regional, national and international universities and vocational training institutes.

In order to identify and acquire talents outside of the Company at an early stage, HUGO BOSS implements different measures at its locations and works together with external partners. One example of this is the HBTi Ambassador Program at the Ticino site, whereby employees represent the Company and are committed to expanding cooperations with universities.

HUGO BOSS helps its employees to continuously broaden their knowledge and skills with a systematic personnel training and development program. Employee appraisal interviews are held at least once a year and form the basis of the individual development plan. In 2016, 81 % of the employees at the locations analyzed as part of the report had a performance review (2015: 79%).

2016 PERFORMANCE APPRAISALS BY REGION (in %)

	2016	2015
Europe	85%	86%
Americas	58%	34%
Asia/Pacific	81%	87%
Total	81%	79%

HUGO BOSS encourages **life-long learning** and, besides a wide range of classroom training, offers e-learning options to support formal learning. During the last fiscal year, 2,517 classroom-based training courses were carried out at the analyzed locations (2015: 2,563). In addition, successful participation in the online training courses resulted in the issuing of 39,101 certificates, remaining at a similarly high level when compared to the previous year (2015: 39,500). HUGO BOSS is planning to introduce a new integrated Learning Management System that can be used to demonstrate further key figures in the future.

03|17 TRAINING BY TYPE (without OHS and compliance training)

Trainings	2016	2015	2014
Face-to-Face training ¹	2,517	2,563	2,246
Number of employees participating in online training	4,746	4,743	4,487
Number of certificates obtained by online training	39,101	39,500	32,400

¹ Face-to-Face training incl. OHS training.

HUGO BOSS has set up a global e-learning program dedicated to the subject of compliance, which the relevant employees must complete on a regular basis. The e-learning program is now available for all subsidiaries globally. At the end of the reporting year, 4,077 employees were trained via the compliance online training, which is carried out at intervals of 18 months. It informs employees and also makes them aware of human rights issues. The Company employees are also trained regularly on protection and safety in the workplace.

HUGO BOSS offers individual development programs for managers with special training courses both at its headquarters and its subsidiary companies. The Excellence Program is used in this context, which makes discipline-specific training content available to employees in IT, Purchasing or Project Management, for example.

Generally, **career and development opportunities** as well as internal job transfers are encouraged along with international postings. HUGO BOSS offers a support program in Germany for employees who are planning to retire. Further information is available on the Group website → group.hugoboss.com.

DIVERSITY

Diversity in terms of nationality, gender, religious and political views, sexual orientation, age and possible disability has a high status for HUGO BOSS as an internationally operating and oriented company. For the Group this means a **non-discriminatory working environment and equal opportunities** for all employees. The Group underlined the importance it attaches to diversity by becoming a signatory to the “Charter of Diversity” in 2008.

At 59%, women account for the majority of the HUGO BOSS Group’s workforce at the companies included in this report (2015: 60%). At the four management levels, 44% of the positions were held by women in 2016 (2015: 46%). Three of the twelve members of the Supervisory Board in 2016 were women (2015: four).

03|18 MANAGEMENT LEVEL BY GENDER (headcount)

	✓ 2016		2015		2014	
	Women	Men	Women	Men	Women	Men
Managing Board	0	3	0	3	0	3
Top management	9	33	12	39	9	34
Middle management	88	130	87	119	83	122
Management	700	850	736	803	605	667
Total	797	1,016	835	964	697	826

03|19 MANAGEMENT LEVEL BY GENDER (in %)

	✓ 2016		2015		2014	
	Women	Men	Women	Men	Women	Men
Managing Board	0%	100%	0%	100%	0%	100%
Top management	21%	79%	24%	76%	21%	79%
Middle management	40%	60%	42%	58%	40%	60%
Management	45%	55%	48%	52%	48%	52%
Total	44%	56%	46%	54%	46%	54%

03|20 COMPOSITION OF THE SUPERVISORY BOARD BY GENDER (headcount)

	✓ 2016		2015		2014	
	Women	Men	Women	Men	Women	Men
	3	9	4	8	1	11

03|21 COMPOSITION OF THE SUPERVISORY BOARD BY AGE (headcount)

	<30	30≤x<40	40≤x<50	x≥50
	0	1	3	8

There are multi-layered options for **family support** in Germany and at other international locations. Further information on the subject of diversity and equal opportunities is available on the Group website → group.hugoboss.com.

OCCUPATIONAL HEALTH AND SAFETY

As a responsible employer, HUGO BOSS attaches a great deal of importance to the health and safety of its employees. In the Group's headquarters there exist a number of committees at management level as well as operational level, which focus upon driving forward strategic and operational themes. There are similar committees in France, Italy, Turkey, Switzerland, Great Britain, Canada, Australia and the U.S. In order to ensure a high level of occupational safety, the workstations and new or changed processes are regularly assessed with regard to risks. Employees in Germany and Austria receive information and training. There are also country-specific activities at the international locations.

The Health & Safety Commitment can be viewed on the Group website → group.hugoboss.com.

In 2016, there were 167 accidents (2015: 168), each of which resulted in an absence of more than one working day. The total number of lost working days was 2,188 (2015: 2,476). As per the previous year, the number of occupational illnesses globally in 2016 was zero ✓.

03|22 SICKNESS DAYS, INJURIES AND LOST DAYS BY REGION (working day is equivalent to 8 hours) (headcount)

	Sickness days			Injuries > 1 lost day			Lost days		
	✓ 2016 ¹	2015 ²	2014	✓ 2016 ¹	2015 ²	2014	✓ 2016 ¹	2015 ^{2,3}	2014
Europe	72,169	71,234	64,241	150	159	140	1,981	1,888	1,527
Americas	5,004	4,605	5,283	14	5	9	131	579	9
Asia/Pacific	7,058	7,901	8,165	3	4	13	76	9	250
Total	84,231	83,741	77,689	167	168	162	2,188	2,476	1,786

¹ 2016 is the first year with data for HUGO BOSS Canada Inc. If commuting and event accidents (accidents occurred at company events) are recorded as occupational accidents pursuant to local framework conditions, these are included in the data capture.

² 2015 is the first year with data about HUGO BOSS UK Ltd. and HUGO BOSS Ireland Ltd. Without data for HUGO BOSS Canada Inc.

³ A requirement for correction of lost days in 2015 arose for HUGO BOSS Textile Industry Ltd. (Turkey).

03|23 SICKNESS AND ABSENTEE RATE BY REGION (working day is equivalent to 8 hours) (in %)

	Sickness rate			Absentee rate		
	✓ 2016 ¹	2015 ²	2014	✓ 2016 ¹	2015 ²	2014
Europe	3.1%	3.1%	3.0%	0.1%	0.1%	0.1%
Americas	1.6%	1.7%	1.8%	0.0%	0.2%	0.0%
Asia/Pacific	2.0%	2.2%	2.2%	0.0%	0.0%	0.1%
Total	2.8%	2.9%	2.8%	0.1%	0.1%	0.1%

¹ 2016 is the first year with data for HUGO BOSS Canada Inc. Calculations are based on the number of contractually fixed working days.

² 2015 is the first year with data about HUGO BOSS UK Ltd. and HUGO BOSS Ireland Ltd. Without data for HUGO BOSS Canada Inc.

HUGO BOSS attaches great importance to the physical and mental health of its employees. **Operational health management** is anchored in the organization at many locations and is coordinated locally by dedicated employees. There is a wide range of options, of which different variations are offered at the international locations. This includes, for example, fitness and nutrition-related initiatives. Specifically in Germany, these options are also supported by an advice hotline and a preventive program to help manage stress and burdens. Occupational medical care is available in Metzingen and at other international locations.

Regular Health Days take place in Germany, Great Britain and Switzerland with a view to making employees more aware about health. Further information on this subject is available on the Group website → group.hugoboss.com.

PARTNERS

Achieving joint responsi- bility

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In the global supply chain at HUGO BOSS, compliance with environmental and social standards is a fundamental requirement. This focuses in particular upon the commitment to, as well as the further development of, international standards. In this context, HUGO BOSS fosters on open dialog and cooperation with its partners, and assumes a leading role in ensuring the sustainable design of its textile supply chain.

MANAGEMENT APPROACH

As an international manufacturing and operating company, the sustainable design of sourcing and production processes is of utmost importance – both from the HUGO BOSS perspective, as well as from its stakeholders. In terms of overall sourcing volume, the Company manufactures around 20 % of its products at its own production facilities. These cover a large part of its classic tailored menswear and womenswear collections. As a result, the Company retains important know-how for the further development of production technologies and quality standards, which can also be transferred to the production activities of HUGO BOSS' partners.

Beyond own production, 80 % of the sourcing volume, thus the majority, is manufactured by independent suppliers through contract manufacturing or is purchased as full merchandise. Partners in the areas of own production, contract manufacturing and full merchandise are referred to as finished goods suppliers at HUGO BOSS. The Company also purchases finished components, such as fabrics and trimmings from raw material suppliers.

In order to be able to better assess social and environmental risks in the supply chain, HUGO BOSS creates special country scorecards within its vendor management. Aside from the aforementioned risks, the analysis also includes political and economic information.

In this context, the **careful selection of partners**, a trustful collaboration and the expansion and retention of long-term strategic supplier relationships are of significant importance. The development of competences with its partners and establishing a mutual understanding with regard to social and environmental requirements plays an important role in sustainability management at HUGO BOSS.

HUGO BOSS requires itself and its partners to **comply with the HUGO BOSS Social Standards**, which are a fixed component of contractual agreements. Amongst others, these standards are based on the internationally acknowledged core conventions defined by the ILO and the United Nations Universal Declaration of Human Rights. HUGO BOSS expects its suppliers to adhere to local and national environmental laws, as well as implement requirements for environmental protection measures at their sites. When possible, HUGO BOSS gives preference to local sourcing offers, in order to further reduce the environmental impact through the selection of its suppliers.

HUGO BOSS offers its partners advice when needed and ensures the continuous transfer of knowledge. This also applies in conjunction with the regularly conducted social audits and the environmental audits (first introduced in 2015) based on the GSCP. Experienced employees of HUGO BOSS and external experts are available as points of contact for the suppliers both before and after the audits. Furthermore, together with the suppliers, targeted measures for an improvement process are developed in the production facilities. Thus, the Company contributes towards the further development of its suppliers with regards to economic, environmental and social issues.



With its activities under Partners, the Company pays into the eighth and the twelfth goal of the Sustainable Development Goals.

HUGO BOSS values cooperation with other companies and organizations. Examples of this include the Company's admission into the Partnership for Sustainable Textiles in 2015 and the existing collaboration with the GSCP, the FLA and AFIRM. HUGO BOSS also joined the Bangladesh Accord on Fire and Building Safety in 2016. By exchanging experience and knowledge with companies and NGOs, joint standards can be developed for the sector and the textile supply chain can be made more sustainable. The Company regularly encourages exchange and collaboration with its suppliers. Examples of this include the HUGO BOSS Supplier Days, where environmental and social issues are tackled together with suppliers, or the Opex Day 2016 at the Izmir location, where innovation and sustainability topics were discussed with different stakeholders.

ENSURING HUMAN RIGHTS¹

The HUGO BOSS **Social Standards**, which have been publicly available since 2016, apply to all employees in the production facilities at HUGO BOSS and for all supplier employees. They are based upon internationally recognized standards and the core conventions of the ILO, and include rules for acting responsibly towards the environment. The Social Standards are available in the languages of the most important sourcing countries. They can also be viewed on the Group's website → group.hugoboss.com.

In countries where there is not enough national legislation, the HUGO BOSS Social Standards create a minimum standard. Sustainability-related criteria are already taken into account when selecting new business partners. Adherence with the HUGO BOSS Social Standards is in this respect obligatory, and depending on the risk assessment is validated either through self-assessments and/or through audits on site.

During the assessment process for potential business partners, there were 12 different instances in the reporting year where a collaboration was declined due to inadequate working conditions or non-acceptance of the contractual elements (such as the general terms and conditions of purchase, the RSL or the Social Standards).

In 2016, HUGO BOSS had active contractual relationships with 231 finished goods suppliers² and 402 raw material suppliers from a total of 39 countries³. All of these partners have acknowledged and accepted the Social Standards ✓.

In order to ensure that the suppliers comply with the HUGO BOSS Social Standards throughout the course of the business relationship, **social audits** are continually conducted. Before and after the audits, the selected business partner receives detailed information, such as the HUGO BOSS requirements regarding safe and fair working conditions. Relevant employee groups at HUGO BOSS are regularly trained on the content of the social audit.

¹ In the following report, particular attention is given to finished goods suppliers because the relation to finished goods suppliers is a focal topic in the supply chain management at HUGO BOSS: The design, marketing and sale of high-quality apparel, shoes and accessories form the core of the HUGO BOSS business model.

² The number of finished goods suppliers differs from the number stated in the Annual Report 2016. Two in-house production facilities that manufacture semi-finished goods were not included in the overall number of finished goods suppliers.

³ The counting method for suppliers was modified for the reporting year 2016 and is based on production facilities that have supplied goods to HUGO BOSS.

To prevent violations of the Social Standards, HUGO BOSS gives the utmost priority to the further development of its suppliers' management systems. Fundamentally, all audited suppliers receive a detailed audit report. Corrective action plans are developed in collaboration with the suppliers in the event of violations of the Social Standards (Corrective Action Plans). HUGO BOSS reviews the implementation of these measures in follow-up audits and as part of the monitoring process, records detailed documentation in order to monitor the measures. In general, the employees of suppliers can contact designated contact persons at HUGO BOSS, either directly or through communication cards in cases of suspicion.

The finished goods suppliers are audited according to firmly defined criteria (including sales volume) at regular interval. A total of 210 audits were carried out in 2016 with existing and potential new suppliers. In doing so, 150 active finished goods suppliers were audited ✓.

HUGO BOSS assesses every audit according to firmly defined criteria and classifies the suppliers into five performance levels (good, satisfying, improvements needed, risky and insufficient)⁴. The analysis of the audits carried out in 2016 demonstrate that 77% of the audited active finished goods suppliers verified a good to satisfying performance ✓.

The essential risks with regard to good working conditions were identified in the areas of social compliance management, working hours and compensation, as well as health and safety.

04|01 VIOLATIONS OF SOCIAL STANDARDS¹ (active und potential finished goods suppliers) ✓

	Risky	Insufficient	Total
Social compliance management	12	3	15
Child labor & young laborers	0	1	1
Forced labor	2	1	3
Worker treatment	1	0	1
Discrimination	0	0	0
Hours of work	4	4	8
Compensation and benefits	2	4	6
Health and safety	4	0	4
Freedom of association and collective bargaining	0	0	0
Supplier control	0	0	0
Total	25	13	38

¹ Listed violations refer to 210 conducted audits of finished goods suppliers.

⁴ For a definition of the individual performance levels; see → page 41.

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Through the audit process, HUGO BOSS discovered one instance of child labor at a potential supplier in China. During the employment process, the employee had claimed to be older and provided falsified documents as verification. Upon discovery, the employee's employment was immediately terminated. In accordance with HUGO BOSS regulations, contact was then made with the family, in order to request the son be sent back to school. In addition, the underage employee received the respective salary, as well as was entitled to a severance payment. At the supplier in question, employees in the human resources department have subsequently received trainings on how to ensure the verification process for identification documents during the employment process. HUGO BOSS continued to monitor this incident, and shortly afterwards carried out a follow-up audit and attempted to discuss the matter further with the family concerned.

An instance of forced labor was identified at a finished goods supplier in India, where employees were prevented from leaving the company's premises at any time. After the audit, an action plan was defined in order to resolve this situation immediately. HUGO BOSS is monitoring the implementation of the action plan very closely.

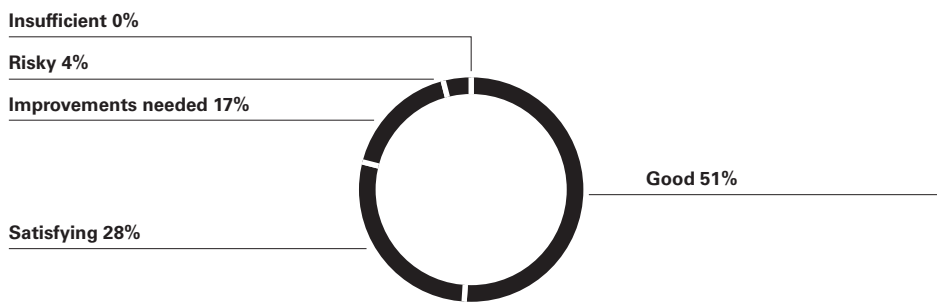
In the Sustainability Report 2015, violations of the HUGO BOSS Social Standards were observed at suppliers in Italy and Malta. The collaboration with both suppliers was terminated after several attempts were made to improve the situation throughout 2016.

Raw material suppliers are mainly evaluated through self-assessments, however are also sometimes assessed through audits (number of audits conducted with existing and potential new raw material suppliers in 2016: 42). The raw material suppliers assessed through audits are primarily based in Asia. They are selected on the basis of a risk analysis. In 2016, 40 active raw material suppliers were audited ✓.

OVERVIEW SOCIAL COMPLIANCE

The following graphics indicate the current performance status in relation to social compliance for the HUGO BOSS finished goods suppliers. They relate to all valid audits. These also include audits implemented prior to the reporting year, which are still valid on the basis of the defined audit cycles.

04|02 STATUS SOCIAL COMPLIANCE PERFORMANCE (portfolio of active finished goods suppliers¹)



¹ The chart refers to 223 valid audits for finished goods suppliers.

Good = The supplier establishes the necessary activities for safe and fair working conditions in its management and takes its own social responsibility very seriously.

Satisfying = The supplier recognizes the necessary activities for safe and fair working conditions and establishes processes and activities to implement them.

Improvements needed = The supplier is aware of the need for safe working conditions, however fails to implement the relevant activities consistently in daily implementation and amongst employees.

Risky = The supplier is aware of the requirements with regard to social compliance. However, the management team places no importance to implementing them, therefore resulting in non-compliances.

Insufficient = The management team is aware of the subject of social compliance, yet is not prepared to implement it and improve obvious shortcomings in management. There exists an immediate threat to employees.

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HUGO BOSS SUPPLIER MAP

ACTIVE FINISHED GOODS SUPPLIERS AS OF FINANCIAL YEAR 2016

TOTAL NUMBER OF SUPPLIERS: 70

WESTERN EUROPE (Ø Social Audit Result¹: 84% / Satisfying)

Country	Number of Suppliers	Number of Workers ²	Product Category
Italy	55	3,193	Accessories, Apparel, Shoes
Portugal	6	762	Apparel, Shoes
Germany	6	687	Accessories, Apparel
United Kingdom	2	571	Accessories
Malta	1	212	Apparel

TOTAL NUMBER OF SUPPLIERS: 3

SOUTH AMERICA (Ø Social Audit Result¹: 75% / Satisfying)

Country	Number of Suppliers	Number of Workers ²	Product Category
Peru	2	3,291	Apparel
Brazil	1	315	Shoes

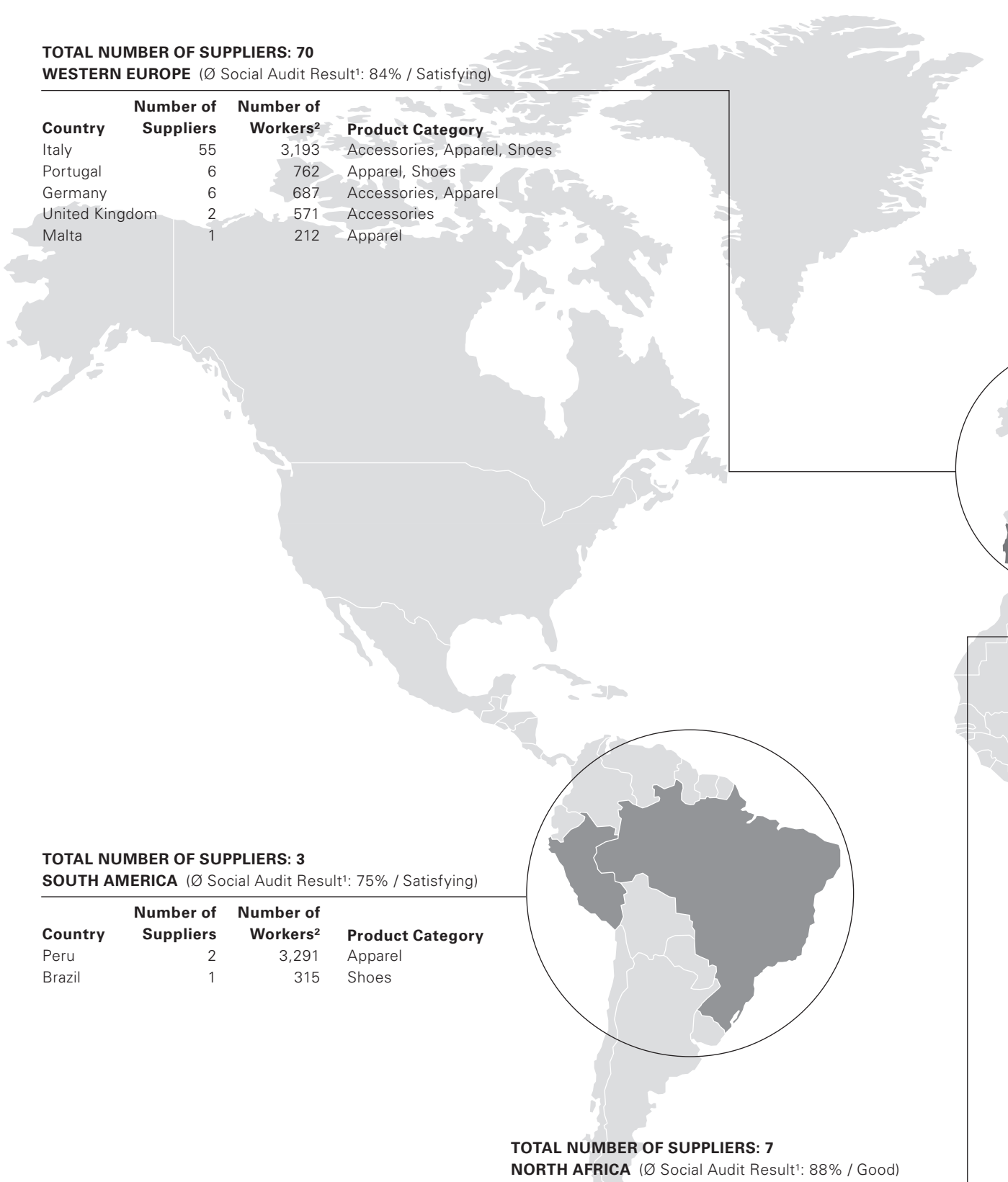
TOTAL NUMBER OF SUPPLIERS: 7

NORTH AFRICA (Ø Social Audit Result¹: 88% / Good)

Country	Number of Suppliers	Number of Workers ²	Product Category
Tunisia	5	5,482	Accessories, Apparel
Egypt	2	2,428	Apparel

¹ The average social compliance audit results are based on the valid audit results of the respective suppliers.

² Includes all workers of the factories.
Not all employees at the factories produce for HUGO BOSS.



TOTAL NUMBER OF SUPPLIERS: 66

EASTERN EUROPE (Ø Social Audit Result¹: 86% / Good)

Country	Number of Suppliers	Number of Workers ²	Product Category
Turkey	23	20,904	Accessories, Apparel
Romania	17	5,429	Accessories, Apparel
Bulgaria	7	9,639	Apparel
Poland	6	952	Apparel
Ukraine	5	3,955	Apparel
Croatia	3	1,662	Apparel
Hungary	2	268	Apparel
Lithuania	1	543	Apparel
Macedonia	1	483	Apparel
Serbia	1	34	Accessories

TOTAL NUMBER OF SUPPLIERS: 85

ASIA (Ø Social Audit Result¹: 75% / Satisfying)

Country	Number of Suppliers	Number of Workers ²	Product Category
China	49	46,500	Accessories, Apparel, Shoes
India	12	4,870	Accessories, Apparel, Shoes
Vietnam	8	16,739	Accessories, Apparel
Sri Lanka	5	9,763	Apparel
Indonesia	4	14,002	Apparel
Bangladesh	3	13,986	Apparel, Shoes
Malaysia	1	2,012	Apparel
Thailand	1	859	Apparel
Hong Kong	1	425	Apparel
Laos	1	342	Shoes


Grading of the Social Audit Result

Points (%)	Result
100–85	Good
84–70	Satisfying
69–50	Improvements needed
48–25	Risky
24–0	Insufficient

ENVIRONMENTALLY FRIENDLY PROCESSES

The establishment and further development of environmentally friendly processes is of equal importance for HUGO BOSS at its own production facilities and at those of its suppliers. The GSCP Open-Source Environment Program rolled out in 2015 was further optimized in the reporting year by integrating surveys on the subject of wastewater treatment. In addition, checks were carried out at the suppliers to see whether they are registered on the publicly accessible environmental registries (such as the Institute of Public & Environmental Affairs).

The tool provides the basis for HUGO BOSS to record and **improve the environmental conditions** in its supply chain. The company requires that its suppliers submit environment-related information in at least six core areas. This includes key figures in relation to management systems, energy, greenhouse gases and transport, water consumption, wastewater, waste and the prevention of hazardous substances.

On this basis, HUGO BOSS was able to audit an additional 24 strategic finished goods suppliers in the reporting year . Thus, the company achieved its goal of covering all strategic finished goods suppliers through audits.

The Company set up a **continual monitoring system** for checking the implementation of the agreed improvement activities for suppliers who were audited in 2015. The system documents the agreed activities and dates, and enables the suppliers to be re-classified. For example, in the case of a supplier in Bangladesh (non-compliant sludge disposal) as specified in the Sustainability Report 2015, was resolved by first constructing a safe concrete basin and then setting up a certified incineration system. In this way, the Company was able to obtain a picture of the ecological impacts in its supply chain.


Similarly to the social audit, the Company supports its suppliers with the correct implementation of the new requirements in the area of environmental management. The suppliers have access to contact persons and, where required, HUGO BOSS establishes contact with experts in the respective regions. Through its engagement, HUGO BOSS supports the GSCP's objective to ensure consistent minimum requirements in the area of environmental protection for suppliers globally and to further develop existing standards.

04|03 VIOLATIONS OF HUGO BOSS GSCP ENVIRONMENT STANDARDS¹ (finished goods suppliers)

	Risky	Insufficient	Total
Management systems	2	0	2
Energy consumption, transport and greenhouse gas emissions	1	0	1
Water consumption	0	0	0
Wastewater	3	0	3
Waste	1	0	1
Avoidance of harmful substances	0	0	0
Total	7	0	7

¹ Listed violations refer to a group of 24 audited finished goods supplier.

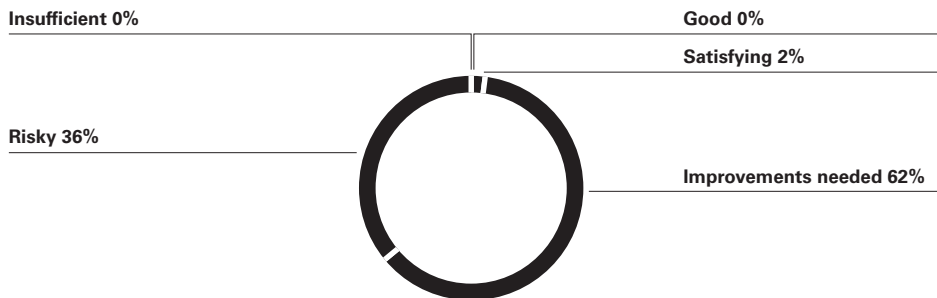
In the case of one finished goods supplier from China, HUGO BOSS identified a violation that was categorized as “risky” during its audit. During the onsite audit, it was discovered that hazardous waste was being stored in the same containers as other non-hazardous industrial waste. Following the audit, HUGO BOSS defined measures and monitored their implementation.

Audits were also carried out in the reporting year at selected raw material suppliers (2016: 4) .

OVERVIEW ENVIRONMENTAL COMPLIANCE

The following graphics indicate the current status of performance in relation to environmental compliance for the HUGO BOSS finished goods suppliers. They relate to all valid audits. These also include audits implemented prior to the reporting year, which are still valid on the basis of the defined audit cycles.

04|04 STATUS ENVIRONMENTAL COMPLIANCE PERFORMANCE (portfolio of active finished goods suppliers¹)



¹ The chart refers to 55 valid audits for finished goods suppliers.

Good = Regular review of relevant consumption and emissions, processes and structures to improve the company's environmental performance are established.

Satisfying = Basic structures and processes are established, however relevant documentation is not available.

Improvements needed = Potential risks relate in particular to a lack of awareness and non-existence of relevant data.

Risky = Relevant licenses are not available, existing practices represent an immediate risk and can lead to significant environmental impacts and violations of legal obligations.

Insufficient = Existing practices lead to significant environmental impacts.

PRODUCTS

Ideas for tomorrow

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HUGO BOSS takes its responsibility very seriously to develop collections that not only meet the highest standards in premium materials, quality standards and product innovation; but also pose no environmental or health risks while at the same time being socially acceptable. The Company collaborates with suppliers and other stakeholders to find innovative solutions for environmental protection and animal welfare.

MANAGEMENT APPROACH

HUGO BOSS products combine the highest quality and sophisticated design with ethical standards and the implementation of environmental and health requirements. The top priority is to develop innovative and sustainable product solutions that capitalize on HUGO BOSS' full potential. Clear guidelines, in-depth knowledge and a dialog with partners enable the Company to integrate sustainability into its daily decisions.

At HUGO BOSS, **sustainable product development** starts at the design stage. Here, 3D virtualization significantly reduces the need for prototypes during the development process. When developing collections, close attention is paid to selecting sustainable materials. In this, ensuring the highest product quality and best price are just as important as the choice of product components. Recyclates are increasingly also being used for products and packaging. To further integrate environmental protection in its production, HUGO BOSS joined forces with the Natural Capital Coalition in 2016 to develop a method to make direct comparisons of different environmental factors at the product level possible.

Material conservation and animal welfare issues are part of the product sustainability strategy that is implemented in the various fields of action through annual reviews. When using materials of animal origin, such as leather, wool and down, the Company complies strictly with recognized **animal welfare and biodiversity protection** regulations, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). HUGO BOSS rejects animal testing and non-species appropriate animal breeding and animal husbandry methods. These includes a ban on the use of farmed furs, angora wool and sourcing down from live-plucked animals.

HUGO BOSS has cooperated for many years with animal welfare and consumer protection groups and is in close contact with PETA and other organizations to improve animal protection. For its efforts, the Humane Society of the United States (HSUS) presented HUGO BOSS with the Henry Spira Humane Corporate Progress Award, which in particular recognizes the Company's decision to stop using farmed fur in its collections from 2016 onward.

Product safety is monitored on several levels at HUGO BOSS. This focuses on avoiding the use of certain chemical substances in the interests of the environment and for the customer's well-being, as well as the health of the staff and suppliers involved in manufacturing. To this end, the Company demands its suppliers to guarantee that they comply with the RSL and actively conduct extensive tests of harmful substances, among other things. HUGO BOSS is also involved in product lifecycle initiatives that evaluate the environmental impact of the entire supply chain and identify optimization potential.

HUGO BOSS assesses the success of its measures through customer satisfaction, among other criteria. Here, the Company employs a variety of survey formats conducted regularly both worldwide and in specific regions.



With its activities under Products, the Company pays into the twelfth goal of the Sustainable Development Goals.

DESIGN

At HUGO BOSS, the individual steps of the product design and development process are closely meshed. As part of this, sustainability is integrated and taken into account at every stage of product development.

Creative management marks the beginning of the production process. The work of the design teams includes defining the collection statement, designing the color, theme, shape and exterior fabric concepts and setting the targeted prices. The product development team then assesses the suitability for industrial production. HUGO BOSS also increasingly uses innovative welding, gluing and coloring techniques.

In order to support design teams with environmental information in their work, HUGO BOSS collaborated with institutes, universities, suppliers and experts in 2014 to create the World Apparel & Footwear Life Cycle Database (WALDB). The database comprises **product lifecycle studies** on the ecological aspects of materials and processes. 3D virtualization is another tool used in the development process. This technique not only saves time, it also reduces the need for physical samples.

Going forward, the broad range of opportunities afforded by virtualization will be employed beyond the creative design phase, to include the sale of products to business partners and consumers and thus further optimize the use of resources.

The quality and durability of its products is extremely important to HUGO BOSS. The use of natural materials also creates an opportunity to recycle or reuse products.

EVALUATING NATURAL CAPITAL

HUGO BOSS continued working together with the Natural Capital Coalition last year to measure and assess its own impact on the ecosystem. The aim was to apply the **Natural Capital Protocol** developed by the initiative. The Natural Capital Protocol was used as the basis of a white paper that was published in October 2016. For the first time, direct comparisons of different environmental impacts can be made at the product level. The conversion of environmental impacts into monetary values simplifies the prioritization of relevant issues and helps determine the most effective environmental protection measures. HUGO BOSS is actively searching for ways to further optimize and expand these methods together with partners in the textile sector.

CHEMICALS MANAGEMENT

The Company considers chemicals management another major lever in minimizing the environmental impact of its production. This applies to the activities at its own manufacturing sites, but also and especially in relation to upstream production processes at its suppliers. For this reason HUGO BOSS has for many years sought a sector-wide dialog and collaboration with other companies. By joining the Partnership for Sustainable Textiles, the Company set itself the goal of creating complete transparency on the use of dangerous chemical substances along the supply chain and to continually reducing their use.

As part of its membership of AFIRM, HUGO BOSS has helped establish a publicly accessible RSL and foster the sharing of best practices. In the area of wet chemical processes such as dyeing, HUGO BOSS is working together with its partners to optimize procedures, in order to constantly reduce the environmental impact.

MATERIALS

HUGO BOSS products are made exclusively from high-quality materials that meet its customers' high expectations in terms of comfort, durability, an excellent fit and colorfastness. In addition to these quality factors, sustainability criteria – from the design and choice of materials via the purchase of raw materials to environmentally friendly finishing and packaging – also play a significant role. These criteria include the social and environmental production conditions, as well as product care; see → **Product Safety, page 53**.

At HUGO BOSS, cotton accounts for by far the largest proportion of its overall material consumption (see table). This is followed by wool and synthetic fibers, ahead of leather. The majority of the processed woven fabrics come from Europe, with many materials being supplied by long-established partners in Italy.

05|01 MATERIALS USED (in t)


	2016	in %
Cotton	6,192	46%
Wool	2,383	18%
Synthetic fibers	1,704	13%
Leather	1,513	11%
Regenerated fibers	470	4%
Rubber	468	3%
Polyurethane	216	2%
Silk	106	1%
Linen	76	1%
Compressed wood fibers	45	0%
Other	151	1%
Total	13,324	100%

Recycled materials are playing an increasingly important role in closing raw material cycles and reducing waste. It is important for the Company in this regard to meet its own quality requirements. To continue driving forward its approach to recycling materials and natural resources, the Company has pledged to use only sustainably produced padding in its clothing, as of the Fall/Winter 2017 collections.

The **Product Innovation Lab** will help pursue this strategy consistently. From the spring of 2017 onward, an interdisciplinary team will develop ideas for unique products, fabrics and techniques. The goal is to bring these developments to market as quickly as possible, in order to meet future customers' wishes. The Product Innovation Lab is also designed to expand co-operation with partners, creatives and startups.

One current example of successful collaboration is the co-operation with an external partner, who is specialized in the development of innovative and sustainable textiles. A new production process enables the development of **vegan leather** from pineapple leaves. HUGO BOSS is currently assessing the possibilities to bring these products to market in the shortest time possible.

Waste avoidance is another way of helping to preserve resources. The volume of raw materials no longer needed that would otherwise be dumped can be reduced significantly, for example, by reusing them in future collections. Recycled material is also increasingly being employed for packaging.

05 02 RECYCLED PROPORTION OF SALES PACKAGING (in t, in %) 					
Packaging type (Shopping)	Material	Total weight (in t)	Recycled proportion (in t)	Certified proportion (in t)	Recycled rate (in %)
Boxes	Metal	5	0	0	
	Paper and cardboard	132	130	130	98.5%
	Plastic	3	0	0	
Shopping bags	Composite materials	2	0	0	
	Paper	983	747	964	76.0%
	Plastic	79	0	0	
Suit bags	Composite materials	7	0	0	
	Plastic	244	0	0	
Total (Shopping)		1,455	877	1,094	60.3%

05|03 RECYCLED PROPORTION OF PRODUCT PACKAGING (in t, in %) 

Packaging type (Product)	Material	Total weight (in t)	Recycled proportion (in t)	Certified proportion (in t)	Recycled rate (in %)
Boxes	Composite materials	8	2	0	25.0%
	Paper and cardboard	910	3	74	0.3%
	Plastic	58	0	0	
Bags	Plastic	322	0	0	
	Textile	40	0	0	
Various packages	Metal	9	0	0	
	Paper and cardboard	419	1	178	0.2%
	Plastic	80	2	0	2.5%
	Textile	1	0	0	
Clothes hangers	Plastic	444	0	0	
Total (Product)		2,291	8	252	0.3%

A large proportion of the packaging materials used by HUGO BOSS fall into the product categories underwear, socks and shoes. Underwear and socks are already being packed primarily using FSC®-certified paper. The packaging for shoes is to be switched accordingly in 2017.

Sales packaging (e.g. shopping bags and gift boxes) also make up a large portion of total material used. This area already almost exclusively uses FSC®-certified paper. With regard to FSC®-certified shopping bags and gift boxes, the Company will also cease using plastic lamination from 2017 onward, so that these too can be recycled after use. Logistics also successfully switched to FSC®-certified boxes in the reporting year; see also the → **chapter on Environment on page 25**.

Wherever possible without forfeiting quality, HUGO BOSS attempts to reuse materials (for instance boxes or hang tags in logistics) or recycle them (for instance clothes hangers).

PRODUCT RESPONSIBILITY

One key principle of product responsibility is animal welfare and the protection of biodiversity when selecting animal products such as leather, wool and down. HUGO BOSS has set itself ambitious targets in this respect; see → **Sustainability Program on page 64.**

05|04 ACHIEVEMENTS AND OUTLOOK

✓ **No exotic leathers and furs:** HUGO BOSS only uses hides from cows, goats, sheep and buffalos.

✓ **Sustainable down:** HUGO BOSS only uses down from sources that do not use live plucking or force feeding practices.

✓ **No angora wool:** HUGO BOSS does not use any angora wool, since it is mostly collected through painful procedures.

✓ **Recycling materials:** HUGO BOSS uses padding made from recycled materials for all clothing lines and accessories.

→ **Sustainable materials:** HUGO BOSS will publish a commitment on the use or reuse of sustainable cotton in 2017. Additional policies will follow.

→ **Mulesing-free wool:** HUGO BOSS is increasing the share of mulesing-free wool in the overall product portfolio with the aim of almost completely eliminating this process from production.

→ **Chemicals:** HUGO BOSS works with suppliers to further reduce the use of chemicals in production.

PRODUCT SAFETY

HUGO BOSS collections meet the highest **quality and safety standards**. Extensive guidelines and coordinated processes ensure that there are no health risks for neither production employees, nor customers using the products.

Products are checked for potentially harmful chemicals at every stage of production, up to delivery. Accredited institutes continuously test products in accordance with recognized standards to check for possible effects on health or safety. . A total of 2,967 tests were carried out in 2016 (2015: 3,372). Only 5% of the tested products (2015: 5%) failed to meet HUGO BOSS' high standards, which go beyond statutory requirements, and were subsequently not put on the market ✓.

As a basic condition of its co-operation with suppliers, HUGO BOSS requires them to guarantee their compliance with the RSL. The RSL constitutes a set of regulations to ensure that products comply with relevant national and international laws on the use of chemicals and other potentially hazardous substances. It also contains the Company's internal directives, which in many cases go beyond these minimum requirements. These standards applies to all materials used and all substances employed in the production process. HUGO BOSS actively checks this through extensive testing for hazardous substances performed by accredited laboratories to ensure the safety and quality of products.

HUGO BOSS meets all statutory requirements in terms of **product labeling**. All products are labeled with information about the material composition, care instructions, country of origin, as well as the product and supplier number. In the reporting year, there were no customer complaints or fines due to incorrect labeling.

SOCIETY

Promoting perspectives

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HUGO BOSS implements its strategy through projects and measures along the entire value chain, taking into account both the close links between the purpose of promotion, as well as the Company's business and regional needs at the relevant locations. Active local involvement of staff is also particularly important in this context, and the Company creates the necessary conditions to enable this. Purely in terms of donations, the Company spent EUR 363,409 in the reporting year ✓ (2015: EUR 665,154).

COMMITMENT TO EDUCATION

In association with recognized partner organizations, as well as through its own initiatives and projects, HUGO BOSS works along the entire value chain to enable people to lead self-determined and successful lives by providing them with **access to education**. In addition to supporting young people in their school and university education, HUGO BOSS also promotes vocational training measures in its own business environment. The Company's workforce plays an important role in this.

The Company maintains an especially close partnership with UNICEF, the United Nations children's fund. HUGO BOSS sponsors the "Schools for Africa" initiative and has been supporting UNICEF educational programs in Bangladesh since 2013. HUGO BOSS has also supported UNICEF for many years with emergency relief in crisis areas.

Through the HUGO BOSS Education Association Program the Company provides financial support for **training young people** at its Turkish production site in Izmir: relatives and close associates of Company staff who rely on financial aid can apply for a scholarship. In 2016, 140 schoolchildren and students received support from the HUGO BOSS Education Association.

PROFESSIONAL TRAINING

HUGO BOSS runs targeted **professional training** at its largest production site in Izmir. In collaboration with the local employment agency, the Company offers a program designed to help women re-enter the labor market. A total of 63 women graduated from the program in 2016, receiving a nationally recognized employee development certificate. 38 were subsequently given a full time job at HUGO BOSS.

A special partnership was started in 2014 with The New School's Parsons School of Design in New York, which takes an interdisciplinary approach. HUGO BOSS is supporting selected students with a scholarship program worth USD 250,000 over the course of five years. A joint sustainable fashion workshop was set up in the reporting year to further enhance the dialog with students. Students can also have the opportunity to do an internship at HUGO BOSS to get initial work experience and contribute with their passion.

PROMOTING CREATIVITY AND CULTURAL EDUCATION

HUGO BOSS considers its support for **contemporary art** to be a key element of its contribution to society. Contemporary art generates new impulses and fosters tolerance and an innovative spirit. For this reason, it has been a fixed part of the Company's corporate culture for more than 20 years. The international cultural sponsorship program supports selected exhibitions and projects with great passion and energy, especially those of up-and-coming young artists.

CORPORATE VOLUNTEERING

Last year, within the framework of corporate volunteering, HUGO BOSS employees were particularly involved in **helping refugees integrate into society**. Among other things, staff helped with language and conversation courses or took care of children to enable mothers to participate in these courses. HUGO BOSS promotes volunteer work by counting some or all of the assistance by staff as time spent working. HUGO BOSS employees can also volunteer in other areas, for example as caregivers during school vacations, as part of the corporate volunteering initiative.

Further information about HUGO BOSS' social commitment can be found on the Group's Website, → group.hugoboss.com.

Appendix

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SIGNIFICANT SUSTAINABILITY TOPICS OF HUGO BOSS

Priorities	HUGO BOSS sustainability topics	Allocated GRI aspects	Significant impacts		
			Inside the Company	Outside the Company	Inside and outside the Company
High strategic intensity	1. Integration of sustainability into corporate structure	Economic performance			HB, suppliers
		Procurement, assessment, environmental grievance mechanisms	HB		
		Compliance (SO), compliance (EN), compliance (PR)			HB, customers
	2. Human rights & labor standards in the value chain	Grievance mechanisms for impacts on society, marketing communications		Customers, suppliers	
		Non-discrimination, freedom of association and collective bargaining, child labor, forced and compulsory labor, human rights and labor practices grievance mechanisms			HB, customers, suppliers
		Investment, supplier assessment for labor practices			HB, suppliers
	3. Employee satisfaction	Supplier assessment for human rights and for impacts on society		Suppliers	
		Employment, diversity and equal opportunities	HB		
	4. Mitigation of environmental impact through the value chain	Energy, emissions, materials, water, effluents and waste			HB, customers, suppliers
		Supplier environmental assessment		Suppliers	
	5. Mitigation of environmental impact through HUGO BOSS operations	Transport			HB, suppliers
		Energy, materials, effluents and waste, supplier environmental assessment, emissions, water	HB		
6. Mitigation of the environmental impact through HUGO BOSS products and services	Energy, materials, effluents and waste, products and services			HB, customers	
7. Better compensation	Equal remuneration for women and men			HB, suppliers	
8. Occupational health & safety during manufacturing	Occupational health and safety			HB, suppliers	
Medium strategic intensity	9. Professional development & talent promotion	Training and education	HB		
	10. Customer satisfaction	Customer privacy, product and service labeling, customer health and safety		Customers	
		Marketing communications			HB, customers
11. Social commitment	Indirect economic impacts, local communities			HB, customers, suppliers	
12. Stakeholder dialog					
Low strategic intensity	13. Biodiversity & animal welfare	Marketing communications		Suppliers	
		Supplier environmental assessment			HB, suppliers
	14. Ethics & integrity	Anti-competitive behavior, compliance (SO)			HB, customers, suppliers
		Anti-corruption, economic performance			HB, suppliers
		Customer privacy		Customers	
	Diversity and equal opportunity, equal remuneration for women and men, labor/management relations	HB			

SUSTAINABILITY PROGRAM

Field of action	Strategic objective	Target	Deadline	Status	Achievements
We	Integration of sustainability into corporate structure	Implementation of specific projects based on the priorities identified in the materiality analysis	Ongoing	●	Fine-tuning the sustainability strategy and priorities in 2016
We	Integration of sustainability into corporate structure	Integration of sustainability indicators into management compensation	2016	●	Staff satisfaction and the Company's sustainability activities are an integral part of the long-term compensation of the Managing Board, as well as all those who qualify for the long-term incentive program
We	Integration of sustainability into corporate structure	Integrating the principle of sustainability at the HUGO BOSS Group through various events	2017	●	Integrating sustainability into corporate strategy as a fixed element, running a two-day sustainability event, and organizing the first international stakeholder dialog
We	Integration of sustainability into corporate structure	Providing compliance training to 100% of staff with regular access to PCs	2019	●	Enlarging the target group by reviewing the system data
We	Stakeholder dialog	Enabling a structured dialog between stakeholders and the Company's operational management	Ongoing	●	Talks and cooperation with various stakeholders over the course of the year
We	Stakeholder dialog	Holding regular stakeholder dialog events	Ongoing	●	Organizing the first international stakeholder dialog in 2016
We	Stakeholder dialog	Extending stakeholder management to include the most important subsidiaries	2018	●	Organizing the first international stakeholder dialog in 2016
We	Stakeholder dialog	Implementation of a comprehensive Group-wide stakeholder management strategy	2020	●	Drawing up a stakeholder matrix and publishing a commitment on stakeholder engagement, conducting the first international stakeholder dialog

Field of action	Strategic objective	Target	Deadline	Status	Achievements
Environment	Mitigation of environmental impact through HUGO BOSS operations	Installation of LED lights or other efficient lighting in all new and renovated stores	2017	●	Implementation of the lighting guidelines in Europe and the Asia/Pacific region completed, already partially implemented in the Americas
Environment	Mitigation of environmental impact through HUGO BOSS operations	Implementation of a sustainable store concept for the construction, renovation and reconstruction of stores in all regions. The concept will first be implemented at individual stores in Europe in 2017	2020	🕒	Implementing an analysis to identify the criteria relevant for HUGO BOSS for sustainable stores. Starting the development of the new concept
Environment	Mitigation of environmental impact through HUGO BOSS operations	Expansion of the certification of the energy management system in conformity with ISO 50001 to all own retail stores in Germany and Austria	2016	●	Expansion of the energy management system with successful certification
Environment	Mitigation of environmental impact through HUGO BOSS operations	Implementation of the energy management system in conformity with ISO 50001 at all own retail stores in Europe	2017	🕒	Start of the project within the framework of workshops and training sessions for everyone involved in the project
Environment	Mitigation of environmental impact through HUGO BOSS operations	Expansion of the certification of the environmental management system in conformity with ISO 14001 to all of the Group's production sites	2020	●	Izmir: Certification successfully completed in December 2014; Morrovalle: Certification successfully completed in December 2015
Environment	Mitigation of environmental impact through HUGO BOSS operations	Reduction of energy consumption in relation to Group sales by 30% compared with the base year 2016	2025	○	The energy reduction target was set in 2016 for the first time
Environment	Mitigation of environmental impact through HUGO BOSS operations	Reduction of greenhouse gas emissions (scope 1 and 2) in relation to Group sales by 40% compared with the base year 2016	2025	○	The target was redefined because of the overachievement of the original target
Environment	Mitigation of environmental impact through HUGO BOSS operations	Reduction of water consumption in relation to Group sales by 40% compared with the base year 2016	2025	○	The target was redefined because of the overachievement of the original target
Environment	Mitigation of environmental impact through the value chain	Increasing the use of more environmentally friendly rail freight by 10% on the transport route from China	2016	●	The new transport route was implemented successfully
Environment	Mitigation of environmental impact through the value chain	Increasing more environmentally friendly modes of transport (sea and rail freight) by 2% with a simultaneous 4% reduction in transport-related emissions (scope 3) in relation to Group sales compared to the base year (2016) for all finished goods delivered to Germany ¹	2018	○	This target was defined in 2016 for the first time. Quarterly measurement and analysis of transport-related emissions was implemented
Environment	Mitigation of environmental impact through the value chain	Standardizing logistics service contracts, including the HUGO BOSS Social Standards	2020	🕒	Standardizing the contracts with logistics service providers in Germany
Environment	Mitigation of environmental impact through HUGO BOSS operations	100% FSC® certification for all self-purchased boxes leaving the HUGO BOSS distribution centers in Germany	2017	●	Successful switch, 89% of sales are already FSC®-certified
Environment	Mitigation of environmental impact through HUGO BOSS operations	Expanding the use of FSC®-certified boxes to all of the Company's own warehouses worldwide	2025	🕒	Using exclusively FSC®-certified boxes at own distribution centers in Germany

¹ This meets the targets set by the COP21 agreements.

Field of action	Strategic objective	Target	Deadline	Status	Achievements
Employees	Integration of sustainability into corporate structure	Raising awareness of all employees for sustainability issues	Ongoing		Running two Sustainability Days at the Metzingen site, developing and implementing a sustainability training for employees for the first time
Employees	Employee satisfaction	Continually optimizing global employee retention measured on the basis of a 25% reduction in employee-related workforce turnover (base year: 2014)	2020		Better results on various employer branding surveys, initiating a project group on New Work (working environment of the future), expanding the work-life balance offers in Germany
Employees	Employee satisfaction	Expanding the employee survey to 80% of the workforce with the aim of improving employee satisfaction	2020		Implementing the Great Place to Work® survey in Germany, Austria, Turkey, Switzerland and all of Asia in 2016
Employees	Occupational health & safety	Introducing a global occupational health and safety (OHS) standard in retail	2016		Introducing a standard and online training on OHS in retail
Employees	Occupational health & safety	Further developing the OHS culture and systematically adapting processes and structures in retail world-wide	2020		Introducing a standard and online training on OHS in retail
Employees	Occupational health & safety	Revising the global strategy on OHS with the aim of establishing a uniform, Group-wide standard evaluated and managed using a key performance indicator system	2020		Revising the key performance indicator system, fine-tuning the OHS targets in retail, introduction of an OHS standard in retail

Field of action	Strategic objective	Target	Deadline	Status	Achievements
Partners	Human rights & labor standards in the value chain	Achievement of complete transparency for all strategic suppliers in terms of social, environmental and economic performance indicators	2017	●	The GSCP environmental program was rolled out to all strategic suppliers in 2016. Strategic suppliers are continually assessed by social audits
Partners	Human rights & labor standards in the value chain	Implementation of a framework (governance model) for suppliers in terms of their own responsibility in relation to sustainability aspects along the entire supply chain	2017	🕒	Stocktaking and analyzing existing governance models in the HUGO BOSS supplier portfolio
Partners	Human rights & labor standards in the value chain	Sourcing of 80% of all goods from suppliers who achieve a result of "satisfying" or better in social audits	2017	●	In 2016, 86% of goods were sourced from suppliers who achieved a result of "satisfying" or better in social audits
Partners	Human rights & labor standards in the value chain	Sourcing of more than 90% of all goods from suppliers who achieve a result of "satisfying" or better in social audits	2020	🕒	In 2016, 86% of goods were sourced from suppliers who achieved a result of "satisfying" or better in social audits
Partners	Human rights & labor standards in the value chain	All strategic suppliers have their own program for managing sustainability factors	2020	🕒	Stocktaking and analyzing existing governance models in the HUGO BOSS supplier portfolio
Partners	Human rights & labor standards in the value chain	All strategic partners have a control system for the value chain (including an in-house code of conduct) and assume responsibility for their own suppliers	2020	🕒	Holding a Supplier Day to increase transparency along the supply chain
Partners	Mitigation of environmental impact through the value chain	Worldwide rollout of the GSCP environmental program for strategic suppliers	2016	●	Conducting GSCP audits on all strategic suppliers
Partners	Mitigation of environmental impact through the value chain	Defining the required performance level with regard to the environment (on the basis of the GSCP) for all finished goods suppliers	2017	●	The following performance levels were defined in 2016: All suppliers must meet the local legal requirements. Strategic suppliers must also meet GSCP level 1: They must comply with the law and make employees aware of environmental issues
Partners	Mitigation of environmental impact through the value chain	All strategic suppliers must comply with GSCP level 1: They must comply with the law and make employees aware of environmental issues	2020	🕒	The following performance levels were defined in 2016: All suppliers must meet the local legal requirements. Strategic suppliers must also meet GSCP level 1. They must comply with the law and make employees aware of environmental issues
Partners	Mitigation of environmental impact through the value chain	Expanding and strengthening the long-term partnerships with strategic suppliers with the aim, among other things, of minimizing risks and developing common standards and new technologies	2020	🕒	Pilot project on supplier financing coupled with the implementation and ongoing development of specific sustainability issues

Field of action	Strategic objective	Target	Deadline	Status	Achievements
Products	Biodiversity & animal welfare	Complete ban of the use of farmed fur in any collection, including raccoon, fox and rex rabbit fur	2016	●	Successfully implemented in all collections since the Fall/Winter 2016 collection
Products	Biodiversity & animal welfare	Exclusive use of down originating from production sources without live-plucking or forced-feeding	2016	●	Successfully implemented in all collections since the Fall/Winter 2016 collection
Products	Biodiversity & animal welfare	Increasing the share of mulesing-free wool to 90% in pure woolen knitwear products	2020	●	Mulesing-free wool has been used in 85% of all pure woolen knitwear products since the Fall/Winter 2016 collection. The proportion will be increased to 88% in 2017
Products	Mitigation of environmental impact through own products / Mitigation of environmental impact through the value chain / Biodiversity & animal welfare	Use of padding made of at least 60% recycled materials in all clothing products and accessories	2016	●	Successfully implemented in all collections since the Fall/Winter 2016 collection
Products	Mitigation of environmental impact through own products / Mitigation of environmental impact through the value chain / Biodiversity & animal welfare	Within the framework of its overall material strategy, HUGO BOSS publishes a binding commitment on the use of sustainable cotton as well as quantitative goals in this area	2017	●	A study evaluating the natural capital for cotton products on the basis of intensive lifecycle assessments (LCAs) was published in 2016. This forms the basis of the development and implementation of the HUGO BOSS cotton commitment
Products	Mitigation of environmental impact through own products / Mitigation of environmental impact through the value chain / Biodiversity & animal welfare	Expansion of the studies to evaluate the natural capital of polo shirts, jeans, trousers and shoes	2017	●	Conducting LCAs for these product categories
Products	Mitigation of environmental impact through own products / Mitigation of environmental impact through the value chain / Biodiversity & animal welfare	Within the framework of its overall material strategy, HUGO BOSS publishes a binding commitment on the use of sustainable leather as well as quantitative goals in this area	2018	●	A study evaluating the natural capital of leather-related products on the basis of intensive LCAs was published in 2016. The findings are published in 2017. This forms the basis of the development and implementation of the HUGO BOSS leather commitment
Products	Mitigation of environmental impact through own products / Mitigation of environmental impact through the value chain / Biodiversity & animal welfare	Expansion of the studies to evaluate the natural capital of suits and silk ties	2018	●	Start conducting LCAs for these product categories
Products	Mitigation of environmental impact through own products / Mitigation of environmental impact through the value chain / Biodiversity & animal welfare	Extending the HUGO BOSS material strategy to wool and synthetic fibers, and holistically implementing this	2020	●	Use of padding made of at least 60% recycled materials in all clothing products and accessories. Increased share of mulesing-free wool in pure woolen knitwear products
Products	Integration of sustainability into corporate structure / Mitigation of environmental impact through own products	Market launch of an innovative, sustainable HUGO BOSS product line	2018	●	Creating initial prototypes, conducting workshops (internal and external)

Field of action	Strategic objective	Target	Deadline	Status	Achievements
Society	Social commitment	Promoting education at HUGO BOSS sites and along the supply chain with the aim of training potential employees and strengthening society	Ongoing	●	Program to help women re-enter the labor market in collaboration with the local employment agency at the site in Izmir
Society	Social commitment	Promoting equal opportunities and supporting disadvantaged children	Ongoing	●	Partnerships with UNICEF and Art School "Kunstschule Filderstadt"
Society	Social commitment	Uncomplicated aid in emergency situations	Ongoing	●	Support for projects (language courses, swimming lessons, childcare and internships) for integrating refugees at the Metzingen site
Society	Social commitment	Promoting knowledge transfers in society to enable first-class training and increase knowledge in society	Ongoing	●	For instance, by initiating a workshop with students
Society	Social commitment	Initiating a workshop on sustainable fashion with selected students of The New School's Parsons School of Design	2016	●	A workshop was run on the issue of sustainable fashion
Society	Social commitment	Implementing a special integration project for refugees in the Metzingen region	2017	●	Involvement in various projects, for example language courses, swimming lessons, childcare and internships at the Metzingen site under the auspices of the German integration initiative "Wir-Zusammen"
Society	Social commitment	Defining the specific framework conditions for the HUGO BOSS corporate volunteering program	2018	◐	The global concept is being fine-tuned, individual measures have already been implemented in 2016 (see aid for refugees)
Society	Social commitment	Implementing a strategic flagship project with quantifiable community value added	2020	🕒	Assessing potential issues, initiatives and partners for collaboration

GRI CONTENT INDEX

The HUGO BOSS Sustainability Report 2016 was prepared on the basis of the guidelines of the Global Reporting Initiative (GRI) in the Version G4 including the “GRI Apparel and Footwear Sector Supplement”. The selection of the General and Specific Standard Disclosures to be reported is made on the basis of a materiality analysis carried out in 2015. Selected disclosures were subject to an external audit.

GENERAL STANDARD DISCLOSURES

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G4-3	Name of the company	4	
G4-4	Primary brands, products and services	5	
G4-5	Location of headquarters	5	
G4-6	Countries with major operations	5	
G4-7	Nature of ownership and legal form	4, AR 31–32	
G4-8	Markets served	5	
G4-9	Scale of the reporting organization	5	
G4-10	Breakdown of workforce by employment, gender and regions	28–29	Details about the employee structure by contract type are not available. ✓
G4-11	Percentage of total employees covered by collective bargaining agreements	28	
G4-12	Description of the supply chain	5	
G4-13	Significant changes during the reporting period		In the reporting year, no significant changes occurred.
G4-14	Implementation of the precautionary principle	10–11	
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G4-16	Memberships in associations and advocacy organizations	14–15	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
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G4-24	Stakeholder groups engaged by the organization	13	
G4-25	Identification and selection of stakeholders	13	
G4-26	Approach to stakeholder dialog and frequency of engagement	13	
G4-27	Key topics and concerns of stakeholders and response	9, W ¹	

¹ W = Website HUGO BOSS (group.hugoboss.com)

GENERAL STANDARD DISCLOSURES

	Page	Omissions	External audit
REPORT PROFILE			
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G4-29	Date of the most recent previous report	4	
G4-30	Reporting cycle	4	
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G4-32	Option of compliance in accordance with GRI and selected index	66	
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GOVERNANCE			
G4-34	Governance structure incl. committees of the highest governance body	AR 7, AR 15–17	
G4-35	Delegation authorities for economic, environmental and social topics	10	
G4-36	Responsibility for economic, environmental and social topics	10	
G4-37	Consultation processes between stakeholders and the highest governance body	13	
G4-38	Composition of the highest governance body and its committees	AR 15–17	
G4-39	Independence of the chair of the highest governance body	10	
G4-40	Nomination and selection processes for the highest governance body	AR 21–22	
G4-41	Processes for avoidance of conflicts of interest	10	
G4-42	Role of the highest governance body with respect to strategy and goals	AR 20 ff	
G4-43	Measures concerning sustainability knowledge of the supervisory board	AR 10	
G4-44	Performance assessment of the highest governance body with respect to sustainability	AR 93–94	
G4-45	Role of the highest governance body with respect to sustainability risks and opportunities	11	
G4-46	Role of the highest governance body with respect to the effectiveness of the organization's risk management	11	
G4-47	Frequency of the review of sustainability risks and opportunities by the highest governance body	11	
G4-48	The highest committee for approval of the sustainability report	4	
G4-49	The process for communicating critical concerns to the highest governance body	13	
G4-50	Critical concerns that were communicated to the highest governance body	13	
G4-51	Remuneration policies for the highest governance body and senior executives	AR 90–91	
G4-52	Process for determining remuneration	AR 92–95	
G4-53	Stakeholders' views regarding remuneration		HUGO BOSS did not receive any opinions expressed on management board compensation in the reporting year.
ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of behavior	11	
G4-57	Processes for seeking advice on ethical and lawful behavior	11–12	
G4-58	Processes for reporting doubts about unethical or unlawful behavior	11–12	

SPECIFIC STANDARD DISCLOSURES

		Page	Omissions	External audit
ECONOMY				
Aspect: Economic performance – Management approach		7		
EC1	Economic value generated and distributed	5, AR 73–75		
EC2	Financial implications, risks and opportunities due to climate change	7, 11		
EC3	Obligations from the defined benefit pension plan	AR 96–97		
EC4	Financial assistance received from government		The Company has not received significant grants and subsidies from government during the reporting year.	
Aspect: Indirect economic impacts – Management approach		55–56		
EC7	Infrastructure investments and services supported	56–57		✓
Aspect: Procurement – Management approach		37–38		
EC9	Proportion of spending on local suppliers	5, 37		
ENVIRONMENT				
Aspect: Materials – Management approach		47		
EN1	Weight/volume of materials used	49		✓
EN2	Percentage of recycled input materials used	50–51		✓
Aspect: Energy – Management approach		17–18		
EN3	Energy consumption within the company	18–20		✓
EN5	Energy intensity	20		✓
EN6	Reduction of energy consumption	18–20		
Aspect: Water – Management approach		17–18		
EN8	Total water consumption by sources	22		✓
Aspect: Emissions – Management approach		17–18		
EN15	Direct greenhouse gas emissions (Scope 1)	20–21		✓
EN16	Indirect energy greenhouse gas emissions (Scope 2)	20–21		✓
EN17	Other indirect greenhouse gas emissions (Scope 3)	20–21		✓
EN18	Intensity of the greenhouse gas emissions	20–21		✓
EN19	Initiatives to reduce greenhouse gas emissions	18, 20, 25		
Aspect: Wastewater and waste – Management approach		17–18		
EN22	Wastewater discharge by quality and destination	23		✓
EN23	Waste by type and disposal method	24		✓
EN24	Significant spills		No significant spills in the reporting year.	
Aspect: Products and services – Management approach		47		
EN27	Mitigation of environmental impacts of products and services	44, 48–49		
Aspect: Compliance – Management approach		17–18		
EN29	Fines and sanctions for non-compliance with environmental laws and regulations	12		
Aspect: Transport – Management approach		17–18		
EN30	Significant environmental impacts of transport	25		✓
Aspect: Supplier environmental assessment in respect of environmental aspects – Management approach		37–38		
EN32	Percentage of new suppliers that were screened using environmental criteria	44–45		✓
EN33	Significant environmental impacts in the supply chain	44–45		✓
Aspect: Environmental grievance mechanisms in respect of environmental aspects – Management approach		37–38		
EN34	Formal grievances in respect of environmental impacts		In the reporting year, no formal grievances were filed in respect of environmental impacts.	

SPECIFIC STANDARD DISCLOSURES

		Page	Omissions	External audit
LABOR PRACTICES AND DECENT WORK				
Aspect: Procurement – Management approach		27		
LA1	New employee hires and employee turnover	29–31		✓
LA2	Benefits provided only for the core workforce	31–32		
Aspect: Labor / management relations – Management approach				
LA4	Notice periods regarding significant operational changes		HUGO BOSS complies with all legal regulations on notice periods.	
Aspect: Occupational health and safety – Management approach		27		
LA5	Percentage of the total workforce represented in health and safety committees that help monitor and advise on occupational health and safety programs	34	Figures on the percentage of the total represented workforce are currently not available.	
LA6	Absentee days, injuries and fatalities	35		✓
LA8	Health and safety topics covered in agreements with trade unions	34–35		
Aspect: Education and training – Management approach		27		
LA9	Basic training/Career development: hours by employee categories	33	Figures on average training hours per employee and split by gender and employee category are currently not available.	✓
LA10	Programs for knowledge management and life-long learning	32–33		
LA11	Percentage of employees receiving regular performance assessments and career development planning	32		✓
DMA Aspect: Diversity and equal opportunities – Management approach		27		
LA12	Employee structure/Diversity of the management	28–29	Statements about minorities are for HUGO BOSS not applicable, because the Company does not consider anybody as such.	✓
Aspect: Equal remuneration for men and women – Management approach		27		
LA13	Equal remuneration by gender and employee category	31	HUGO BOSS pays women and men the equally. The remuneration is based on the performance and qualification of the employees.	
Aspect: Supplier assessment for labor practices – Management approach		37–38		
LA14	Percentage of new suppliers screened using labor practices criteria	39		✓
LA15	Significant impacts for labor practices in the supply chain	39–40		✓
Aspect: Grievance mechanisms for labor practices – Management approach		39		
LA16	Formal grievances filed about impacts of labor practices		In the reporting year, no formal grievances were filed about impacts of labor practices.	
HUMAN RIGHTS				
Aspect: Investment – Management approach		37–38		
HR1	Significant investment agreements with human rights clauses or that underwent human rights screening	38		
HR2	Employee training on human rights	33	Data on average number of training hours per employee are not yet available.	
Aspect: Non-discrimination – Management approach		7		
HR3	Incidents of discrimination and corrective actions taken	12		

SPECIFIC STANDARD DISCLOSURES

		Page	Omissions	External audit
	Aspect: Freedom of association and right to collective bargaining negotiations – Management approach	7, 37–38		
HR4	Operations and suppliers in which the right to exercise freedom of association and collective bargaining is violated or at risk, and the measures taken to support these rights	39		✓
	Aspect: Child labor – Management approach	7, 37–38		
HR5	Operations and suppliers identified as having significant risk for incidents of child labor and measures taken	39–40		✓
	Aspect: Forced or compulsory labor – Management approach	7, 37–38		
HR6	Operations and suppliers with significant risk for incidents of forced or compulsory labor, and measures taken	39–40		✓
	Aspect: Assessment – Management approach	7		
HR9	Operations subject to human rights reviews	12		
	Aspect: Supplier assessment for human rights – Management approach	37–38		
HR10	Percentage of new suppliers that were screened using human rights criteria	38–39		✓
HR11	Significant impacts on human rights in the supply chain	40–41		✓
	Aspect: Human rights grievance mechanisms – Management approach	7		
HR12	Formal grievances filed about human rights infringements	7, 37–38	In the reporting year, no formal grievances were filed about human rights infringements.	
SOCIETY				
DMA	Aspect: Local communities – Management approach	55–56		
SO1	Percentage of operations with measures for local community engagement, impact assessments, and development programs	56–57		
SO2	Operations which can exert significant negative impacts on local communities		No negative impacts known.	
	Aspect: Anti-corruption – Management approach	7		
SO3	Percentage of operations assessed for risks related to corruption and the risks identified	12		
SO4	Information and training on anti-corruption policies and procedures	11–12, 34		
SO5	Confirmed incidents of corruption and actions taken	12		✓
	Aspect: Public policy – Management approach	7		
SO6	Total value of political contributions		HUGO BOSS makes no donations to political parties.	
	Aspect: Anti-competitive behavior – Management approach	7		
SO7	Legal actions for anti-competitive behavior for anti-trust practices	12		✓
	Aspect: Compliance – Management approach	7		
SO8	Significant fines and sanctions for non-compliance with laws and regulations		In the reporting year, no penalty payments were paid.	✓
	Aspect: Supplier assessment for impacts on society – Management approach	37–38		
SO10	Negative impacts on society in the supply chain and actions taken	40–41		
	Aspect: Grievance mechanisms for impacts on Society – Management approach	7, 37–38		
SO11	Formal grievances about impacts on society		In the reporting year, no formal grievances for impacts on society were filed.	

SPECIFIC STANDARD DISCLOSURES

		Page	Omissions	External audit
PRODUCT RESPONSIBILITY				
	Aspect: Customer health and safety – Management approach	47		
PR1	Percentage of significant products and services which were assessed for health and safety	53		✓
PR2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	53		
	Aspect: Product and service labeling – Management approach	47		
PR3	Principles and procedures for product labeling and percentage of products and services subject to such requirements	53		
PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service labeling	53		
PR5	Results of surveys measuring customer satisfaction	47		
	Aspect: Advertising – Management approach	47		
PR6	Sale of banned or disputed products	52		
PR7	Incidents of non-compliance with marketing standards		HUGO BOSS complies with all relevant marketing standards.	
	Aspect: Customer privacy – Management approach	47		
PR8	Breaches of customer privacy and losses of customer data	12		
	Aspect: Compliance – Management approach	47		
PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		In the reporting year, no penalty payments were incurred.	
SECTOR-SPECIFIC DISCLOSURES FOR THE APPAREL AND FOOTWEAR SECTOR (PILOT VERSION) SUPPLY CHAIN				
AF7	Workplaces and suppliers covered by the Code of Conduct	38		
AF8	Number of audits carried out and percentage of workplaces audited	39, 44		
AF 9–14	Number of incidents of non-compliance with the Code of Conduct	39, 44		
AF15	Analysis of data from audits	40–41, 45		
AF16	Remediation measures to address incidents of non-compliance	40, 45		

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT REGARDING SUSTAINABILITY INFORMATION

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the Sustainability Report 2016 of HUGO BOSS AG. The following text is a translation of the original German Independent Assurance Report.

TO THE MANAGEMENT BOARD OF HUGO BOSS AG, METZINGEN

We have been engaged to perform a limited assurance engagement on information marked with the symbol "✔" in the Sustainability Report of HUGO BOSS AG for the reporting period from 1 January to 31 December 2016 (hereafter the report).

Our engagement is exclusively limited to the information marked with the symbol "✔" in the German PDF version of the report. Our engagement did not include any prospective statements or information for previous years. The report is published as a PDF version at → www.group.hugoboss.com/files/Sustainability_Report_2016.pdf.

MANAGEMENT'S RESPONSIBILITY

The legal representatives of HUGO BOSS AG are responsible for the preparation of the report in accordance with the criteria as set out in the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and for the selection of the information to be assessed.

This responsibility includes the selection and application of appropriate methods to prepare the report and the use of assumptions and estimates for individual sustainability disclosures that are reasonable under the circumstances. Furthermore, the legal representatives are responsible for internal controls that they deem necessary for the preparation of a report that is free from – intended or unintended – material misstatements.

AUDITOR'S STATEMENT REGARDING INDEPENDENCE AND QUALITY

We are independent from the Company in compliance with the German statutory and professional requirements, and have complied with other professional requirements.

The quality assurance system of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft is based on the national statutory regulations and professional pronouncements including, but not limited to the Professional Charter for German Public Auditors and German Sworn Auditors and the draft standard "Requirements to quality control for audit firms" (IDW EQS 1) issued by the Institute of Public Auditors, which are in accordance with the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB).

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on information marked with the symbol "✔" in the report based on our work performed.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the information marked with the symbol "🔍" in the report for the reporting period from 1 January to 31 December 2016 has not been prepared, in all material respects, in accordance with the relevant GRI criteria. We do not, however, issue a separate conclusion for each sustainability disclosure which is marked with the symbol "🔍". In a limited assurance engagement the evidence gathering procedures are more limited than for a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the auditor's judgment.

Within the scope of our work we performed amongst others the following assurance and other procedures:

- Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management of HUGO BOSS AG,
- Inquiries of employees responsible for the preparation of information marked with the symbol "🔍" in the report in order to assess the sustainability reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement,
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing and aggregating sustainability data in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of sustainability data at the locations Metzingen, Izmir and USA,
- Analytical measures at group level and on the level of selected sites regarding the quality of the reported data,
- Critical review of the draft report to assess plausibility and consistency with the information marked with the symbol "🔍".

CONCLUSION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the information marked with the symbol "🔍" in the Sustainability Report of HUGO BOSS AG for the reporting period from 1 January to 31 December 2016 has not been prepared, in all material respects, in accordance with the GRI criteria.

INTENDED USE OF THE REPORT

We issue this report on the basis of the engagement agreement with HUGO BOSS AG. The limited assurance engagement has been performed for the purposes of HUGO BOSS AG and is solely intended to inform HUGO BOSS AG about the results of the assurance engagement.

LIMITATION OF LIABILITY

The report is not intended to be used as a basis for (financial) decision-making by third parties of any kind. We have responsibility towards HUGO BOSS AG only. We do not assume any responsibility towards third parties.

Munich, 8 May 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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