ANNUAL REPORT 2022

HUGO BOSS

MOTTO

POWER

['paʊə]

... DESCRIBES THE STRENGTH OF CLAIM 5. THE DETERMINATION IN PURSUING OUR GOALS. THE SUCCESS THAT COMES WITH IT.

FOR HUGO BOSS,
2022 WAS A YEAR FULL OF POWER.

POWERFUL

Brands. Products. Execution. People.

LET'S POWER ON!


BOSS
#BEYOUROWN


HUGO
HUGO
HUGO
HUGO
HUGO
HUGO
HUGO
HUGO
HUGO
#HUGOYOURWAY
HUGO
HUGO
HUGO
HUGO
HUGO

VISION

BECOME THE LEADING
PREMIUM TECH–DRIVEN
FASHION PLATFORM
WORLDWIDE

MISSION

WE LOVE FASHION
WE CHANGE FASHION

AMBITION

BECOME ONE OF THE
TOP 100 GLOBAL BRANDS

CLAIM

STRATEGY

12345

OUR FINANCIAL AMBITION BY 2025

4

EUR BILLION
GROUP SALES

~12

PERCENT
EBIT MARGIN

LEARN MORE ON OUR STRATEGY

2022 RESULTS

3.7
EUR BILLION
GROUP SALES

335
EUR MILLION
EBIT

166
EUR MILLION
FREE CASH FLOW

1.00
EUR PER SHARE
DIVIDEND PROPOSAL

CHART GENERATOR

RECORD SALES IN 2022

3,651

EUR MILLION
+31%

CEO DANIEL GRIEDER REFLECTS ON 2022

2022 HIGHLIGHTS

EXPLORE ONLINE

OUR POWERFUL BRANDING REFRESH

OUR SHARE PRICE PERFORMANCE

+1%

IN 2022

2022 STORIES

EXPLORE ONLINE

LEARN MORE

OUR ONLINE ANNUAL REPORT

Our annual report is also available online offering many interactive features.
www.annualreport-2022.hugoboss.com

Due to rounding, numbers presented in this Annual Report may not add up precisely to the totals provided.

CHAPTER 1 TO OUR SHAREHOLDERS

LETTER TO SHAREHOLDERS

Daniel Grieder, Chief Executive Officer

Dear Shareholders, Dear Readers,

For HUGO BOSS, 2022 proved to be an extremely successful year. Our strong comeback is clear testament to the power and strength of our "CLAIM 5" strategy, introduced in August 2021. In particular, our bold branding refresh impressively fueled the power of BOSS and HUGO, enabling both our brands to successfully expand market shares around the globe. This led to record sales for our Company of EUR 3.7 billion. More importantly, our momentum was broad based across both brands, all regions, and all consumer touchpoints – and it was accompanied by significant bottom-line improvements, with EBIT mounting up to EUR 335 million. Together, we managed to exceed our full-year sales and earnings targets, which we had revised upwards twice during the year.

With "CLAIM 5," we have introduced the right strategy at the right time. A strategy that enables us to unlock the full potential of HUGO BOSS. Thanks to its powerful and rigorous execution, we have made a kickstart and achieved significant progress in numerous important brand, product, and sales initiatives within a short period of time. In doing so, 2022 marks the first important milestone on our 2025 growth journey. However, our ambition has not changed: We want to become one of the top 100 global brands, and turn consumers from all over the world into true fans of BOSS and HUGO.

"CLAIM 5" is all about the consumer. To anchor our position in the consumers' minds and significantly enhance brand relevance, in 2022, we ushered in a whole new era with our highly successful branding refresh. In particular, the spectacular launch of our record-breaking campaigns quickly and strongly boosted brand power for BOSS and HUGO, putting our brands into the spotlight more than ever before. Thanks to our brands' new image and numerous spectacular fashion events, we kept up the pace and further increased brand heat as the year progressed, attracting consumers from all over the world. Be it through our unique fashion events in the Dubai desert, at Milan Fashion Week, and in Palm Springs, or through our comeback to Formula 1 and on the slopes of the legendary Hahnenkamm Races. All of this led to staggering brand momentum, with more than 50 billion views, around 2 billion interactions, and a significant uplift in global demand for our collections.

«OUR BOLD BRANDING REFRESH IMPRESSIVELY FUELED BRAND POWER OF BOSS AND HUGO.»

Speaking about our collections: our products are at the heart of everything we do and an essential part of our branding refresh. Only recently, we celebrated the launch of our new Spring/Summer 2023 collections – once more fully embodying our new and unique "look and feel" as well as our superior price-value proposition. The overwhelmingly positive response to our new brand identity has led to strong full-price sales in 2022 and ongoing high demand from wholesale partners and customers alike. Most importantly, through our strong and diverse product mix, today we live up to our promise to dress our customers from head to toe, and for every occasion 24/7. The successful relaunch of our brand lines BOSS Black, BOSS Orange, and BOSS Green and the introduction of the exclusive BOSS Camel line were particular highlights in this regard. HUGO, the first touchpoint for younger consumers, will seamlessly follow on, as we will continue to grasp growth opportunities across various important product categories, including denim, jersey, and outerwear.

Today's world is led by digital. In line with our vision of being the leading premium tech-driven fashion platform worldwide, we remain fully dedicated to "Lead in Digital" and to maximize our digital opportunities. For us, this means continuing to digitalize our business activities along the entire value chain and maintaining a strong focus on leveraging the power of data. Our HUGO BOSS Digital Campus is at the core of our digital journey. Building on the successful global relaunch of hugoboss.com in early 2022, one of its top priorities going forward will be the maximized use of data analytics aimed at reducing complexity and further enhancing efficiency across our business activities. On that, we will also link digital and physical commerce even more closely in the years to come to offer our customers a best-in-class omnichannel experience. This also includes a firm commitment to metaverse, which we entered with a bang last year, as HUGO launched its first set of NFTs that sold out within seconds.

Whether in the virtual or real world, we always pursue one goal as part of our omnichannel strategy: transferring our regained brand power to all consumer touchpoints. On that note, we have made substantial progress in 2022. In particular, we pushed ahead with the upgrade of our global retail network as customers can meanwhile experience our branding refresh together with our innovative retail concepts in over 200 points of sale worldwide. Our new BOSS flagship store on London's vibrant Oxford Street is a clear standout in this regard. We have taken the retail experience to the next level and created a blueprint for the future of our physical store network: brand-led, consumer-focused, and digitally oriented – all in one. But the story does not end here: We are blending in-store shopping experience with our digital touchpoints to live up to our promise to move to where consumers expect us to be. In this context, I am all the more encouraged that our digital business continued its double-digit growth trajectory in 2022, fueled above all by record sales of our refreshed digital flagship hugoboss.com. At the same time, we also celebrated an extremely successful comeback in brick-and-mortar wholesale. Thanks to our 24/7 lifestyle positioning and continued robust demand from wholesale partners in 2022, we significantly increased the visibility and market presence of our brands, enabling us to achieve strong double-digit growth.

With a firm commitment to our fifth strategic claim "Organize for Growth," we have not only embraced a powerhouse organizational setup, but are also establishing a flexible operations platform to ensure our Company's success well into the future. Regarding the latter, we are making great strides in transforming our supply chain into a full "digital twin" – a tech-driven, cutting-edge platform for speed and growth and a key enabler to best meet consumer demand. At the same time, we ensure that we have a robust supply chain in place – one that actively supports our strong sales momentum and guarantees product availability anytime, anywhere. Our biggest production site in Turkey is at the forefront of all our efforts. In 2022, we successfully expanded its capacity by opening a fourth plant on-site dedicated exclusively to the production of casualwear. This has brought us even closer to our largest sales region, EMEA, and enables us to respond even better and faster to our customers' needs.

At the heart of "CLAIM 5" also lies our unwavering commitment to sustainability – a cause that is essential to our corporate responsibility. We will not rest, but continue to drive innovation and sustainability across our brands' offerings to deliver measurable impact for our industry, the environment, and society alike. We have set ourselves ambitious goals, such as decreasing our CO_2 emissions by at least 50% until 2030 and aiming for a "net zero" footprint by 2050. Promoting and implementing a circular business model is of particular importance in this regard, as we are committed to using high-quality, recyclable materials, thereby extending product life cycles and minimizing waste in the years to come. Only recently, we successfully launched the first BOSS polo shirt largely made from the highly innovative and fully recyclable AeoniQ yarn. And while this is just one example of how we aim to lead change in the fashion industry, it clearly shows where we are headed for a better future.

«WE REMAIN FULLY COMMITTED TO CONTINUE WITH THE RIGOROUS EXECUTION OF CLAIM 5.»

Dear readers, 2022 was without doubt a huge success for HUGO BOSS in many respects. Despite all these strong achievements, we must not forget that the past year was anything but normal and has significantly changed the lives of many people around the globe. In particular, the devastating war in Ukraine has led to immense hardship for many, while also the ongoing implications of the pandemic, as well as high global inflation, have challenged people's lives and companies alike. Given these challenges, our strong operational and financial performance in 2022 is all the more remarkable. And while macroeconomic uncertainty is expected to remain elevated also this year, we are committed to making further progress towards our 2025 financial ambition. The determined and rigorous execution of "CLAIM 5" will therefore take center stage also in 2023. This includes, above all, building on the strong brand power gained in the wake of our comprehensive branding refresh and maintaining the robust top-line momentum. Against the backdrop of the ongoing macroeconomic and geopolitical uncertainties, we expect Group sales in 2023 to grow at a mid-single-digit percentage rate, and EBIT to increase to a level of between EUR 350 million and EUR 375 million.

Dear shareholders, it is and remains of great importance to us that you participate in the success of "CLAIM 5." In this context, we are particularly pleased that the successful execution of our strategy has also been well received on the stock market, as reflected in the strong outperformance of our shares against nearly all competitors as well as major indices in 2022. And of course we also want you to participate in the success of HUGO BOSS through an attractive dividend. In view of our outstanding operational performance, our very robust financial stance, and our confidence in the continued success of "CLAIM 5," we therefore propose a dividend of EUR 1.00 per share for fiscal year 2022.

Allow me to conclude on a personal note. What impressed me most in 2022 was the outstanding motivation and strong team mentality of our almost 17,000 employees, who are relentlessly executing "CLAIM 5" with great passion to make HUGO BOSS stronger, more sustainable, and more resilient than ever before. Our people and teams are the backbone of our Company and impressively demonstrate day by day that we can accomplish anything if we trust and support each other. I therefore extend my gratitude to all our employees for their exceptional commitment and great dedication to our Company and our two strong brands, BOSS and HUGO. Together as a team, we will continue with all our power and all our passion towards our ambition to ultimately become one of the top 100 global brands. Thanks to our excellent team and our winning formula "CLAIM 5," I have every confidence that 2023 will be another successful year for HUGO BOSS.

Thank you for your ongoing support!

Sincerely yours,

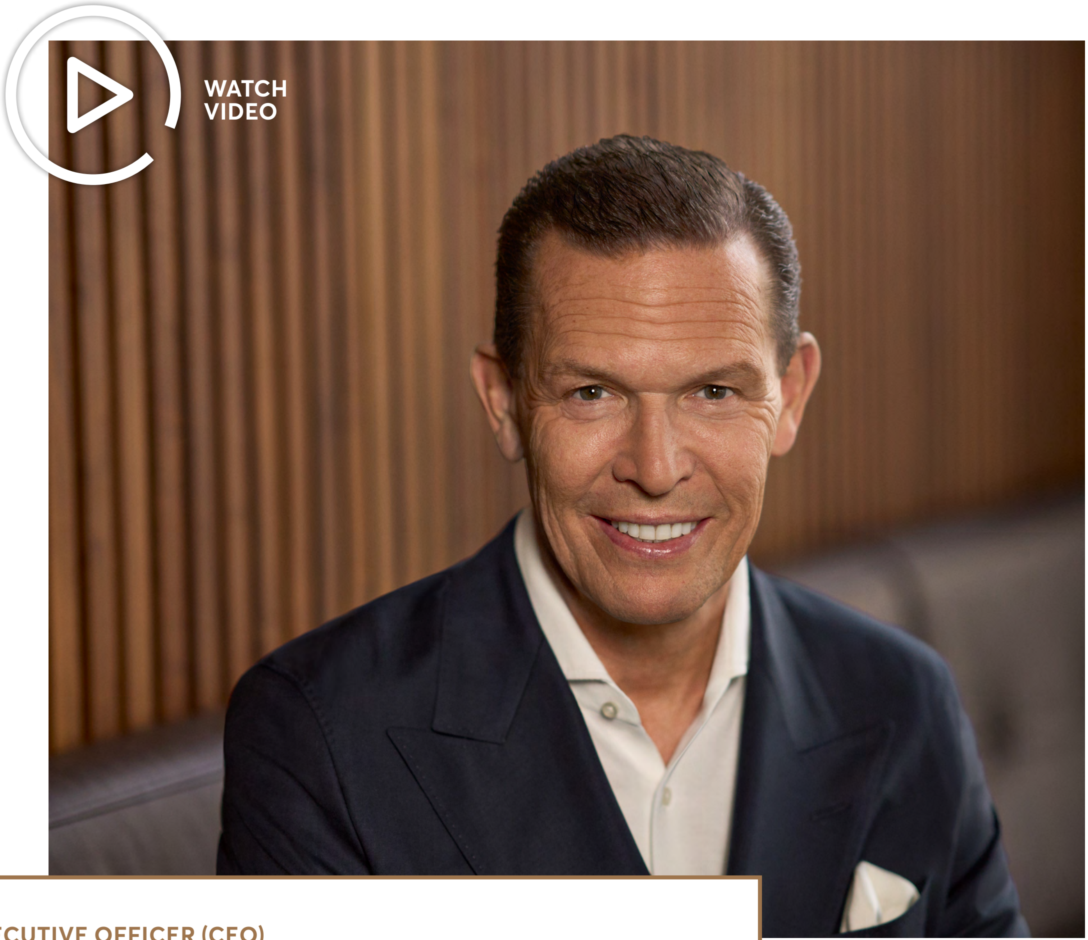
Daniel Grieder
Chief Executive Officer

MANAGING BOARD

Yves Müller
CFO/COO

Daniel Grieder
CEO

Oliver Timm
CSO

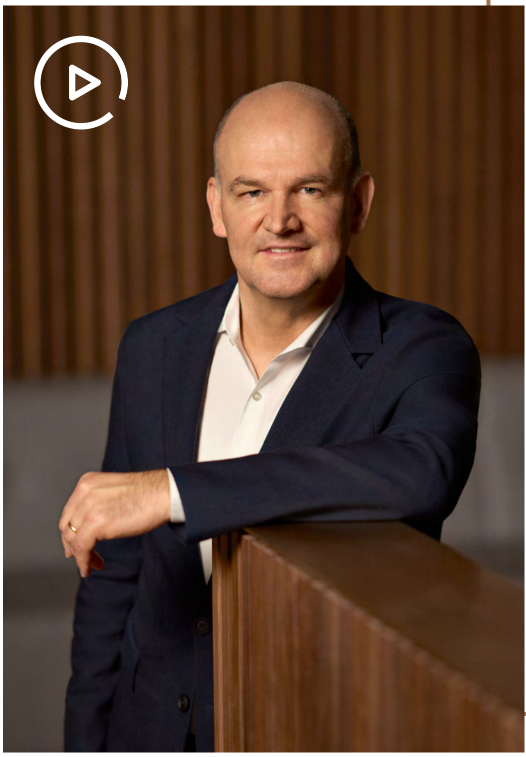


CHIEF EXECUTIVE OFFICER (CEO)

DANIEL GRIEDER

Daniel Grieder was born in Washington, D.C. (USA) in 1961. While studying at the University of Applied Sciences in Business Administration in Zurich (HWZ Hochschule für Wirtschaft) he founded Max Trade Service AG in 1985 (later renamed Madison Clothing Ltd.), which distributed internationally renowned brands in Switzerland, Austria, and Eastern Europe. From 1997, Daniel Grieder was largely responsible for the successful establishment of Tommy Hilfiger in Europe, taking over the position of Chief Executive Officer Tommy Hilfiger Europe in 2008. After the integration of the Tommy Hilfiger brand into Phillips-Van Heusen (PVH) Corporation, Daniel Grieder became Chief Executive Officer of Tommy Hilfiger Global and PVH Europe in 2014. Since June 2021, Daniel Grieder is Chief Executive Officer of HUGO BOSS and thus member of the Managing Board.

Daniel Grieder is Chief Executive Officer (CEO) and responsible for Creative Direction, Business Unit BOSS Menswear, Business Unit BOSS Womenswear, Business Unit HUGO, Business Unit Footwear, Accessories, Bodywear & Hosiery (incl. Global Licenses), Global Marketing, Group Strategy & Corporate Development, Corporate Communications, and Human Resources.



CHIEF FINANCIAL OFFICER (CFO), CHIEF OPERATING OFFICER (COO), DIRECTOR OF LABOR RELATIONS

YVES MÜLLER

Yves Müller was born in Lüneburg (Germany) in 1969. He studied Business Administration at the European Business School in Oestrich-Winkel, Dijon, and San Diego. In 1994, he started his professional career at the auditing and tax consulting company Arthur Andersen & Co. in Hamburg. During this time, Yves Müller qualified as tax consultant and auditor. In 1999, he joined Tchibo GmbH where he was appointed Chief Financial Officer in 2006. In December 2017, he became a member of the HUGO BOSS Managing Board, taking over the role of Chief Financial Officer (CFO). Since June 2022, Yves Müller additionally assumes responsibility as Chief Operating Officer (COO).

Yves Müller is responsible for Controlling, Group Finance & Tax, Internal Audit, Investor Relations, IT (incl. Information Security), Legal, Compliance & Data Protection, Business Operations, Product Development, Global Sourcing & Production, Logistics, and Construction & Procurement.

CHIEF SALES OFFICER (CSO)

OLIVER TIMM

Oliver Timm was born in 1971 in Mainz (Germany). After studying Economics at Gerhard Mercator University in Duisburg, he began his professional career at Tommy Hilfiger in 1998, where he held various positions. Amongst others, he was substantially involved in launching the American brand on the European market. In 2005, he was appointed Managing Director of Tommy Hilfiger Germany. Following the integration of the Tommy Hilfiger brand into Phillips-Van Heusen (PVH), Oliver Timm was appointed President of PVH Europe and later Chief Commercial Officer PVH Europe. In January 2021, Oliver Timm became a member of the HUGO BOSS Managing Board, taking over the role of Chief Sales Officer (CSO).

Oliver Timm is responsible for Global Sales Development, Global Retail & Wholesale, Global E-Commerce & Metaverse, Franchise & Travel Retail, Customer Relationship Management (CRM), Global Merchandise Management, and Global Retail Management.

REPORT OF THE SUPERVISORY BOARD

CHAIRMAN OF THE SUPERVISORY BOARD

HERMANN WALDEMER

Hermann Waldemer was born 1957 in Munich. He graduated in Business Administration from the University of Regensburg in 1981 with a focus on finance and tax. Hermann Waldemer then worked as a certified tax advisor and auditor in the auditing industry before joining Philip Morris International in 1987. He held various management positions, including President Western Europe, before assuming the position of Chief Financial Officer in 2008, which he held until his departure in 2012. From 2014 to 2016, he was a member of the Board of Directors of FCA US LLC (Chrysler Group).

Hermann Waldemer was elected to the Supervisory Board of HUGO BOSS AG in 2015 and appointed Chairman in 2020.

Dear Shareholders,
Dear Readers,

2022 was a record year for HUGO BOSS. The rigorous and determined execution of the Company's "CLAIM 5" growth strategy – including significant progress achieved along key brand, product, and sales initiatives – resulted in record sales and strong profitability improvements. In doing so, HUGO BOSS exceeded its financial targets as laid out at the beginning of the year. In fiscal year 2022, the **Supervisory Board continued to perform its duties with the utmost care**, providing comprehensive advice to the Managing Board in a close, trustful collaboration while monitoring its management activities. It entirely performed the duties imposed on it by law, by the Company's Articles of Association, and its own bylaws.

Composition of the Managing Board and the Supervisory Board

In fiscal year 2022, there were two personnel changes on the Managing Board of HUGO BOSS. Effective February 28, 2022, former **Chief Brand Officer (CBO)** Ingo Wilts resigned as a member of the Managing Board. The duties that fell under the responsibility of Ingo Wilts were thereafter assumed by CEO Daniel Grieder. Former **Chief Operating Officer (COO)** Dr. Heiko Schäfer left the company effective May 31, 2022, to pursue a new professional assignment outside the Group. The functional areas reporting to Dr. Heiko Schäfer were divided among the remaining Managing Board members, with Chief Financial Officer (CFO) Yves Müller additionally assuming the role of COO since then. On behalf of the Supervisory Board, I would like to thank both Ingo Wilts and Dr. Heiko Schäfer for the good cooperation and their successful work as members of the Managing Board. > Managing Board

Collaboration between Managing Board and Supervisory Board

The Managing Board informed us regularly, comprehensively, and in a timely manner in both written and oral form of all **matters of relevance for HUGO BOSS AG and its Group companies** related to strategy, planning, business performance, risk assessment, changes in the risk situation, and compliance. In particular, with regards to the Company's "CLAIM 5" strategy, intense exchange took place between Managing Board and Supervisory Board throughout the year. Additionally, the Chairman of the Audit Committee and I maintained close and regular dialog with the Managing Board. We were kept promptly informed of significant developments and decisions and we reported on these at the following Supervisory Board and Committee meeting at the latest.

All members of the Supervisory Board had sufficient time to review all of the Managing Board's **reports and proposals** and to contribute their own ideas in Committees and Supervisory Board meetings. Any approvals were issued only after requesting clarification from the Managing Board and discussing the matter extensively with the members of the Managing Board. In urgent cases, the Supervisory Board passed resolutions by means of the circular resolution procedure. At an early stage, the Supervisory Board was directly involved in all decisions of fundamental importance to the Company.

Main topics at the meetings of the Supervisory Board

In fiscal year 2022, a total of five **Supervisory Board** meetings were held, one each in March, July, and September, and two in December, of which one was held as an extraordinary meeting. In addition, the September meeting was a two-day meeting. All members participated in all of these meetings, with the exception of Anita Kessel, Martin Sambeth, and Bernd Simbeck, who were unable to attend the extraordinary meeting in December but participated in the decisions via a written vote. In addition, one resolution was passed by means of a circular resolution in May.

In 2022, the **Audit Committee** met four times in total. All members participated in all of the meetings. The **Working Committee** met five times with all members participating in all of the meetings. All committee members participated in the five meetings of the **Personnel Committee**. The **Nomination Committee** and the **Mediation Committee** did not meet during fiscal year 2022. All meetings in fiscal year 2022 were held in a hybrid format, allowing members of the Supervisory Board to either participate in person or virtually via videoconference. The extraordinary Supervisory Board meeting in December was held via videoconference only.

PARTICIPATION IN MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES[1]

Member	Supervisory Board (5)	Audit Committee (4)	Working Committee (5)	Personnel Committee (5)	Attendance rate (19)
Hermann Waldemer, Chairman	5/5	4/4	5/5	5/5	19/19
Sinan Piskin, Deputy Chairman	5/5	4/4	5/5	5/5	19/19
Iris Epple-Righi	5/5	–	5/5	–	10/10
Katharina Herzog	5/5	–	5/5	–	10/10
Anita Kessel	4/5	–	–	5/5	9/10
Gaetano Marzotto	5/5	4/4	–	–	9/9
Luca Marzotto	5/5	–	5/5	5/5	15/15
Tanja Silvana Nitschke	5/5	–	5/5	–	10/10
Christina Rosenberg	5/5	–	–	5/5	10/10
Martin Sambeth	4/5	4/4	–	–	8/9
Bernd Simbeck	4/5	4/4	–	5/5	13/14
Robin J. Stalker	5/5	4/4	–	–	9/9

1 The Nomination Committee and the Mediation Committee did not convene in the past fiscal year.

The **meeting of the Supervisory Board in March 2022** focused on the annual financial statements of HUGO BOSS AG and the HUGO BOSS Group as of December 31, 2021, as well as on the audit report prepared by the auditors. At this meeting, the annual financial statements and the consolidated financial statements of HUGO BOSS AG as of December 31, 2021 were approved and ratified. Furthermore, the Supervisory Board's report to the Annual Shareholders' Meeting and the compensation report for fiscal year 2021 were discussed and adopted. The resolution proposals were later on adopted at the Annual Shareholders' Meeting of HUGO BOSS AG, which was held virtually on May 24, 2022. In addition, the Supervisory Board approved the resignation of Ingo Wilts and the corresponding separation agreement. Yves Müller was reappointed as a member of the Managing Board for the period until December 31, 2025 and his service agreement was renewed accordingly. Other topics included the discussion and resolution on the target achievement and target setting for the variable compensation of the members of the Managing Board, an update on the branding refresh for BOSS and HUGO, as well as the proposal of an expansion of the Company's license businesses towards additional product categories.

In **May 2022**, based on the recommendation of the Personnel Committee, the separation agreement with Dr. Heiko Schäfer was approved and his resignation effective May 31, 2022 was accepted by way of a circular resolution.

At its **meeting in July 2022**, the Supervisory Board addressed the current business performance, the economic implications of the war in Ukraine, as well as plans for the further digitalization of the Company's business model and possible cooperation opportunities in this area. Furthermore, the Supervisory Board discussed and approved key audit matters for the fiscal year 2022 audit.

The main topics of the **meeting in September 2022** included the current business performance, the execution of the "CLAIM 5" strategy and its implications on collection development, business operations, sales, and marketing. The Supervisory Board also discussed the Company's cooperation with HeiQ AeoniQ, the Company's license business, the HUGO BOSS Digital Campus established in 2021, as well as the Company's approach towards the metaverse.

At the **meeting in December 2022**, the budget for fiscal year 2023 was debated and passed. Furthermore, the strong progress made in executing "CLAIM 5" in 2022 was discussed in detail. In addition, key audit matters for fiscal year 2023 were examined in detail and resolved. After due and careful consideration of all options, the Supervisory Board also decided that the Annual Shareholders' Meeting would once again be held as a virtual event in fiscal year 2023. Moreover, the findings of the Supervisory Board efficiency review, collected based on a questionnaire and analyzed as well as presented by an external provider, were discussed in detail. The declaration of compliance with the German Corporate Governance Code (GCGC) was discussed and resolved. In its **second meeting in December**, held as an extraordinary meeting, the Supervisory Board discussed and approved the extension of the cooperation between HUGO BOSS and its license partner, Coty.

Current business performance, liquidity management, and the current risk assessment of the Company were **regularly discussed in detail** at the meetings of the Supervisory Board and approved where necessary. The meetings of the Supervisory Board also involved regular, detailed reports on the contents of the previous committee meetings. In addition, in 2022, the Supervisory Board primarily focused on topics such as the execution of the "CLAIM 5" strategy, the Company's capital structure, cost planning, compliance issues, and the requirements of the GCGC.

Work of the Committees in fiscal year 2022

To perform its duties, the Supervisory Board has formed **five Committees**: an Audit Committee, Personnel Committee, Working Committee, Nomination Committee, and the legally required Mediation Committee. To the extent legally permissible and insofar as they have been given corresponding authorizations, individual Committees make decisions instead of the full Supervisory Board. Otherwise, they prepare decisions and topic areas for the full Supervisory Board. At regular intervals, the respective committee chairs report to the Supervisory Board in detail about the work of the committees.

In total, the **Audit Committee** met four times in fiscal year 2022. The main agenda of its meetings concerned the financial reporting of HUGO BOSS AG and the Group with respect to the annual, half-yearly, and quarterly financial statements, the audit of the annual and consolidated financial statements, monitoring of the risk management and internal control system, IT security matters, compliance matters, and risk management. In addition, the Audit Committee requested the declaration of independence from the external auditor and convinced itself of the auditor's independence. In addition to defining the key audit matters of the annual and consolidated financial statements for 2022 and mandating the external auditor, it approved non-audit services and placed a cap on the fees payable for such non-audit services. In addition, the results of the audit review of the combined non-financial statement were discussed.

The **Personnel Committee** held five meetings in fiscal year 2022. It focused on filling strategically important management positions, the allocation of responsibilities for the various business divisions, the target achievement for the prior fiscal year, and preparing the target agreements for the Managing Board.

The **Working Committee** met five times in fiscal year 2022 and dealt with current business performance, the strategic alignment of the Group, and preparations for the Annual Shareholders' Meeting. In addition, the Working Committee also discussed the Company's license business, the HUGO BOSS Digital Campus, the further optimization of the Company's global showroom network, and the approval of important logistic projects.

The **Nomination Committee** and the **Mediation Committee** did not convene in the fiscal year under review.

Corporate governance

The Supervisory Board additionally dealt with the **principles of good corporate governance** within the Company. Most recently in February 2023, the Managing Board and the Supervisory Board issued a new declaration of compliance with the GCGC. The corporate governance statement can be found in the section "Corporate Governance and Corporate Governance Statement." With regard to the annual efficiency review of the Supervisory Board's activities recommended by the GCGC, the Supervisory Board decided to proceed with the tried and tested methodology of an audit using a comprehensive questionnaire. The external evaluation of the completed questionnaires and the suggestions for improvement contained therein were analyzed and discussed in detail at the Supervisory Board meeting in December 2022. Overall, the Supervisory Board drew a favorable conclusion. No individual training measures were carried out in the fiscal year.

Conflicts of interest

No conflicts of interest relating to Managing Board or Supervisory Board members arose in fiscal year 2022. In accordance with the GCGC, these would need be disclosed immediately to the Supervisory Board, as well as to the Annual Shareholders' Meeting.

Audit of annual and consolidated financial statements for 2022

Deloitte Wirtschaftsprüfungsgesellschaft, Stuttgart, duly audited the consolidated financial statements of HUGO BOSS AG for fiscal year 2022, including the accounting records, which had been prepared by the Managing Board on the basis of the International Financial Reporting Standards (IFRS) in accordance with Sec. 315e (1) HGB, and issued an **unqualified audit opinion**. This was also the case for the annual financial statements of HUGO BOSS AG for 2022 prepared in accordance with the provisions of the German Commercial Code (HGB) as well as the combined management report for 2022 of HUGO BOSS AG and the Group. The corresponding audit mandate had been assigned by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual Shareholders' Meeting held on May 24, 2022. In addition, it was agreed with the auditor that the Chairman of the Audit Committee would have to be informed during the audit without delay about any possible grounds for disqualification or factors affecting impartiality that could not be rectified immediately. It was also agreed that the external auditor is obliged to report on any findings or events arising during the performance of the audit that are of importance to the duties of the Supervisory Board. The auditor was furthermore required to inform the Supervisory Board or note in the audit report any facts that were ascertained during the audit resulting in any errors in the declaration submitted by the Managing Board and the Supervisory Board in accordance with Sec. 161 (1) Sentence 1 of the AktG (German Stock Corporation Act). The auditor did not issue any such reports in the fiscal year. Furthermore, the Supervisory Board has convinced itself of the auditor's independence. The possibility of engaging the auditors to perform non-audit services was also discussed. The Supervisory Board received all accounting documents and the Managing Board's proposal for the appropriation of profit as well as the audit report from the external auditor.

The annual financial statements, proposal for the appropriation of profit, consolidated financial statements and combined management report for 2022 for HUGO BOSS AG and the Group, which also contains the combined non-financial statement for HUGO BOSS AG and the Group, and the audit report were discussed and verified in advance by the Audit Committee, followed by the full Supervisory Board in the presence of the external auditor. The external auditor reported on the main findings of the audit, particularly with respect to the key audit matters that had been determined by the Audit Committee for the fiscal year. The auditor was also available to answer any questions and provide additional information. No significant shortcomings in the accounting-related internal control system and risk management, posing a risk of material misstatement in the consolidated financial statements, were identified. Similarly, there were no circumstances indicating any partiality on the part of the external auditor. Finally, the auditor reported on the non-audit services that had been provided in the fiscal year under review. The auditor's findings were approved. Following its final review, the Supervisory Board raised no objections.

Consequently, at its meeting of March 7, 2023, the Supervisory Board approved the **financial statements** for **fiscal year 2022** prepared by the Managing Board. The financial statements of HUGO BOSS AG for fiscal year 2022 were therefore ratified in accordance with Sec. 172 AktG.

For fiscal year 2022, the Managing Board compiled a **combined non-financial statement** for HUGO BOSS AG and the Group and included this in the combined management report for 2022. The Supervisory Board commissioned Deloitte Wirtschaftsprüfungsgesellschaft, Stuttgart, to perform an audit to obtain limited assurance of this statement. All Supervisory Board members promptly received the combined non-financial statement for HUGO BOSS AG and the Group for fiscal year 2022 and the independent auditor's limited assurance report. The statement and the audit certificate of Deloitte were discussed by the full Supervisory Board on March 7, 2023. Deloitte participated in this discussion and presented the audit results. No objections were raised based on their own review of the combined non-financial statement for HUGO BOSS AG and the Group, and the result of the audit to obtain limited assurance by Deloitte Wirtschaftsprüfungsgesellschaft, Stuttgart, was noted with approval.

The **compensation report** for fiscal year 2022 was jointly prepared by the Managing Board and Supervisory Board in accordance with the provisions of Sec. 162 (1) and (2) AktG. The Supervisory Board approved the compensation report at its meeting on March 7, 2023. The auditor has separately audited the compensation report. In addition to the formal audit required by law in accordance with Sec. 162 (1) and (2) AktG, the content of the compensation report was also audited.

Thank You

On behalf of the Supervisory Board, I want to thank all members of the Managing Board and all employees of HUGO BOSS for their high level of personal commitment and dedication. Their tireless efforts and great passion laid the foundation for the strong financial and operational performance in fiscal year 2022 and the important initial progress achieved in successfully executing "CLAIM 5." I also want to thank the employee representatives of HUGO BOSS AG for their very constructive collaboration at any point in time.

Finally, I would like to express my gratitude to you, dear shareholders, for your ongoing trust in our Company.

Metzingen, March 7, 2023

The Supervisory Board

Hermann Waldemer
Chairman of the Supervisory Board

SUPERVISORY BOARD


HERMANN WALDEMER
Chairman


SINAN PISKIN
Deputy Chairman


IRIS EPPLE-RIGHI


KATHARINA HERZOG


ANITA KESSEL


GAETANO MARZOTTO


LUCA MARZOTTO


TANJA SILVANA NITSCHKE


CHRISTINA ROSENBERG


MARTIN SAMBETH


BERND SIMBECK


ROBIN J. STALKER

SUPERVISORY BOARD

Shareholder representatives

Hermann Waldemer
(Blitzingen, Switzerland)
Management Consultant,
Chairman of the Supervisory Board,
Member since 2015

Iris Epple-Righi
(Munich, Germany)
Management Consultant,
Member since 2020

Gaetano Marzotto
(Milan, Italy)
Chairman of the Supervisory Board,
Gruppo Santa Margherita S.p.A.,
Fossalta di Portogruaro, Italy,
Member since 2010

Luca Marzotto
(Venice, Italy)
Chief Executive Officer,
Zignago Holding S.p.A.,
Fossalta di Portogruaro, Italy,
Member since 2010

Christina Rosenberg
(Munich, Germany)
Management Consultant,
innotail, Munich, Germany,
Member since 2020

Robin J. Stalker
(Oberreichenbach, Germany)
Chartered Accountant,
Member since 2020

Employee representatives

Sinan Piskin
(Metzingen, Germany)
Administrative Employee/Chairman of the Works Council HUGO BOSS AG,
Metzingen, Germany,
Deputy Chairman of the Supervisory Board,
Member since 2008

Katharina Herzog
(Reutlingen, Germany)
Senior Vice President,
Group Finance & Tax HUGO BOSS AG,
Metzingen, Germany,
Member since 2020

Anita Kessel
(Metzingen, Germany)
Administrative Employee,
HUGO BOSS AG,
Metzingen, Germany,
Member since 2015

Tanja Silvana Nitschke
(Inzigkofen, Germany)
President of the local German Metalworkers' Union (IG Metall) Reutlingen-Tuebingen,
Reutlingen, Germany,
Member since 2015

Martin Sambeth
(Tiefenbronn, Germany)
German Metalworkers´ Union (IG Metall) Karlsruhe,
Karlsruhe, Germany,
Member since 2016

Bernd Simbeck
(Metzingen, Germany)
Administrative Employee,
HUGO BOSS AG,
Metzingen, Germany,
Member since 2021
(previously already from 2010 until 2015)

Supervisory Board Committees

WORKING COMMITTEE
- **Hermann Waldemer (Chairman)**
- Iris Epple-Righi
- Katharina Herzog
- Luca Marzotto
- Tanja Silvana Nitschke
- Sinan Piskin

NOMINATION COMMITTEE
- **Hermann Waldemer (Chairman)**
- Gaetano Marzotto

PERSONNEL COMMITTEE
- **Hermann Waldemer (Chairman)**
- Anita Kessel
- Luca Marzotto
- Sinan Piskin
- Christina Rosenberg
- Bernd Simbeck

AUDIT COMMITTEE
- **Robin J. Stalker (Chairman)**
- Gaetano Marzotto
- Sinan Piskin
- Martin Sambeth
- Bernd Simbeck
- Hermann Waldemer

MEDIATION COMMITTEE
(in accordance with Sec. 27 (3) Mitbestimmungsgesetz [Co-Determination Act])
- **Hermann Waldemer (Chairman)**
- Anita Kessel
- Gaetano Marzotto
- Sinan Piskin

OUR SHARE

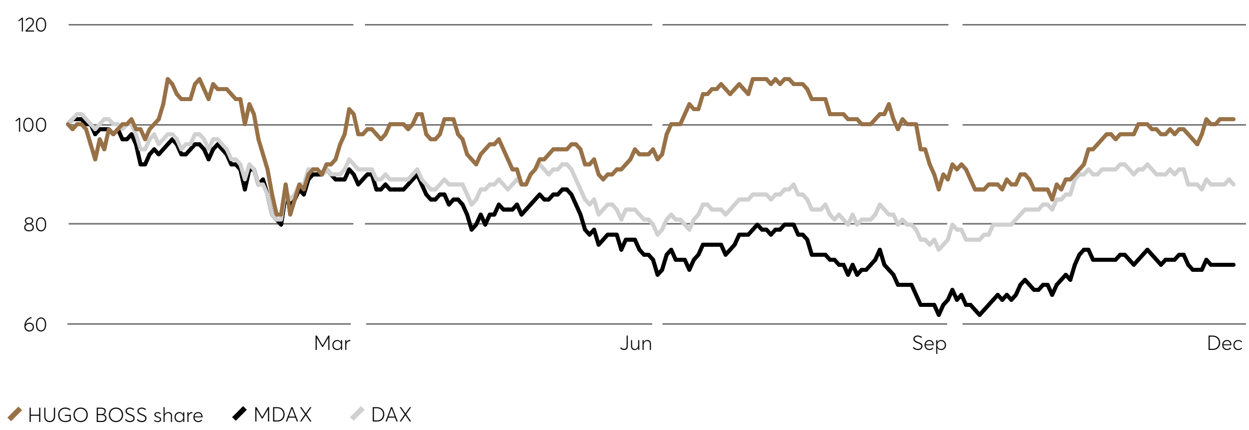
HUGO BOSS shares grow 1% in fiscal year 2022

Significant outperformance of relevant indices and most competitors

Resilience in volatile market environment through successful "CLAIM 5" execution

For global equity markets, 2022 was another year characterized by heightened macroeconomic and geopolitical uncertainties taking center stage. Against the backdrop of an overall volatile and challenging market environment, **HUGO BOSS shares** showed strong resilience, ending the year at EUR 54.16 and thus in positive territory (2021: EUR 53.50), supported by the successful execution of the Company's "CLAIM 5" strategy. Consequently, with an **increase of 1%**, HUGO BOSS shares significantly outperformed important indices and the share price performances of nearly all relevant competitors.

SHARE PRICE PERFORMANCE 2022 (INDEX: DECEMBER 31, 2021 = 100)



In 2022, global equity markets experienced a difficult and highly volatile start to the year. In particular, **COVID-19 variant** Omicron caused ongoing restrictions in several markets and resulted in persistent supply chain and input price pressure. While markets were already readjusting to higher interest rates as well as a more restrictive monetary policy, ultimately, **Russia's invasion of Ukraine** put an additional strain on equity markets and significantly weighed on risk assets. The resulting commodity and **energy crisis** led to **global inflation reaching new highs**, forcing central banks to balance between steep rate-hikes to fight inflation and preventing a recession. Over the course of the year, the Fed increased its benchmark rate by 4.25% via seven hikes and the ECB by 2.75% via four hikes. Against the backdrop of the rapid rise in non-discretionary prices, the negative impact on the overall consumer sentiment left capital market participants in a risk-off mode, thus dominating equity markets in particular in the second half of 2022. Besides these negative drivers, shortly before the end of the year, news flow around **China** turning away from its zero-COVID policy after three years drove capital markets positively, enabling them to partly offset some of their losses accumulated during the year.

HUGO BOSS SHARE IN COMPARISON TO MAJOR INDICES (CHANGE IN %)

	1 year	3 years	5 years	10 years
HUGO BOSS share	1	25	(24)	(32)
DAX	(12)	5	8	83
MDAX	(28)	(11)	(4)	111
MSCI World Textiles, Apparel & Luxury Goods	(24)	12	45	121

Overall, and filled with high volatility, global equity markets underperformed compared to previous years. In this context, Germany's major indices recorded strong losses in 2022, with the **DAX** down 12% and the **MDAX** down 28%, respectively. The **MSCI World Textiles, Apparel & Luxury Goods Index**, which reflects the share price performance of key companies in the apparel and luxury goods segment, also recorded severe losses in 2022 and ended the year 24% below the prior-year level.

THE HUGO BOSS SHARE

	2022	2021
Number of shares	**70,400,000**	**70,400,000**
Thereof outstanding shares	69,016,167	69,016,167
Thereof own shares	1,383,833	1,383,833
Share price in EUR[1]		
Last (December 31)	54.16	53.50
High	58.52	59.26
Low	43.65	25.81
Market capitalization in EUR million (December 31)	**3,813**	**3,766**
Earnings per share in EUR[2]	**3.04**	**1.99**
Price-earnings ratio[3]	**17.8**	**26.9**
Dividend per share in EUR[4]	**1.00**	**0.70**
Dividend yield in %[3,4]	**1.8**	**1.3**
Amount distributed in EUR million[4]	**69**	**48**
Payout ratio in %[2,4]	**33**	**35**

1 Xetra.
2 Based on net income attributable to shareholders.
3 Based on closing price (December 31).
4 2022: Proposed dividend.

Against the backdrop of the overall challenging market environment, characterized by elevated macroeconomic and geopolitical uncertainties, such as COVID-19, inflationary pressure, as well as the war in Ukraine, the HUGO BOSS share recorded a decline at the beginning of 2022, in line with the broader luxury and premium apparel sector. However, thanks to the **successful execution of our "CLAIM 5" strategy**, our share showed strong resilience thereafter and was thus able to make up the losses during the course of the year.

In particular, the strong and broad-based acceleration in top-line growth, fueled by our **comprehensive branding refresh**, was very positively received by capital market participants, and seen as proof positive for the company's positive development and successful strategy execution. On the back of the strong financial and operational performance in the first half of the year, HUGO BOSS raised its top- and bottom-line outlook for 2022 together with the publication of record second quarter results in July. Also in the second half of the year, the macroeconomic environment remained rather challenging with the worsening energy crisis in Europe, several back-to-back interest rate hikes, and consumer confidence in Germany hitting multiyear lows all weighing on the broader luxury and premium apparel sector as well as our share price performance alike. However, our continued strong top- and bottom-line momentum in the third quarter – spurred by the successful execution of several brand, product, and sales initiatives as part of "CLAIM 5" – prompted HUGO BOSS to **raise its full-year sales and earnings forecast** again in November. Towards the end of the year, the general "reopening optimism" in China provided further stimulus to the HUGO BOSS share, which ultimately closed 2022 at a **level of EUR 54.16**, representing an **increase of 1%** year over year and a strong outperformance compared to relevant indices. In addition, this made HUGO BOSS the second-best performing stock among our core peer group in 2022, outperforming all but one of our competitors in the premium segment of the global apparel industry as determined within our long-term incentive program (LTI). > Compensation Report

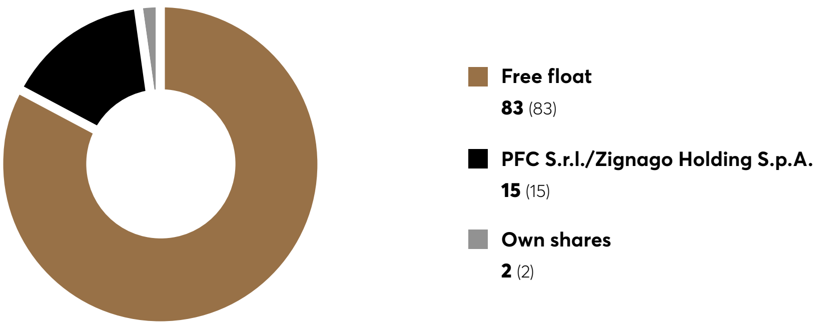
ISIN, WKN, AND TICKER SYMBOL HUGO BOSS SHARE

ISIN	DE000A1PHFF7
WKN	A1PHFF
Ticker symbol	BOSS

Stock exchanges: Xetra, Frankfurt/Main, Stuttgart, Dusseldorf, Hamburg, Munich, Hanover, Berlin/Bremen.

The HUGO BOSS share, which is listed in the German MDAX, improved to 56th place (2021: 63rd) in Deutsche Börse's free-float-adjusted **market capitalization** ranking at the end of 2022, based on the total number of companies in the DAX, MDAX, and SDAX. While the HUGO BOSS share ranked 48th in terms of **trading volume** (2021: 55th), the **weighting** of the HUGO BOSS share in the MDAX increased to a level of 2.2% at the end of 2022 (December 31, 2021: 1.5%). On average, around 475,000 shares per day were traded on Xetra in 2022 (2021: around 375,000).

SHAREHOLDER STRUCTURE AS OF DECEMBER 31 (IN % OF SHARE CAPITAL)



2022 (2021)

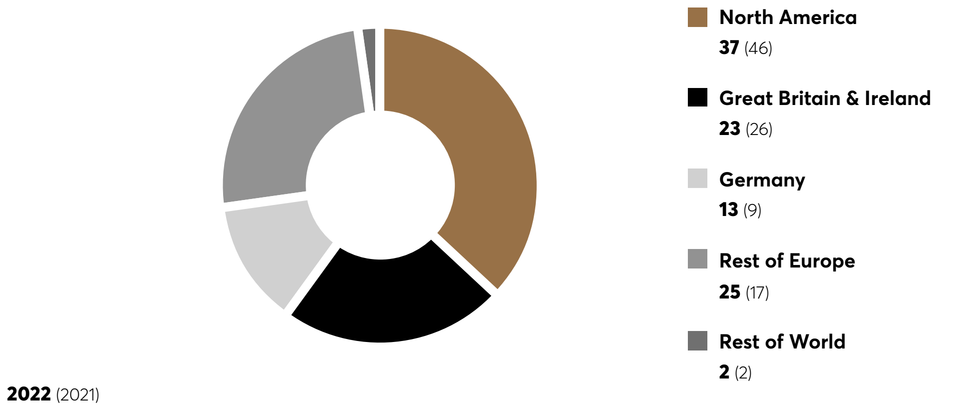
During 2021, **PFC S.r.l.** and **Zignago Holding S.p.A.**, each controlled by the Marzotto family, maintained their strategic investment in HUGO BOSS. As of December 31, 2022, their voting rights thus continued to total 15.45%. Both companies have pooled their shares through a shareholder agreement. **HUGO BOSS** itself holds 1,383,833 own shares, which were purchased as part of a share buyback program between 2004 and 2007. This corresponds to a share of 1.97% or EUR 1,383,833 of the share capital. The remaining 82.55% of the shares were held in **free float**. > Legal Disclosures

At the Annual Shareholders' Meeting 2020, HUGO BOSS was granted a renewed **authorization to buy back shares** up to a proportion of 10% of the outstanding share capital on or before May 26, 2025. The Company did not make use of this authorization as of December 31, 2022. > Legal Disclosures

In fiscal year 2022, members of the Managing Board and the Supervisory Board acquired additional HUGO BOSS shares. A list of the **transactions conducted by the Managing Board and the Supervisory Board on their own account** reported to HUGO BOSS in 2022 in accordance with Article 19 regulation (EU) No. 596/2014 (Market Abuse Regulation) is published on the Company's website at financialreleases.hugoboss.com. In total, members of the Managing Board and the Supervisory Board held almost 1.5% of the shares issued by HUGO BOSS at the end of fiscal year 2022. > Notes to the Consolidated Financial Statements, Note 25

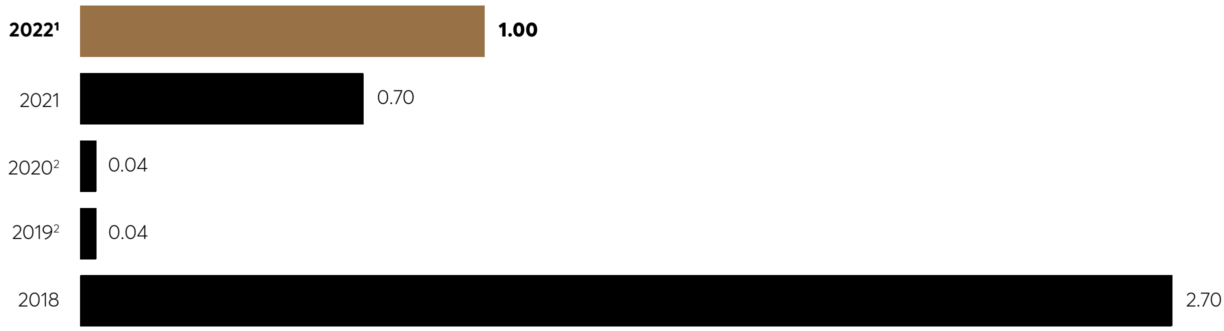
The Company received **several voting rights notifications** from institutional investors in fiscal year 2022. The original wordings of these notifications are published on our corporate website at financialreleases.hugoboss.com.

INSTITUTIONAL INVESTORS (FREE FLOAT) BY REGION AS OF DECEMBER 31 (IN %)



HUGO BOSS regularly conducts analyses of the shares held in free float, in order to address institutional investors in a targeted manner. In the most recent analysis, approximately 98% of the shares have been allocated. Besides the **regional distribution of institutional investors**, the analysis also allows to determine the **proportion of shares held by private shareholders**. The latter decreased slightly from 12% in the prior year to a level of 10% in 2022. Based on the share register, the Company estimates the total number of its shareholders at around 40,000 as of December 31, 2022 (2021: around 43,000), and thus broadly at around pre-pandemic levels.

DIVIDEND PER SHARE (IN EUR)



1 Dividend proposal.
2 Due to the COVID-19 pandemic, HUGO BOSS had suspended its dividend payment for fiscal year 2019 and 2020, with the exception of the legal minimum dividend of EUR 0.04 per share.

In view of the strong operational and financial performance in 2022, the very solid financial position, and management's confidence in the further successful execution of "CLAIM 5," the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 9, 2023, a **dividend** of EUR 1.00 per share for fiscal year 2022, corresponding to an increase of 43% year over year (2021: EUR 0.70). The proposal is equivalent to a **payout ratio** of 33% of the Group's net income attributable to shareholders in fiscal year 2022, in line with the Company's mid-term target payout ratio of between 30% and 50%, as laid out in "CLAIM 5." Assuming that the shareholders approve the proposal, the dividend will be paid out on May 12, 2023. Based on the number of shares outstanding at the end of the year, the **amount distributed** will total EUR 69 million (2021: EUR 48 million). > Outlook

We aim to inform capital market participants about the Company's current business development as well as its operational and financial performance in a timely and transparent manner as part of **comprehensive communication measures**. With our extensive Investor Relations activities, we speak to institutional investors in particular at national and international conferences, as well as during numerous global roadshow activities. As part of the **opening of our new BOSS flagship store on London's Oxford Street**, we invited both financial analysts and institutional investors to experience our brand's new store concept – a main pillar of our strategic claim "Rebalance Omnichannel" – and directly interact with our Managing Board. In addition, we regularly present HUGO BOSS to interested private shareholders at dedicated events. Our **Investor Relations website** group.hugoboss.com/investors is a key communication tool for providing detailed information, including press releases, voting rights notifications, financial reports, the financial calendar, and presentations of roadshows and conferences.

In 2022, the work of our Investor Relations team was awarded several times, including second place in the category **"Best Investor Relations Professional (MDAX)"** by DIRK (German Investor Relations Association), Institutional Investor Research, and WirtschaftsWoche, as well as a strong third place for **"Best Investor Relations Department (MDAX)."** In addition, in 2022 our HUGO BOSS 2021 Annual Report received the prestigious **Red Dot Design Award for Brands & Communication Design as "Best of the Best".** With its bold motto "NEW" and its creative and engaging design, our digitally-focused report represented a major milestone in communicating our "CLAIM 5" strategy to the world. > irawards.hugoboss.com

CHAPTER 2 COMBINED MANAGEMENT REPORT

The chapters "Legal Disclosures" (pp. 188–191) and "Additional Disclosures on the EU Taxonomy" (pp. 272–274) are also part of the Combined Management Report.

BUSINESS ACTIVITIES AND GROUP STRUCTURE

Leading global fashion and lifestyle company with premium positioning

Portfolio strategy operated with two unique brands – BOSS and HUGO

Strong global retail footprint with more than 1,300 own points of sale

Business activities

HUGO BOSS AT A GLANCE

3.7 Sales (in EUR billion)	**~17,000** Employees	**132** Countries

HUGO BOSS, headquartered in Metzingen (Germany), is a leading **global fashion and lifestyle company** in the premium segment, offering high-quality women's and men's apparel, shoes, and accessories. The Company pursues a portfolio strategy, with the HUGO BOSS platform currently consisting of two strong brands – **BOSS** and **HUGO**. Both brands are clearly distinguished by individual characteristics. At the same time, they share equally high standards in terms of quality, innovation, and sustainability, while ensuring that consumers are perfectly dressed 24/7 and for every occasion. Our **2025 growth strategy "CLAIM 5"** is closely linked to our vision of being the leading premium tech-driven fashion platform worldwide and our ambition of becoming one of the top 100 global brands. Key to the successful execution of "CLAIM 5" is the passion and commitment of our around 17,000 employees worldwide (2021: around 14,000). In fiscal year 2022, HUGO BOSS generated record sales of EUR 3.7 billion (2021: EUR 2.8 billion), thereby exceeding the EUR 3 billion threshold for the first time in the Company's history. > Group Strategy

PORTFOLIO STRATEGY OF HUGO BOSS

With **BOSS**, we are addressing consumers who lead a self-determined life, show a clear attitude, and pursue ambitions with determination, embodying the motto – **"Be your own BOSS."** As a 24/7 lifestyle brand, BOSS offers consumers the perfect outfit for every occasion – from business to leisure – with casualness and comfort being key. The product range has been further strengthened by the reintroduction of the BOSS Black, BOSS Orange, and BOSS Green brand lines and the successful launch of BOSS Camel in the course of 2022. In this context, the expansion in the casualwear segment represents a key focus area for BOSS, primarily intended to attract new, younger customers. At the same time, BOSS is committed to continue dominating formalwear by driving innovation in this segment.

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

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

Design and development of our brands' collections is mainly carried out at the Group's headquarter in Metzingen (Germany), while the development centers in Coldrerio (Switzerland) and Morrovalle (Italy) are responsible for specific product groups. In addition, we have granted **licenses** for the development and distribution of products such as fragrances, eyewear, watches, children's fashion, and dog accessories. To increase speed-to-market capabilities and shorten the product development process, we put strong emphasis on digital product development. > Research and Development

In fiscal year 2022, HUGO BOSS produced 14% of its total sourcing volume at its own facilities (2021: 17%). Our **five own production sites** are all located in Europe, with Izmir (Turkey) accounting for the vast majority of it. As part of "CLAIM 5," in 2022 we significantly expanded our capacities at this site by further strengthening the production of casualwear. 86% of the sourcing volume was sourced from **external contract suppliers** in 2022 or procured as **merchandise** (2021: 83%). Partner operations are mainly located in Asia and Europe. > Sourcing and Production

Digitalization represents a key enabler for implementing our Company's vision of being the leading premium tech-driven fashion platform worldwide. In order to exploit the full potential in the digital sphere, within our strategic claim "Lead in Digital" we anchored a strong commitment to further driving the **digitalization of our business activities** along the entire value chain. This includes all relevant areas from digital trend detection and product development to AI-enabled pricing capabilities and the Company-wide rollout of digital showrooms. > Group Strategy, "Lead in Digital"

At HUGO BOSS, we attribute high importance to **sustainable business** activities. For us, this means that we aim at maintaining the high quality and durability of our products while ensuring that they are produced with social and environmental responsibility at all times. Our **ambitious sustainability targets** thus represent an integral part of our business and are firmly anchored in our "CLAIM 5" strategy. With our clear commitment to sustainability, we put consumers and their increased expectations with regard to sustainability at the core of all business activities. > Sustainability

The product offering of BOSS and HUGO is distributed across a total of **132 countries** (2021: 128 countries). Our distribution activities are split into **three sales regions**. EMEA, which includes Europe, the Middle East, and Africa, represents by far the largest region in terms of sales with a share of 63% in 2022 (2021: 63%). The Americas and Asia/Pacific account for 22% and 13% of Group sales (2021: 20% and 15%), respectively, while the remaining 3% are generated within our licensing business (2021: 3%). > Earnings Development, Sales and Earnings Development of the Business Segments

To fully leverage brand power across all points of sale, we continue to optimize our distribution structure as part of "CLAIM 5." In this context, we particularly strive at significantly expanding our **omnichannel activities** to ensure a **seamless brand experience across all consumer touchpoints**. The distribution of BOSS and HUGO thus ranges from brick-and-mortar retail and brick-and-mortar wholesale to the digital channel.

HUGO BOSS DISTRIBUTION CHANNELS

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

In 2022, our **brick-and-mortar retail business** accounted for 55% of Group sales (2021: 54%). At year-end, we operated **470 freestanding retail stores** globally (2021: 451). In order to exploit the full potential of our brick-and-mortar retail business, we aim to significantly increase the productivity of our stores. In this context, in 2022 we accelerated the rollout of new and modern store concepts for BOSS and HUGO to further optimize the customer experience. In addition, we are running factory outlets as well as self-managed shop-in-shops in department stores as part of the concession model. In total, we operated **1,316 own brick-and-mortar points of sale** at year-end (2021: 1,228), with a variety of omnichannel services closely linking brick-and-mortar retail with our own online business.

Our **brick-and-mortar wholesale business** accounted for 25% of Group sales in the past fiscal year (2021: 23%). While department stores and specialist retailers sell BOSS and HUGO products either in separate shop-in-shops or in a multibrand environment, franchise partners operate freestanding stores independently, primarily in smaller markets not served by our own retail business. In total, our wholesale business includes **around 6,100 brick-and-mortar points of sale**, with around 300 freestanding stores managed by franchise partners (2021: around 5,600 brick-and-mortar points of sale including around 250 franchise stores). Overall, including our own freestanding retail stores, shop-in-shops, and outlets, consumers can thus experience and purchase BOSS and HUGO products at around 7,400 brick-and-mortar points of sale globally (2021: around 6,800).

In line with our strategic claim "Lead in Digital," we are also striving for a strong presence at all **digital touchpoints** – from our own online flagship hugoboss.com to online partner businesses, including digital pure players, leading marketplaces as well as bricks and clicks. While total digital sales amounted to 18% of Group sales in the past fiscal year (2021: 20%), the Company targets to increase digital sales to a level of at least 25% by 2025. As of today, customers from **70 markets** can shop BOSS and HUGO products via our own online store hugoboss.com (2021: 59 markets), which was relaunched as part of the branding refresh in January 2022. > Group Strategy, "Rebalance Omnichannel," > Earnings Development

Group structure

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

HUGO BOSS is **structured by region**, with our business segments being EMEA, the Americas, Asia/Pacific, and the license business.

HUGO BOSS GROUP STRUCTURE

	Managing Board			
Central departments	Brand Management/Business Units		Human Resources	
	Business Operations		Internal Audit	
	Construction & Procurement		Investor Relations	
	Controlling/Risk Management		IT	
	Corporate Communications		Legal/Compliance	
	Design/Creative Management		Logistics	
	Finance/Tax		Marketing	
	Group Strategy		Omnichannel	
Operating segments	**EMEA**	**Americas**	**Asia/Pacific**	**Licenses**
Hubs/Individual markets	Northern Europe	United States/ Canada/ Latin America	China	
	Central Europe			
	Western Europe		South East Asia/ Pacific	
	Emerging Markets/Russia			

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

KEY LOCATIONS/GLOBAL MARKET PRESENCE

AMERICAS

~1,800
Brick-and-mortar points of sale

106
Freestanding retail stores

13% Employees

USA (New York)
Headquarters Americas

USA (Midway)
Distribution center

EMEA

(Europe incl. Middle East and Africa)

~5,050
Brick-and-mortar points of sale

212
Freestanding retail stores

74% Employees

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

Switzerland (Coldrerio)
Development and pattern design, production

Turkey (Izmir)
Production

Italy (Morrovalle)
Development and pattern design, production

Poland (Radom)
Production

ASIA/PACIFIC

~550
Brick-and-mortar points of sale

152
Freestanding retail stores

13% Employees

Australia (Melbourne)
Headquarters Asia/Pacific

China (Shanghai)
Headquarters China

GROUP STRATEGY

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

Driving relevance for BOSS and HUGO with the ambition of becoming one of the top 100 global brands

Successful strategy execution makes 2022 a record year for HUGO BOSS

At HUGO BOSS, we see considerable **business opportunities** in today's rapidly changing world. We are committed to fully exploiting these opportunities in the coming years by making use of our high global brand awareness, our extensive expertise in product development, our diversified and vertically integrated business model, and our global distribution network. With our two unique brands, BOSS and HUGO, and their wide range of premium apparel, shoes, and accessories, we are well positioned to benefit in particular from a globally **growing middle and upper class**. In this context, we are especially focusing on younger consumers, such as **Millennials and Gen Z**. The latter is particularly relevant for the premium apparel industry, as it is estimated to make up the largest consumer group within the sector by 2030. In order to meet the high demands of these consumer groups, we strive at significantly **increasing the relevance of both BOSS and HUGO** in the coming years, on the basis of first-class products as well as a seamless brand experience across all consumer touchpoints. In this context, we aim at fully exploiting the great potential of digitalization, make our value chain even more efficient and flexible, and consistently focus on sustainability.

"CLAIM 5" growth strategy

Against this backdrop, we introduced our **growth strategy "CLAIM 5"** in August 2021, outlining our **financial ambition until 2025**. At the very heart of "CLAIM 5" is our aim to substantially increase brand relevance among consumers, drive superior top-line growth, and thus significantly increase market shares of BOSS and HUGO over the coming years.

VISION

BECOME THE LEADING PREMIUM TECH-DRIVEN FASHION PLATFORM WORLDWIDE

MISSION

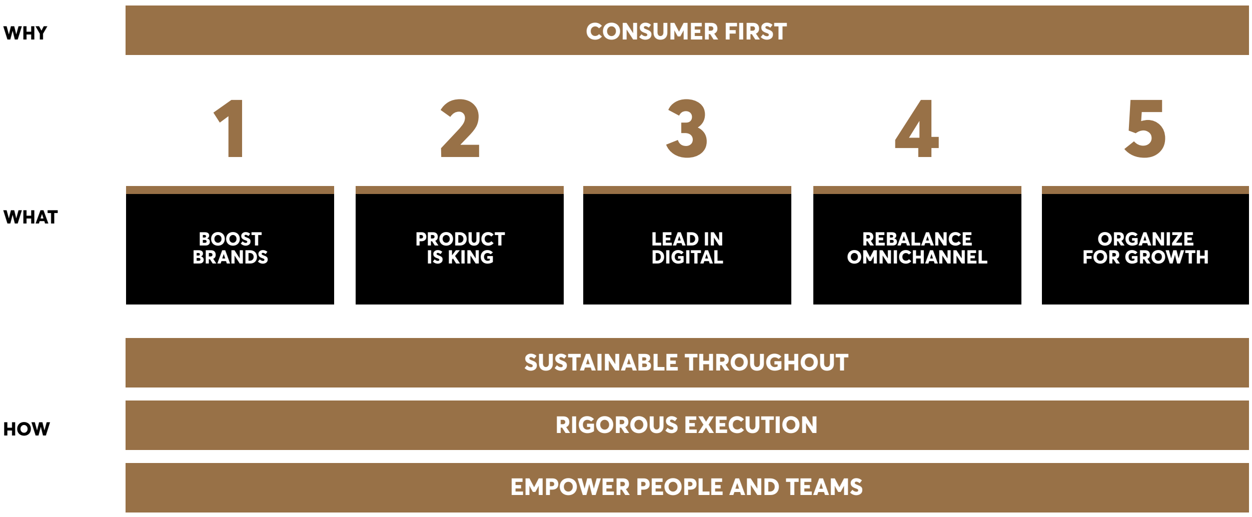
WE LOVE FASHION, WE CHANGE FASHION

AMBITION

BECOME ONE OF THE TOP 100 GLOBAL BRANDS

"CLAIM 5" is closely linked to our vision and ambition of being the **leading premium tech-driven fashion platform worldwide** and becoming one of the **top 100 global brands**. In this context, more than ever before we are putting the **consumer** at the center of all our activities. We aim at turning consumers into true fans and retain their loyalty to BOSS and HUGO. Our strategy is thereby based on **five strategic pillars**: "Boost Brands," "Product is King," "Lead in Digital," "Rebalance Omnichannel," and "Organize for Growth." It also includes a bold commitment to sustainability, together with a strong executional road map, and a firm commitment to empower people and teams. > Employees and Teams

GROWTH STRATEGY "CLAIM 5"



LEARN MORE ON OUR STRATEGY

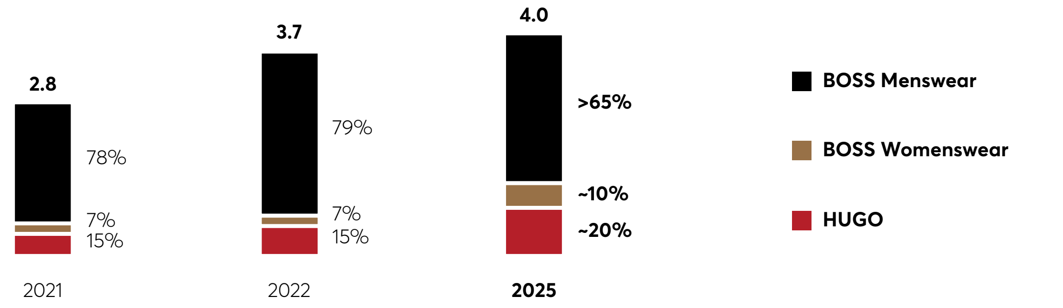
Fiscal year 2022 represented an important milestone for HUGO BOSS, as it marked the first full year of successful execution of "CLAIM 5." We made significant progress in many key business areas – whether from a brand, product, or sales perspective – making 2022 a record year for HUGO BOSS.

> **"With 'CLAIM 5,' we have implemented the right strategy at the right time," says Daniel Grieder, Chief Executive Officer of HUGO BOSS. "Our comprehensive branding refresh was key to our strong comeback. With our bold marketing approach, the new 'look and feel' of our products, and our renewed brand presence across consumer touchpoints, we strongly boosted brand power of BOSS and HUGO."**

CLAIM 1 – Boost Brands

In order to significantly increase the relevance and perception of our brands, we comprehensively renewed the **brand images** of BOSS and HUGO in January 2022 – from logos, to product and marketing, up to new design concepts for our physical and digital consumer touchpoints. Following the successful **branding refresh**, today both brands present themselves bolder, more self-confident, younger, and more emotional than ever before.

GROWTH AMBITION BY BRAND (IN EUR BILLION)



As part of our ambition to become one of the top 100 global brands, we forecast **strong growth across all our brands**. We aim to unlock the full potential of BOSS and HUGO by dressing our customers 24/7 and for every occasion, continuing to increase brand relevance among younger consumer groups, and further enhancing our brands' positioning in the digital sphere. At **BOSS**, we aim at further strengthening our premium positioning in both menswear and womenswear, with a particular focus on Millennials. While the revenue share of **BOSS Menswear** is expected to stay at a level of above 65% by 2025, the share of **BOSS Womenswear** is forecast to grow to a level of around 10% of Group sales. **HUGO** is expected to account for around 20% of Group sales by 2025.

In order to exploit the full potential of BOSS and HUGO, two clearly distinguished **marketing strategies** have been introduced, aimed at inspiring consumers around the globe, with a strong focus on social media, exciting events, and exceptional collaborations. In this context, HUGO BOSS has significantly stepped up its **marketing investments** in 2022, targeting a range of between 7% and 8% of Group sales also going forward. This is aimed at strongly increasing the brand value of BOSS and HUGO in the years to come. Fully in line with this range, already in fiscal year 2022 our marketing investments increased to 7.9% of Group sales (2021: 7.3%), first and foremost reflecting the various brand initiatives in the wake of the comprehensive branding refresh. > Combined Non-Financial Statement, Brand Power

In 2022, the launch of our new **global marketing campaigns** for BOSS and HUGO represented a particular highlight as part of our comprehensive branding refresh. Perfectly embodying the brands' younger and more confident image, the campaigns significantly drove momentum in the past fiscal year, attracting new and younger consumers worldwide. The **BOSS campaigns** for Spring/Summer and Fall/Winter 2022 were showcased by a high-profile cast, including top models Kendall Jenner and Naomi Campbell, singer and actor Lee Min-ho, as well as our BOSS brand ambassadors, runner Alica Schmidt, tennis champion Matteo Berrettini, and TikTok superstar Khaby Lame. The simultaneous **HUGO campaigns** focused on stars of the Gen Z, such as top model Adut Akech, rappers Big Matthew and SAINt JHN, and dancer Maddie Ziegler. With a total of more than 50 billion views and around 2 billion interactions in 2022, both brands' campaigns proved highly successful.

To further drive brand heat and engage with consumers all over the world, both BOSS and HUGO regularly host exciting **brand events**. In 2022, these included highly acclaimed see-now-buy-now fashion shows for BOSS in Dubai and Milan as well as popular sporting events in areas such as skiing, golfing, and motor sports. HUGO, on the other hand, hosted a series of branded events during music festival season in Palm Springs while also being on stage presenting its latest collection at a fashion event in Milan, with both events aimed primarily at younger audiences. On top of that, momentum in 2022 was spurred by **various collaborations** with inspiring personalities and brands throughout the year.

CLAIM 2 – Product is King

Our products are at the very heart of all our business activities. As part of "CLAIM 5," we are strongly investing in **optimizing our price-value proposition** to ensure premium quality, a high level of innovation and sustainability, and to guarantee clear distinguishing features. This is intended to further strengthen the positioning of **BOSS** in the premium segment of the global apparel market. In this context, we strive for establishing BOSS as a **true 24/7 lifestyle brand** covering all occasions – from the office and formal occasions to leisure and sport – with casualness and comfort remaining key. The 24/7 lifestyle image was further strengthened by the reintroduction of BOSS Black, BOSS Orange, and BOSS Green completed in early 2022 and the introduction of BOSS Camel with the Fall/Winter 2022 collection. Representing the pinnacle of our product range, BOSS Camel incorporates our Tailored, Full Canvas, Made in Germany, and Made to Measure lines. As the **first point of contact for younger consumers, HUGO** focuses on a broad range of trendy and contemporary products reflecting the brand's authentic and unconventional style. In doing so, HUGO is striving to keep its finger on the pulse. With a strong focus on relevant product groups – including denim, jersey, bodywear, and outerwear – the brand is committed to exploiting its full potential by ensuring customers a stylish appearance at all times.

With the launch of our brands' Spring/Summer 2022 collections in early 2022, consumers around the world are experiencing both brands with a completely **new "look and feel."** Clear brand codes and design elements, among other characteristics, aim at making both brands even more recognizable and strengthening their younger and more confident images. The success of the branding refresh was underlined by strong order intakes from wholesale partners as well as robust sell-through rates in own retail in the past fiscal year. In addition to the **main collections** of both brands, **capsule collections** and exceptional **collaborations** are aimed at further increasing the brand relevance of BOSS and HUGO. In 2022, BOSS launched numerous capsule collections with its brand ambassadors as well as with strong partners such as Porsche or the NBA. HUGO, on the other hand, teamed up with the streetwear brand Mr. Bathing Ape and with denim specialist Replay. > Research and Development

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

CLAIM 3 – Lead in Digital

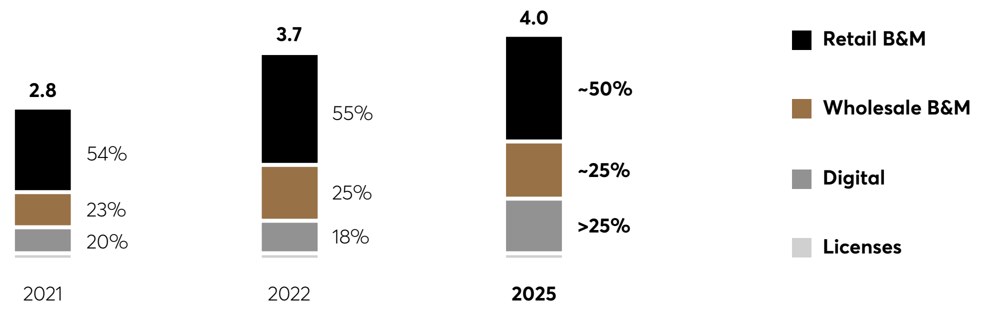
At HUGO BOSS, we see digitalization as key for a personalized, seamless omnichannel consumer experience. At the same time, it is a key enabler for implementing our vision to be the leading premium tech-driven fashion platform worldwide. An essential part of "CLAIM 5" is therefore our clear commitment to further driving the **digitalization of our business activities** along the entire value chain – from digital trend detection and product development to artificial-intelligence-(AI)-enabled pricing capabilities and the Company-wide rollout of digital showrooms. Overall, and compared to 2019, HUGO BOSS plans to step up its **investment in digitalization** by more than EUR 150 million by 2025, with the past fiscal year having already seen a noticeably increase. > Report on Economic Position, Earnings Development

The **HUGO BOSS Digital Campus**, established in late 2021, plays a key role in this. It further expands the Company's digital expertise, first and foremost aimed at taking the consumer experience to new levels through the targeted use of data. It complements the digital know-how of HUGO BOSS by combining our own expertise with expert knowledge in the field of data processing. Based in Metzingen (Germany) and Porto (Portugal), the Digital Campus serves as an innovative and creative data hub, with a strong focus on strengthening our global online business as well as maximizing the use of data analytics to reduce complexity and further enhancing efficiency across our business activities. One of the Campus' first priorities was the successful implementation of the **global relaunch of hugoboss.com** in early 2022. Building on this, the Campus is working on numerous digital initiatives all aimed at continuously improving traffic and conversion rates in our global online business. In this context, HUGO BOSS also aims at making the best possible use of the many **advantages offered by AI**. Going forward, this should also enable us linking digital and physical retail even closer in order to provide our customers with a best-in-class omnichannel experience.

CLAIM 4 – Rebalance Omnichannel

In order to translate brand power into all consumer touchpoints, HUGO BOSS aims at significantly advancing its omnichannel activities as part of "CLAIM 5," thereby further optimizing its distribution structure. In this context, we aim to ensure a **seamless brand experience across all consumer touchpoints**.

GROWTH AMBITION BY CHANNEL (IN EUR BILLION)



Digital revenues are expected to increase to more than EUR 1 billion by 2025. Accordingly, the share of our digital business is expected to increase to a level of at least 25% of Group sales. We aim to establish **a strong presence at all digital touchpoints** – from our own online flagship hugoboss.com to online partner businesses, including digital pure players, leading marketplaces, as well as bricks and clicks. In fiscal year 2022, we have made further important progress in this regard, which enabled our digital business to successfully continue its double-digit growth trajectory of prior years. In this regard, the successful relaunch of our **online flagship hugoboss.com** in early 2022 as part of the comprehensive branding refresh played an especially important role. In particular, our online store now contains numerous elements intended to significantly improve the customer journey and further increase traffic and conversion. With a clear mobile-first approach, hugoboss.com offers our customers a leading e-commerce experience, while also fully reflecting the new brand image of BOSS and HUGO. In addition, we have successfully continued to **geographically expand the presence of hugoboss.com** around the globe. While in the medium term, customers in around 120 markets should be able to purchase the entire product range via hugoboss.com, in 2022 we added a total of 11 markets, bringing our worldwide hugoboss.com presence to 70 markets.

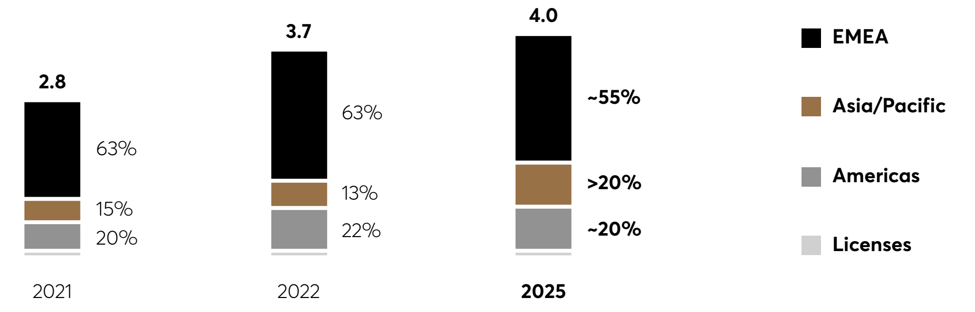
HUGO BOSS also aims at fully exploiting the potential of **brick-and-mortar retail**. With the channel expected to contribute around 50% of Group sales by 2025, for HUGO BOSS brick-and-mortar retail is and will remain by far the largest channel in terms of revenues. Our ambition is to be achieved by **growing productivity** in brick-and-mortar retail by around 3% per annum as compared to 2019, also by means of further **optimizing and modernizing** our global store network. In this context, the rollout of our **new store concepts**, which aim to be significantly more emotional, appealing, digital, and productive than the previous ones, is in full swing. They are intended to make a significant contribution to developing our stores into true points of experience. In this regard, the opening of our new **BOSS flagship store on Oxford Street** in London in mid-2022 represented an important milestone. The store's new retail approach provides a seamless blend of digital and in-store shopping experience, thereby setting the stage for a leading omnichannel journey. Overall, as of December 31, 2022, consumers can already experience our new BOSS and HUGO store concepts at more than 60 freestanding stores worldwide, including key stores in Dubai, Vienna, and New York City. This also contributed to a robust increase in brick-and-mortar sales productivity to a level of around EUR 11,900 per sqm (2019: EUR 11,100 per sqm). In total, as part of "CLAIM 5," HUGO BOSS is planning cumulative **investments in its brick-and-mortar retail business** of around EUR 500 million between 2021 and 2025.

At the same time, we plan to grow the revenue share of **brick-and-mortar wholesale** to a level of around 25% by 2025. In fiscal year 2022, we made important progress in fostering our position in this distribution channel by further **strengthening existing partnerships** and **increasing our market share in key product categories**. With a particular focus on our most important business partners, as part of "CLAIM 5," we aim at establishing BOSS and HUGO as true 24/7 lifestyle brands in the wholesale business. The reintroduction of BOSS Black, BOSS Orange, and BOSS Green together with the introduction of the BOSS Camel line, both successfully completed in 2022, play an important role in this context. In addition, we intend to fully exploit the great potential of digitalization also in wholesale. For example, digital sales via our **latest generation of virtual showrooms** not only accelerates the sales process for both our brands, but also makes it more sustainable and more efficient. At the same time, it enables a straightforward and emotional interaction with our wholesale partners.

Our **license business**, which also includes fragrances, watches, and eyewear, is expected to contribute up to 5% to Group revenues by 2025. We see considerable growth potential, both in existing and new product groups, and have set ourselves the target of successively exploiting this potential in the coming years.

CLAIM 5 – Organize for Growth

GROWTH AMBITION BY REGION (IN EUR BILLION)



As part of "CLAIM 5," HUGO BOSS intends to drive strong growth across all regions, thereby further balancing its global presence. In the **EMEA** region, HUGO BOSS is striving to foster its leading position in premium apparel. Here, sales are forecast to grow at a low to mid-single-digit CAGR between 2019 and 2025, with strong double-digit growth achieved in 2022. Key markets such as Germany, the UK, and France are all set to strongly contribute to growth by unleashing their full potential in retail, reclaiming wholesale with strong partners, and driving digital growth across all touchpoints. In addition, we will continue to place a strong focus on important growth markets, including the Middle East and Eastern Europe. With regard to **Asia/Pacific**, revenues are set to grow at a low-teens compound annual growth rate (CAGR) between 2019 and 2025. As a consequence, the region's revenue share is expected to grow to more than 20% by 2025. In this context, HUGO BOSS will continue to put a strong focus on consistently exploiting its growth opportunities not only in China but also in Southeast Asia & Pacific. In 2022, HUGO BOSS recorded mid-single-digit growth in Asia/Pacific despite far-reaching COVID-19-related restrictions that weighed on the business in China. In the **Americas**, revenues are projected to grow at a mid-single-digit CAGR between 2019 and 2025, as we will strongly push our brands' 24/7 lifestyle image by fully leveraging the casualization trend, above all in the important U.S. market. In addition, our initiatives in the Americas include a strong commitment to further strengthening our product range at the point of sale as well as expanding our shop-in-shop network with important retail partners. In 2022, we have made strong progress along our 2025 journey, as reflected by strong double-digit revenue improvements in the region. > Report on Economic Position, Earnings Development

"Organize for Growth" also means leveraging our existing operations infrastructure as the platform for speed and growth to ensure our Company's success well into the future. Regarding the latter, we are making great strides in transforming our supply chain into a full **"digital twin."** In order to further increase **efficiency and flexibility along the value chain** and to push digitalization in the area of business operations, we strive for advancing modular and digital product development, shortening product lead times, and further improving flexibility in production and logistics. In particular, we have set ourselves the target of **developing more than 90% of our products digitally** by 2025 and **reducing lead times by around 30%**. This also includes our commitment to further **expanding our own production** in the coming years. The strengthening of our own production site in Izmir (Turkey), which is by far our largest factory, plays a key role in this. In fiscal year 2022, we have already taken an important step by opening an additional plant in Izmir dedicated to the production of casualwear. Our aim is to be able to react even faster and more flexibly in the future in order to meet consumer demand in the best possible way. > Research and Development, > Sourcing and Production

As a core element of "CLAIM 5," we will further intensify our diverse **activities in the important area of sustainability** in the years to come, to deliver both a clear, measurable impact on the environment and society alike and drive the emotional engagement with the consumer. We have set ourselves ambitious sustainability goals, aiming for **effectively reducing our CO_2 emissions** along the entire value chain by at least 50% by 2030 and reach 'net zero' by 2050. In addition, we put particular emphasis on establishing an end-to-end **circular business model**. In this context, we aim to enable 80% of all BOSS and HUGO products to become **circular** by 2030. For this, we have launched several initiatives in 2022 dedicated to the resale and repair of products already sold. At the same time, across both brands, the share of **"RESPONSIBLE Styles,"** which are considered to be particularly sustainable, is set to increase to 60% by 2025 (2022: 35%). To achieve this, we are increasingly relying on innovative, sustainable materials and production techniques in the creation of our collections. In recent years, HUGO BOSS has already successfully launched products made of pineapple fibers and olive leather, a completely vegan suit and also significantly increased the proportion of sustainable cotton in its collections. > Sustainability, > Combined Non-financial Statement

> **"With our 'CLAIM 5' strategy, we are pursuing a clear vision for our Company: being the leading premium tech-driven fashion platform worldwide," says Daniel Grieder. "Thanks to the outstanding commitment of our employees and teams worldwide and the powerful and rigorous execution of 'CLAIM 5,' we made 2022 not only a record year for HUGO BOSS, but also a major milestone along our 2025 targets."**

2025 Financial Ambition

With its "CLAIM 5" strategy, HUGO BOSS aims to drive **Group sales** to EUR 4 billion by 2025 (2022: EUR 3.7 billion), which implies a strong CAGR of 16% taking 2020 as the base year, and 6% as compared to the pre-pandemic level of 2019. In doing so, we expect to grow faster than the industry, thus gaining market share. Furthermore, the Company sees the potential to increase Group sales to EUR 5 billion in subsequent years.

EUR 4 BILLION
SALES TARGET 2025

In order to successfully deliver on our strategy, we are firmly committed to significantly **invest into our products, brands, digital capabilities, as well as our global store network**, all aimed at fueling industry-leading revenue growth. Consequently, value creation under "CLAIM 5" has shifted from driving relative margin improvements to delivering strong top-line growth, absolute profitability improvements, as well as superior free cash flow generation. As evidenced by our strong top-line performance in fiscal year 2022, first important investments into our business have already paid off noticeably.

Until 2025, **gross margin** is forecast at a level of between 60% and 62% (2022: 61.8%), also reflecting product investments to enhance the price-value proposition and fuel top-line growth. At the same time, we are also confident that our **EBIT margin** will reach a level of around 12% by 2025 (2022: 9.2%), thereby returning to pre-pandemic levels. This corresponds to a robust EBIT CAGR of 6% between 2019 and 2025. Investments into the business will be compensated by **leveraging operating overhead** as well as strong efficiency gains to be realized by further **optimizing the global store network**. The latter relates to ongoing relocation and right-sizing initiatives, selective store openings and closings, as well as rent renegotiations of expiring lease contracts.

~12%
EBIT MARGIN TARGET 2025

Driven by the significant top- and bottom-line growth, HUGO BOSS targets a cumulative **free cash flow** of around EUR 2 billion (including the effects of IFRS 16) for the period between 2021 and 2025 (cumulative free cash flow between 2021 and 2022: EUR 726 million). This is to be supported by further improvements in the management of **trade net working capital** (target range until 2025: 16% to 19% of Group sales) as well as an even more efficient use of **capital expenditure** (target range for 2023 and 2024: 6% to 7% of Group sales; from 2025 onwards: between 4% and 5% of Group sales).

The majority of expected cumulated free cash flow will either be reinvested in the Company or distributed to shareholders through regular dividend payments. On the latter, the **payout ratio** is expected to be between 30% and 50% of net income attributable to shareholders by 2025 (2022: 33%). In line with our vision of being the leading premium tech-driven fashion platform worldwide, we are also considering **strategic investments** in the areas of product and brand, sales, and digital expertise. In this context, HUGO BOSS successfully entered into a **long-term strategic partnership with Swiss innovator HeiQ** in early 2022. The partnership includes a USD 5 million equity investment by HUGO BOSS – the first of its kind under "CLAIM 5." Finally, in the event of excess liquidity, we also consider special dividends and share buybacks as viable alternatives to return cash to our shareholders.

Our **targets for fiscal year 2023** are presented in the Outlook section. > Outlook

GROUP MANAGEMENT

Sustainable increase in enterprise value as guiding principle of HUGO BOSS

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

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

Key performance indicators

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

DEFINITION FREE CASH FLOW

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

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

FOUR KEY PERFORMANCE INDICATORS

While fiscal year 2022 was overall characterized by **high levels of geopolitical and macroeconomic uncertainty**, HUGO BOSS recorded a particular strong top- and bottom-line performance. This development was driven by the rigorous execution of our **"CLAIM 5" growth strategy** introduced in 2021.

"CLAIM 5" aims at driving superior **top-line growth** in the years to come, thereby significantly increasing the market share of BOSS and HUGO. At the same time, our strategy is intended to ensure a sustainable increase in profitability as well as above-average free cash flow generation. All initiatives aimed at driving sales growth are therefore also measured by their potential to sustainably grow **operating profit (EBIT)**. As part of "CLAIM 5," comprehensive brand, product, and digital investments are to be compensated by strong efficiency gains realized by optimizing our global store network as well as leveraging operating overhead.
> Group Strategy

DEFINITION EBIT

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

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

DEFINITION TRADE NET WORKING CAPITAL

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

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

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

Investment activity is focused on both our own retail network and the digitalization of our business model. As part of our strategic claim **"Rebalance Omnichannel,"** we are pushing ahead with the further optimization and modernization of our global store network with the vast majority of our own stores being redesigned by the end of 2024. In line with our claim **"Lead in Digital,"** digital investments are planned along the entire value chain – from digital trend detection and product development to AI-enabled pricing and the global rollout of digital showrooms. A specific approval process exists for material investment projects. Apart from qualitative analyses, e.g., with respect to potential store locations, this also includes an analysis of each project's net present value. > Financial Position, Capital Expenditure, > Group Strategy

In light of the anticipated strong top- and bottom-line growth, HUGO BOSS is confident to continue generating significant **free cash flow**. This is to be supported by improved management of trade net working capital and the efficient use of capital expenditure. The majority of expected accumulated free cash flow will either be reinvested into the Company or distributed to shareholders via regular dividend payments. In doing so, HUGO BOSS is pursuing a **profit-based dividend policy** aimed at allowing shareholders to participate appropriately in the Group's earnings development. The Company's payout ratio until 2025 is projected to be in a range of between 30% and 50% of net income attributable to shareholders (2022: 33%). In line with our vision of being the leading premium tech-driven fashion platform worldwide, we are also considering **strategic investments** in the areas of product and brand, sales, and digital expertise. In the event of excess liquidity, we also consider special dividends and share buybacks as viable alternatives to return cash to our shareholders. We analyze our balance sheet structure at least once a year to determine its efficiency and ability to support future growth and to simultaneously provide sufficient safety in the event that the Company's business performance falls short of expectations. > Financial Position, Capital Structure and Financing

Core elements of the Group's internal management system

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

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

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

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

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

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

In light of heightened levels of geopolitical and macroeconomic uncertainty, in 2022 there was a **particular close dialog** between the Managing Board, Group Controlling, the management of our central divisions, and our Group's subsidiaries. Corporate planning was regularly reviewed and updated throughout the year. In doing so, both the stronger than initially anticipated top- and bottom-line performance as well as the various negative macroeconomic factors and their potential business implications were regularly taken into account. > Report on Economic Position, Comparison of Actual and Forecast Business Performance

EMPLOYEES AND TEAMS

HUGO BOSS as an attractive employer of around 17,000 employees worldwide

HR management focused on attracting, retaining, and developing talents

Positioning as one of the best employers in the industry

At HUGO BOSS, we firmly believe that the passion and dedication of our employees is the essence for the successful execution of our "CLAIM 5" growth strategy. A strong commitment to empowering people and teams is therefore firmly anchored in "CLAIM 5." In this context, our HUGO BOSS values **– entrepreneurial spirit, personal ownership, team mentality, simplicity & quality, and youthful spirit –** play a key role. They form the guiding principle for day-to-day cooperation and are intended to foster a spirit of mutual trust. The aim is to create an environment that enables all employees to develop their individual talents and thus directly contribute to the success of "CLAIM 5." On top of that, HUGO BOSS intends to continue positioning itself as one of the most attractive employers in the fashion industry. This, in turn, should enable us to attract the best talents in the sector. > Group Strategy

HUGO BOSS VALUES

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

As an international company, **diversity** is a fundamental element of our corporate culture. At HUGO BOSS, all employees are guaranteed a discrimination-free working environment with equal opportunities and inclusive work culture. The central **Global Diversity and Inclusion** department focuses on further raising awareness of diversity and inclusion throughout the Company. In addition, an internal task force of employees from various locations and functional areas supports the execution of defined measures and promotes selected topics within the Company. We are convinced that intensifying our activities in the important area of diversity has a positive impact on employee satisfaction and is also considered a relevant factor by potential applicants.
> Combined Non-Financial Statement, Employee Matters

Attracting talents

HUGO BOSS aims at further strengthening its position as a top employer in the global fashion industry. This is intended to enable us to continue attracting the best talents for HUGO BOSS. In general, the global **employer branding campaign "That's my HUGO BOSS"** builds a core element of our recruitment activities, aimed at drawing the attention of talents around the world to the broad range of activities and diverse personalities at HUGO BOSS. The very heart of our **global recruitment strategy** builds the HUGO BOSS Careers website, which was comprehensively relaunched in 2022, now including a chatbot function as well as customized job recommendations aiming at further improving the digital experience for applicants. Consequently, the **continuous development of digital communication channels** is a key focus in employee recruitment. In addition, talents are recruited by means of directly approaching qualified candidates via business-focused social networks. On top of that, HUGO BOSS regularly presents itself to potential applicants at career fairs.

To attract **young talents**, we offer school graduates, students, and young professionals a variety of different programs, including a diverse range of **apprenticeships** as well as a broad selection of dual study programs. In 2022, there were a total of 94 apprentices and dual students at HUGO BOSS AG (2021: 79 apprentices and dual students), with 33 new apprentices and dual students having started their professional education during the course of the year (2021: 22 new apprentices and dual students). The professional education we offer young talents is tailored to our business specific needs and is continuously aligned with our strategic priorities. In particular, we have expanded our selection of apprenticeships in the important area of digital in recent years, including offerings such as Digital Commerce Management and International Business study programs as well as IT Specialist education. **Internships** and the "HUGO BOSS CareerLunch" offer further opportunities to get young talents interested in working at HUGO BOSS during their studies. The latter aims at bringing us together with top talents in an informal setting and thus attracting potential applicants to HUGO BOSS through internal Company insights. Various **trainee programs** complement the wide range of opportunities for young professionals.

At HUGO BOSS, we seek to constantly improve our external reputation and awareness among potential applicants. Consequently, we conduct **active reputation management** on relevant rating platforms and social networks. Target group-specific, emotional, and product-related campaigns are intended to evoke enthusiasm for our Company. Various awards are proof positive for our successful HR work while, at the same time, serving to increase awareness among potential applicants. In the **"Working in Fashion 2022"** study conducted by the German industry magazine TextilWirtschaft, we have further improved our strong ranking, taking third place (2021: fifth place). HUGO BOSS ranked particularly well in the categories of salary levels and good opportunities for promotion and training, taking second and third place, respectively. Furthermore, within the global study **"World's Best Employers 2022"** by Forbes and Statista, HUGO BOSS was ranked in the upper midfield of the 800 best employers worldwide. In addition, on the basis of an independent study in collaboration with Statista and the Financial Times, HUGO BOSS was ranked among the **Top 50 Diversity Leaders** in Europe in 2022 (2021: Top 100 Diversity Leaders).

Retaining and developing employees

Our employees make a significant contribution to the success of HUGO BOSS. In addition to attracting new talents, we therefore place a strong emphasis on **retaining talents and supporting them in their individual development**. Besides a fair and market-oriented compensation as well as attractive benefits offered to our employees, HUGO BOSS attaches particular importance to a common and supportive leadership mindset within the Company as well as various opportunities for individual development.

HUGO BOSS regards **fair pay** as an essential aspect of our personnel work and aims to strengthen the loyalty of our employees to the Company by means of a fair, transparent, and competitive compensation structure. Based on a regular assessment of all jobs in Germany as well as international key positions, the vast majority of our employees are remunerated on the basis of job-specific salary bands. These are based on **external salary benchmarks** and are intended to further increase transparency. Over the past few years, HUGO BOSS carried out an assessment of almost all positions worldwide in order to establish a uniform compensation system based on Group-wide salary bands. This is intended to ensure that our global compensation system is fair, competitive, and independent of gender or other diversity characteristics. We regard this as a key factor to further increase both employee satisfaction and our attractiveness as an employer.

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

In order to offer our employees an additional incentive, HUGO BOSS has introduced an **employee share purchase plan** in the first quarter of 2023. This gives full-time employees across a large number of locations the opportunity to purchase a certain number of HUGO BOSS shares in regular intervals at a discount, and thus participate directly in the Company's success.

Furthermore, we are convinced that a balanced personal and professional life fosters a productive and motivated workforce. Consequently, we offer our employees a wide range of options to **strengthen work-life balance**. Numerous initiatives for flexible working enable the majority of our employees at the Metzingen campus to work in an agile and cross-functional manner, also with the support of flexible and modern office concepts. The **hybrid working concept called "Threedom of Work"** applies to administrative staff in Germany and provides for three days of attendance at the Metzingen site, whereas employees are free to choose their work location on the other two days. While similar models have already been established in other Group companies, the conventional **home office concept** is available to almost all our administrative employees worldwide. In addition, trust-based working hours, individual part-time arrangements, as well as newly established job sharing and co-leadership models complement our offerings and are intended to contribute to both increased employee retention and satisfaction. In addition, HUGO BOSS promotes the work-life balance in the form of numerous **family-friendly offers**, which are described in more detail in the section "Combined Non-Financial Statement." > Combined Non-Financial Statement, Employee Matters

We also attach great importance to promoting the **health and performance** of our employees, including numerous activities to improve the physical and mental health. Employees in Germany, Switzerland, and Turkey, for example, can use **Company-owned fitness centers** free of charge and participate in a wide range of different on-site and digital sport and coaching courses. A **balanced nutritional concept** in our canteens is intended to improve the personal well-being of our employees. At the central distribution centers in Germany and for production employees in Metzingen, **health measures** also include movement breaks, massages, and back training courses. Our strong commitment with regards to occupational health management was recognized with the **German Corporate Health Award** in 2022.

Development offerings at HUGO BOSS include a strong focus on **leadership mentality**, as we are convinced that it has a significant impact on our Company's performance, innovative strength, and commitment of employees and teams, and thus strongly contributes to achieving the targets set out in "CLAIM 5." Regular workshops aim to firmly anchor the leadership mindset within our Company, supporting a common understanding of leadership at HUGO BOSS. In addition, we consider a good leadership culture to be a key enabler in sustainably increasing employee satisfaction. Our concept of **leadership mindset** envisions that leaders should act as enablers, providing their employees with a framework for their daily work, offering them support, and, at the same time, encouraging them to regularly surpass themselves. In addition, leaders at HUGO BOSS are expected to connect people and teams and to strengthen the team spirit and sense of togetherness.

In addition to vertical promotions, HUGO BOSS generally considers internal job changes across departments and divisions as an important instrument for promoting talents and retaining employees over the long term. The digital **employee recommendation program "HUGO BOSS Spotted"** provides a transparent recommendation process to support the appropriate filling of vacancies by internal talents. In order to further boost the motivation, commitment, and qualification of employees, we also offer a wide range of **training and development opportunities**. This includes the Employee Development Program (EDP), the Leadership Development Program (LDP), and the High Potential Program HIPOSS. All relevant opportunities for individual development are described in detail in the "Combined Non-Financial Statement" within this annual report. > Combined Non-Financial Statement, Employee Matters

In order to improve employee retention in the long term, we strive to strengthen the **identification of our employees with HUGO BOSS and its goals**. A variety of internal communication measures is intended to contribute to this, aimed at strengthening the exchange both among employees as well as between employees and senior management. In addition to regular Managing Board updates and video messages, this also includes the opportunity to enter into direct exchange with the Managing Board as part of internal events. Beyond that, Company-specific news are also being communicated in real time to employees in 36 countries via our global **employee app "My HUGO BOSS."** The app also offers our employees various digital conveniences, such as quick access to emails, digital business cards, or the internal job network. To further increase community engagement within our organization, we introduced a social video wall within our app in 2022. In addition, we have launched our new **global intranet "ONE"** in early 2023, serving as an additional communication platform for all employees worldwide. Important and centralized news about HUGO BOSS and our brands, enriched with livestreams and videos, but also external content, such as industry news, are made available to employees via this channel.

78%
EMPLOYEE SATISFACTION

HUGO BOSS determines the satisfaction and the needs of its employees as part of an **employee survey** conducted annually in cooperation with Great Place to Work Germany. The findings provide our Company with important impetus for the further development of its personnel work and corporate culture. The results of the annual employee survey also represent an important component of the compensation within the long-term incentive program (LTI). With a Group-wide participation rate of 70%, **overall employee satisfaction** rose to 78% in 2022 (2021: participation rate of 62% and overall satisfaction of 76%). We have set ourselves the goal to maintain a strong level of at least 75% of overall satisfaction also in the years to come. > Combined Non-Financial Statement, Employee Matters

Employee figures

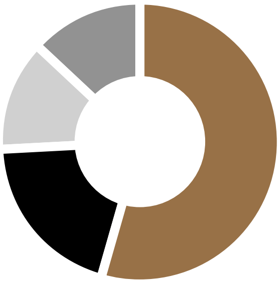
NUMBER OF EMPLOYEES[1] AS OF DECEMBER 31

1 Full-time equivalent (FTE).

At the end of fiscal year 2022, on a full-time equivalent basis, 16,930 **employees** worked for HUGO BOSS (2021: 14,041). The increase compared to the prior year is in line with our strategic pillar "Organize for Growth," aimed at ensuring the successful execution of "CLAIM 5." Above all, it reflects the strategic expansion of our capacities at our production site in Izmir (Turkey) as well as the further strengthening of our global retail business and key headquarters functions. The **average age** of our global workforce was 36 years, representing a slight decrease compared to the prior year (2022: 37 years).

EMPLOYEES AS OF DECEMBER 31 (IN %)

By region



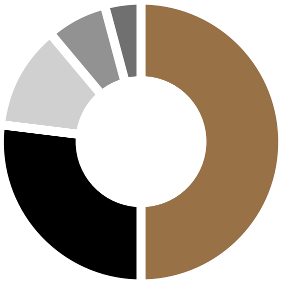
EMEA (without Germany)
55 (53)

Germany
20 (22)

Asia/Pacific
13 (14)

Americas
13 (11)

By functional area



Own retail business, sales, and marketing
50 (51)

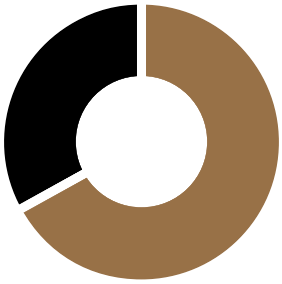
Own production
27 (25)

Administration (incl. IT)
12 (12)

Logistics
7 (8)

R&D
4 (4)

By type



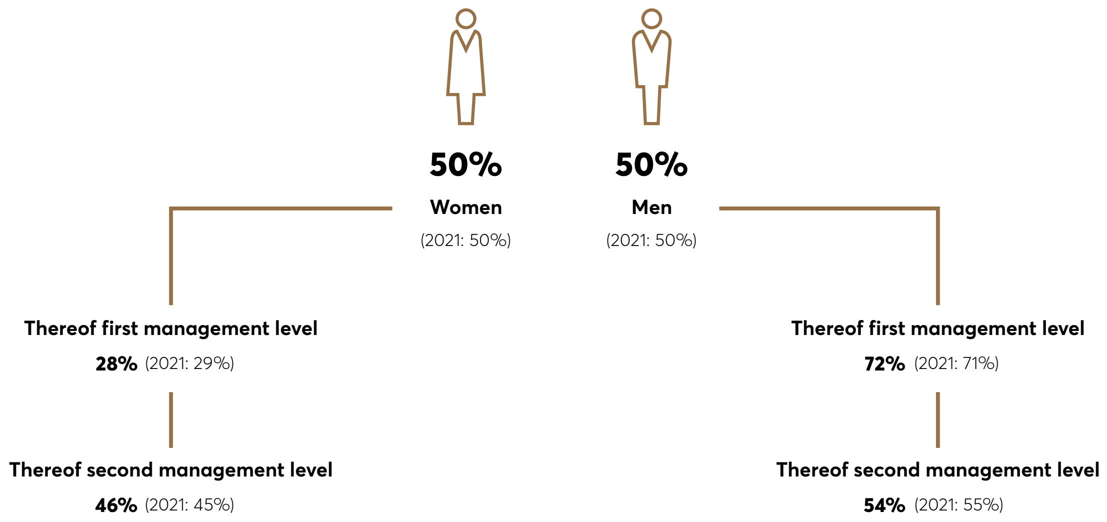
Commercial and administrative employees
67 (70)

Industrial employees
33 (30)

2022 (2021)

Our **global positioning** is also reflected in our workforce. In 2022, 80% of our employees were based outside of Germany (2021: 78%). Within Germany, employees from 93 different nations worked for HUGO BOSS (2021: 79 nations). While 11,384 employees (2021: 9,862) worked in the **commercial sector** at the end of 2022, 5,545 employees (2021: 4,179) were assigned to **industrial activities**.

EMPLOYEES IN MANAGEMENT



With a share of 60%, women continued to make up the majority of the workforce at HUGO BOSS (2021: 60%) at year-end. Across all **management** levels, 50% of positions were held by women at the end of December 2022, thus unchanged from the prior year. The Managing Board has set the target of achieving a **proportion of women** of at least 40% in the first management level below the Managing Board and at least 50% in the second management level by 2025. As of December 31, 2022, the proportion of women at the first management level below the Managing Board was 28%, while it was 46% at the second management level below the Managing Board. Both proportions were hence broadly in line with the prior-year level (December 31, 2021: 29% and 45%, respectively). > Corporate Governance and Corporate Governance Statement

RESEARCH AND DEVELOPMENT

Digitalization of product development of high strategic relevance

Focus on innovative materials in terms of performance and sustainability

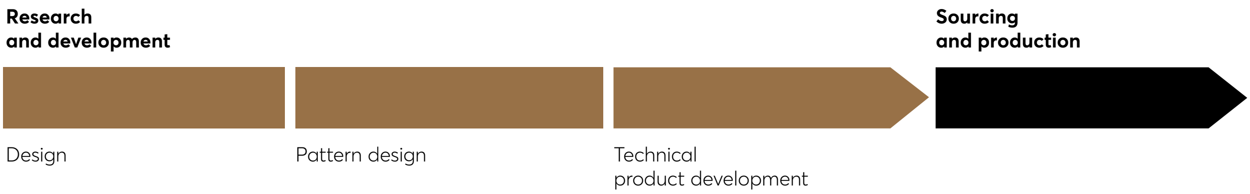
Exploration of metaverse through launch of first NFT capsule "HUGOxIO"

The primary goal of research and development (R&D) at HUGO BOSS is to develop collections and products that meet the highest customer demands in terms of quality and fit, as well as innovation and sustainability. These requirements are firmly embedded in our strategic claim **"Product is King,"** which puts the product and consumers at the center of everything we do. As part of our "CLAIM 5" strategy, we aim at further **optimizing the price-value proposition** in order to guarantee **premium quality**, a high degree of **innovation and sustainability**, and features that enable our brands to clearly distinguish from the competition. The potential of digitalization is to be fully exploited throughout the entire product development process. Inspiring capsule collections and exceptional collaborations with well-known brands and personalities are also intended to spur the relevance of BOSS and HUGO. > Group Strategy, "Product is King"

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

Product development process

PRODUCT DEVELOPMENT PROCESS AT HUGO BOSS



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

>90% DIGITALLY DEVELOPED PRODUCTS BY 2025

The **digitalization of product development** is of high strategic importance to HUGO BOSS. In line with our strategic claims "Lead in Digital" and "Organize for Growth," we have set ourselves the goal of developing more than 90% of our products digitally by 2025 (2022: around 55%). Also in fiscal year 2022, we significantly advanced the digitalization of our product development, for example via strengthening our 3D foundation and an improved simulation of products and avatars. We also made further progress in developing the necessary knowledge and skills among our development teams. Thanks to our strong expertise in the field of digital product development, training courses for 3D competence can meanwhile be conducted in-house, aimed at establishing a true digital mindset with an end-to-end understanding of the digital processes. The digital workflows allow us to operate more flexibly throughout the entire value chain, shorten lead times, and adapt more effectively and quickly to current consumer trends. In the medium term, this should reduce lead times by around 30%. In addition, the digitally developed styles are also used in distribution – for example, when selling the collections to wholesalers via digital showrooms or via "virtual try-on" on hugoboss.com. Already today, we are able to run the entire product development process digitally. A good example for this is the **BOSS Legends capsule with Bruce Lee**, which will be launched in early 2023, and which is developed completely digitally – from first sketches and the selection of materials to prototyping and the distribution of the finished capsule collection.

Key areas of research and development

We aim to unlock the full potential of BOSS and HUGO by perfectly dressing our customers 24/7 and for every occasion. Driving casualization along our collections and further optimizing wearing comfort through the use of innovative materials are of particular importance. In 2022, we further expanded the **BOSS Performance** product range, which combines formalwear outfits with sportswear elements, thereby perfectly matching the needs of our customers. The offering now ranges from super-stretchable and machine-washable styles with a particularly high level of comfort to light weight and wrinkle-free products that can be easily carried in hand luggage in a small pouch. Another product highlight in 2022 was the launch of our first **fully knitted Merino wool-blend suit**. By its nature, wool offers breathability and stretch – key features sought in the development of a BOSS Performance style. Offering an innovative approach to suiting through the implementation of cutting-edge yarn development, knitting techniques, and workmanship, BOSS delivered a product that keeps the pace with today's on-the-go lifestyle while ensuring that no fabric goes to waste during assembly, hence saving valuable resources. > Group Strategy, "Product is King"

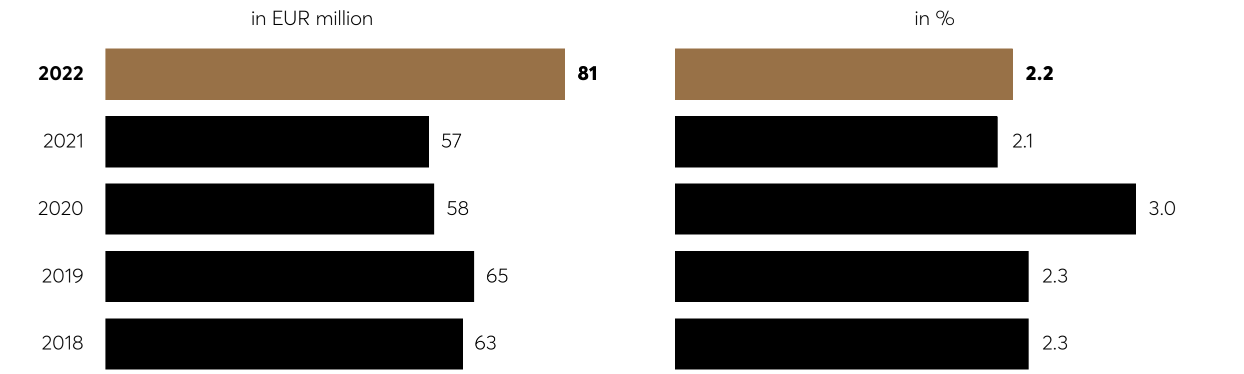
We are fully committed to live up to the growing customer expectations in terms of **sustainability**. To this end, we increasingly rely on innovative, sustainable materials and manufacturing techniques in the development of our collections. We have set ourselves the goal to increase the share of particularly sustainable **"RESPONSIBLE Styles"** in the product range of BOSS and HUGO to 60% by 2025 (2022: 35%). A significant contribution in 2022 was made through the **BOSS x PHIPPS collaboration** – the first capsule collection exclusively consisting of "RESPONSIBLE Styles." The BOSS x PHIPPS collection breaks ground in finding inventive ways to save resources using surplus garments and fabrics as their base. To further drive the innovative strength and sustainability of our brands, we have also entered into a **long-term strategic partnership with HeiQ AeoniQ** in 2022. This partnership focuses on the production of a sustainable, circular, and recyclable cellulose yarn with the aim of replacing oil-based fibers such as environmentally harmful polyester and nylon. While 2022 was all about testing and developing first pilots with the AeoniQ yarn, we successfully launched the **first BOSS polo shirt made of ~90% AeoniQ** together with BOSS brand ambassador Matteo Berrettini in early 2023. > Sustainability

The four main collections of BOSS and HUGO are designed to offer customers both a broad range of basic and core products as well as a variety of seasonal and particularly fashion-conscious styles. Besides these main collections, we team up with other well-known brands and personalities to create inspiring **capsule collections** and exceptional **collaborations**. In doing so, we want to constantly increase the relevance of BOSS and HUGO and excite consumers all over the globe. In 2022, BOSS launched numerous capsule collections with its brand ambassadors as well as with strong partners such as Porsche or the NBA. HUGO, on the other hand, teamed up with the streetwear brand Mr. Bathing Ape and also with denim specialist Replay. In 2022, HUGO also announced its collaboration with Web 3.0 company Imaginary Ones on a holistic, 360-degree metaverse experience. With the launch of its **first-ever NFT collection**, HUGO took a major step forward in its exploration of the metaverse, which helped to establish the brand as a digital fashion player and smart adopter in this space. The 1,001 3D animations, entitled 'Embrace Your Emotions,' sold out in seconds and created a huge buzz on social media. Exceptional collaborations like these will continue to play a key role in attracting younger consumers and fully exploiting the great potential of both brands in the future.

R&D key figures

The **creative and development departments** of HUGO BOSS are staffed primarily by fashion and 3D designers, tailors, shoe and clothing technicians, and engineers. As of December 31, 2022, the number of employees in research and development totaled 656 (2021: 606).

R&D EXPENSES



In line with our strategic claims "Product is King" and "Organize for Growth," in fiscal year 2022 research and development expenses grew 41% to EUR 81 million, with the majority of the increase mainly resulting from an increase in personnel expenses. At 71%, personnel expenses continued to account for the majority of **R&D expenses** last fiscal year (2021: 72%). The remainder is primarily composed of other department expenses. In 2022, R&D costs were again mostly recognized as expenses at the time they were incurred. In addition, production-related development expenses are included in the cost of conversion of inventories. No development expenses were recognized as internally generated intangible assets due to the short product life cycles.

SOURCING AND PRODUCTION

Strategic focus on increasing efficiency and flexibility

Tech-driven business operations platform to support future growth

Expansion of own production with strong focus on casualwear

Platform for speed and growth

As part of our "CLAIM 5" strategy, we strive to generate significant growth across all brands, regions, and touchpoints in the coming years. An efficient and robust operational infrastructure forms the basis for achieving our medium-term financial targets. The strategic claim **"Organize for Growth"** thus aims at further optimizing and flexibilizing our sourcing and production activities in order to create a strong and robust platform for speed and growth.

The sourcing and production of high-quality products is an important factor for meeting high customer expectations on design, functionality, comfort, and longevity at all times. In addition to ensuring these quality characteristics, we are constantly striving for best-in-class solutions to further **increase the resilience, efficiency, and flexibility** of our global sourcing and production activities. In this context, a key element is the further **digitalization along the entire value chain**. In doing so, we aim at responding even faster to changing market trends and thus best meet customer demand. In this context, we have set ourselves the target of **reducing lead times by around 30%** by 2025. In addition to modular and digital product development, this will be mainly achieved by **further optimizing our sourcing and production processes**. A prime example of short development and production cycles is the capsule collections of BOSS and HUGO, which already today are being developed and produced in just a few months. > Research and Development

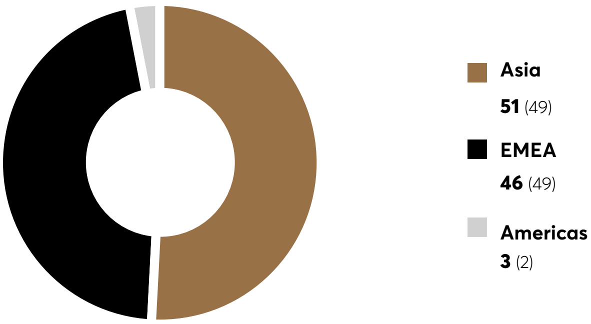
In order to further enhance the flexibility and efficiency of our value chain, we are developing our **"digital twin,"** a smart and tech-driven business operations platform. Using real-time data, this digital twin will provide important information along the entire value chain from demand planning over production status to smart inventory allocation. The digital twin is an important element to sustain our growth in the years to come by further improving product availability while, at the same time, also driving profitability improvements through an improved share of full-price sales. Increased visibility will also enable us to establish an end-to-end product traceability.

While HUGO BOSS recorded strong top-line growth in 2022, driven by the successful execution of its "CLAIM 5" strategy, macroeconomic and geopolitical uncertainties including severe supply chain disruptions continued to put particular stress on global supply chains. In addition, severe bottlenecks in global production and logistics capacities led to a significant increase in material, production, and freight costs. Against this backdrop, one of our key priorities in fiscal year 2022 was to safeguard **product availability** as much as possible, in order to fulfill customer demand and drive strong top-line growth. Thanks to our **resilient value chain**, we were largely able to secure sufficient product availability in fiscal year 2022. We particularly benefited from our well-balanced global sourcing mix, the flexibility of our own production facilities in Europe, as well as long-term strategic partnerships with our global suppliers. At the same time, we significantly **expanded our sourcing and production capacity** in 2022, by further strengthening our own production sites and successfully onboarding new partners.

Sourcing volumes and regional split

In terms of value, 14% of the total **sourcing and production volume** in 2022 was produced at our own production facilities (2021: 17%). The slight decline compared to the prior-year period reflects the significant increase in overall sourcing volumes against the backdrop of our strong top-line growth. At the same time, 86% comprises products sourced from independent contract suppliers or sourced as merchandise (2021: 83%).

REGIONAL SPLIT OF SOURCING AND PRODUCTION VOLUME (IN %)



2022 (2021)

HUGO BOSS attaches great importance to a **regionally balanced strategic sourcing mix** in order to minimize risks such as local or regional capacity shortfalls as far as possible. Already today, and broadly in line with the prior year, 46% of our merchandise is sourced in **EMEA** (2021: 49%). In line with our strategic ambition of further promoting **"nearshoring"** in the medium term, we have set ourselves the goal of aligning our regional sourcing activities closer with our sales markets. In this context, we aim to further increase the share of our sourcing activities in EMEA in the years to come. Already today, with a share of 23%, **Turkey** accounts by far for the largest European part of our global sourcing and production volume (2021: 24%), with our own production in Izmir accounting for 12% of the global sourcing and production volume in 2022 (2021: 14%). The further expansion of our Izmir site is key to further leveraging the proximity to our important EMEA region. Besides Turkey, **Portugal** and **Italy** also represent relevant sourcing markets within EMEA. In the mid-term, we want to strengthen our sourcing footprint also in the **Americas**, which currently stands at 3% (2021: 2%), to benefit from the proximity to the important U.S. market.

At 51%, the **Asian** share of our global sourcing and production volume slightly increased in 2022, reflecting our short-term priority to ensure sufficient product availability and serve strong customer demand throughout the year (2021: 49%). Within Asia, **China** and **Vietnam** have been the most important sourcing markets also last year, representing 17% and 15%, respectively, of our global sourcing and production volume (2021: 17% and 16%).

Own production as a competitive advantage

As part of "CLAIM 5," in 2022 we significantly expanded our own production capacity. In addition to greater **independence from external factors**, the main reason for doing so is to react more quickly and flexibly to any changes in customer demand as well as to speed up our in-season replenishment opportunities. In addition, it enables us to gain important expertise in the further development of production technologies and quality standards. Our five **own production facilities** are located in Izmir (Turkey), Metzingen (Germany), Radom (Poland), Morrovalle (Italy), and Coldrerio (Switzerland).

Further **strengthening our largest own production site in Izmir** plays a key role in this. In this context, in 2022 we celebrated the opening of a fourth factory on-site dedicated to the **production of casualwear**. While in the past, the Izmir site primarily focused on the manufacturing of formalwear products, thanks to the latest investments made, in the meantime casualwear including product categories such as trousers, jackets, and jersey, accounts for around 20% of the total production volume in Izmir. Already today, Izmir accounts for around 5% of the global casualwear production, thereby enabling us to react more flexibly to changes in consumer demand also in the casualwear segment. In this context, around 1,000 new employees have been added to the team in Izmir over the course of 2022, with further new positions planned for 2023.
> Group Strategy, "Product is King"

The production site in **Metzingen** mainly produces products of the newly introduced brand line BOSS Camel, including tailored BOSS "Made to Measure" suits, along with prototypes and sample styles. Business shoes and sneakers are the main focus of production in **Radom** and **Morrovalle**, while BOSS "Made to Measure" shirts are produced in **Coldrerio**.

Network of experienced and specialist suppliers

In order to ensure excellent processing quality and product availability, HUGO BOSS works together with an extensive **network of experienced and specialist suppliers**. In fiscal year 2022, we strongly expanded our global network of finished goods suppliers to fully serve the strong customer demand spurred by the successful execution of "CLAIM 5." Consequently, we sourced **finished goods** from a total of 184 external suppliers (2021: 142) using 233 production facilities (2021: 169). In addition, we procured **raw materials** from 328 external suppliers (2021: 341) using 360 production facilities (2021: 366).

HUGO BOSS strives to establish and maintain **long-term strategic partnerships** with its suppliers, with the average duration of our relationship with strategic suppliers exceeding 10 years. In this context, we see ourselves as an advisor that provides suppliers with support in the further development and professionalization of processes and workflows. Within the framework of our own **"Manufacturing Excellence" program**, we invest in suppliers in a targeted manner in order to create an even more competitive value chain and further increase production efficiencies together. In doing so, we convey important expertise in terms of personnel, processes, and technology, such as in the area of quality management and lean management. For closer networking with our suppliers, we also established a **digital collaboration platform** to facilitate the efficient and rapid **exchange of product information**.

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

SUSTAINABILITY

Sustainability as an integral part of HUGO BOSS business activities

Strong commitment to climate action and circularity

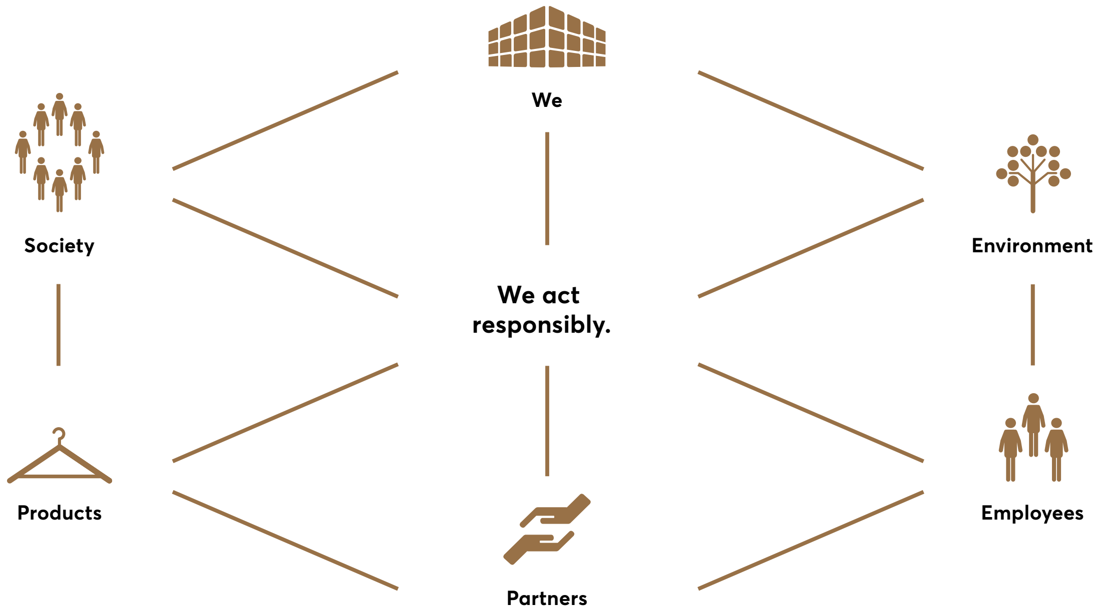
Renewed inclusion in the Dow Jones Sustainability Index World and Europe

HUGO BOSS is conscious of the economic, ecological, and social impacts of its business activities along the entire value chain. Therefore, our sustainability activities aim to **generate added value** for our Company, our employees, shareholders, customers, business partners, and society, ensuring long-term success for HUGO BOSS. For us, **sustainable business** means maintaining the high standards in terms of quality and longevity of our products, while ensuring that they are produced in a social and environmental manner.

Within "CLAIM 5" HUGO BOSS regards sustainability as an **important foundation of its strategy** and thus an integral part of its business activities. Our ambitious sustainability targets are therefore firmly anchored in our Group strategy. In this context, we will intensify our diverse sustainability activities, particularly in the areas of **climate action** and **circularity**, which also includes actively involving our customers. With our clear commitment to sustainability, we consequently put consumers and their increased expectations with regard to sustainability at the core of our activities. In doing so, we aim at driving customer satisfaction to ultimately become one of the top 100 global brands while, at the same time, positively contributing to the ecological and social impacts of our business activities. > Group Strategy

To ensure the long-term, sustainable development of our Company, we pursue a **holistic, strategic approach** that defines key business processes and actions of our operating units. The six fields of action, **We, Environment, Employees, Partners, Products**, and **Society**, form the framework for our sustainability program, "Today. Tomorrow. Always." In line with our strategic principle "Sustainable Throughout" in 2022 HUGO BOSS has **realigned and decentralized responsibilities** within the organization. Consequently, the Group's sustainability activities are now strategically managed by the Corporate Sustainability department as part of the Group Strategy & Corporate Development division. Operational responsibility along the supply chain lies within Business Operations, while Investor Relations is responsible for sustainability reporting. > Combined Non-Financial Statement

STRATEGIC FIELDS OF ACTION FOR SUSTAINABILITY



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

NET-ZERO
BY 2050

Environment – "Preserving Natural Resources": The aim of environmental management at HUGO BOSS is to reduce the ecological impact of our own business activities. This commitment extends from our own administration and production sites, through the supply chain and our global store network. By means of sustainable building concepts and technologies, electricity from renewable energy sources, and continuous optimization of transport routes, we are working to reduce our CO_2 emissions, thus making a direct contribution to protecting the environment. In this context, we aim to effectively reduce our CO_2 emissions along the entire value chain by at least 50% by 2030 and reach 'net zero' by 2050. > Combined Non-Financial Statement, Environmental Matters

Employees – "Fostering a Fair and Responsible Culture": Our corporate values and the Code of Conduct form the basis for daily cooperation at HUGO BOSS, with the latter providing the foundation for legally and ethically correct behavior in day-to-day business. We are convinced, that an inclusive corporate culture is an important source of creativity, innovation, as well as successful strategy execution. At the same time, further strengthening our position in competing for the most qualified employees remains crucial for the long-term success of HUGO BOSS. In order to increase its attractiveness as an employer, we are focusing on a fair and transparent compensation scheme, a value-based corporate culture free from discrimination, opportunities for individual development, and a wide range of flexible working models to better combine professional and private life. > Employees and Teams, > Combined Non-Financial Statement, Employee Matters

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

80% CIRCULAR PRODUCTS BY 2030

Products – "Ideas for Tomorrow": HUGO BOSS sets high standards for the design and quality of its products. While the development of these products is increasingly carried out digitally, we put a strong focus on innovative, sustainable materials and manufacturing techniques. At the same time, HUGO BOSS ensures compliance with strict standards on the safety and environmental compatibility of products and their manufacture. The share of our particularly sustainable "RESPONSIBLE Styles" is set to increase to at least 60% by 2025 (2022: 35%). We also committed ourselves to enable 80% of our products to become circular by 2030. In this context, we launched our first fully circular collection in early 2023. We also work closely with our suppliers and other stakeholders on solutions for environmental and animal protection. > Combined Non-Financial Statement, Circularity, > Research and Development

To further promote the proportion of more sustainable materials within our collections, in early 2022, HUGO BOSS entered into a long-term **strategic partnership with Swiss innovator HeiQ**. The HeiQ AeoniQ apparel technology enables the production of a sustainable, circular, and recyclable cellulose yarn. This is intended to enable HUGO BOSS to supplement or replace currently used polyester and nylon fibers with AeoniQ cellulose yarn, which binds carbon from the atmosphere during growth. In doing so, we make an **important contribution** to preserving agricultural land, reducing water pollution, and decarbonizing the fashion industry. Our investment in HeiQ AeoniQ therefore fits perfectly with our ambitious sustainability efforts.

Society – "Promoting Perspectives": The overarching aim of our HUGO BOSS corporate citizenship strategy is to unleash individual potential for success. It is based on three pillars: access to education, equal opportunities, and providing support in times of crisis. In implementing projects and activities along the entire value chain, we also take account of regional needs at individual locations. In order to strengthen our corporate citizenship activities, we have established our own charitable foundation in 2022, which will resume duties in 2023. It will extend the scope of our charitable activities to new partners, particularly in the areas of climate action and environmental protection. HUGO BOSS will also involve its customers in supporting the foundation by making a donation of EUR 0.05 for each own product sold worldwide.

We strive for **continuous improvement** in all six fields of action and have set ourselves ambitious targets. Sustainability ratings serve as an objective indicator of the progress achieved. In 2022, HUGO BOSS was included in the **Dow Jones Sustainability Index (DJSI) World** for the sixth consecutive time. Among other things, we scored "best in class" in the categories of innovation management, labor practice indicators, such as diversity and freedom of association, tax strategy, and environmental and social reporting. As a result, HUGO BOSS was awarded the second best overall score in the industry. Our Company was also included in the **DJSI Europe** for the third time in a row. On top of that, HUGO BOSS was named **Green Ranking Champion 2022**, as it scored second-best among the 50 German MDAX companies in an analysis conducted by the F.A.Z.-Institut and management consultancy R.A.T.E. The analysis took into account the 60 most visible, publicly available sustainability and ESG rankings and awards worldwide.

COMBINED NON-FINANCIAL STATEMENT

Statement summarizes material disclosures on non-financial aspects

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

Definition of reported performance indicators is oriented toward GRI Standards

About this combined non-financial statement

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

As part of the reporting process, HUGO BOSS has analyzed whether risks exist that are associated with its own business activity, its business relationships, as well as its products or services, and that very likely have or could have serious adverse impacts on the aspects listed above. HUGO BOSS has **not identified such risks**.

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

Description of the business model

HUGO BOSS is one of the leading fashion and lifestyle companies in the premium segment of the global apparel market. Our **business model** is described in detail in the chapter "Business Activities and Group Structure" of this Annual Report. > Business Activities and Group Structure

Derivation of material topics

The basis used for selecting the topics presented in this statement is a **materiality analysis** conducted by HUGO BOSS in 2019, which encompassed, in particular, a materiality review according to Section 289c (3) HGB. It has been analyzed to what extent the topics are of particular relevance for understanding the Company's development, performance, and position, and the impact of its activity on the five required aspects. A review and partial update of the materiality analysis initiated by HUGO BOSS in 2022 showed that, due to its increased strategic relevance for the Company, the aspect of "Circularity" is also to be regarded as material within the meaning of Section 289c (3) HGB and is therefore to be included in the non-financial statement from now on. > Group Strategy

ASPECTS AND MATERIAL TOPICS

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

The aspects "Climate action in production," "Human rights and labor standards in production," and "Occupational safety in production" relate to both the production activities of HUGO BOSS itself and the production activities of independent suppliers.

Organizational structure and responsibilities

At HUGO BOSS, sustainability is firmly anchored in its "CLAIM 5" strategy. The overall responsibility for the sustainable development of the Group lies with the **Managing Board**. Strategic responsibility is assigned to the Group Strategy and Corporate Development division, which reports directly to the Chief Executive Officer (CEO). Operational responsibility along the supply chain lies with Business Operations, while Investor Relations is responsible for sustainability reporting. Both departments report to the Chief Financial Officer (CFO)/Chief Operations Officer (COO). He is also responsible for the central **Sustainability Committee**, which is made up of representatives of the main business areas involved in sustainability topics and which drives relevant decision-making processes in the area of sustainability. > Managing Board

Environmental matters

Climate action in production

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

Internal guidelines and standards on climate action issues in the supply chain are defined by the central **Group Strategy and Corporate Development** division and implemented in close cooperation with the **Sustainable Supply Chain Management** department. In addition, the central **Environmental Management** team coordinates appropriate measures at the Company's own production sites in close alignment with the local management teams. The CFO/COO is regularly informed about the progress made toward achieving the Group's climate protection targets, particularly within the Sustainability Committee. In addition, the Group Strategy and Corporate Development division reports directly to the CEO.

Targets

As a signatory to the Fashion Industry Charter for Climate Action under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC), HUGO BOSS, together with other companies in the fashion industry, is striving for **net zero climate-damaging emissions** by 2050. In fiscal year 2022, HUGO BOSS revised its climate targets, adapting them to the increased requirements of the UNFCCC. From now on, we will pursue the goal of effectively reducing our own CO_2 emissions (scope 1 and scope 2) by at least 50% by 2030 (base year: 2019), and thus without additional offsetting. In addition, by 2050 we aim at achieving net zero along the entire value chain. The previous climate neutrality targets of HUGO BOSS by 2030 and 2045 have thus been replaced.

Measures

We are committed to global climate protection with numerous measures and initiatives at our own sites and in the supply chain. In order to define suitable measures, as part of the **Fashion Industry Charter for Climate Action**, among others, we are involved in task forces dealing with issues such as "raw materials" and "energy efficiency and renewable energies in the manufacturing process."

In line with the UNFCCC, we work together with our suppliers to sustainably reduce environmental impact along the supply chain. In this context, **compliance with legal environmental requirements** is an integral part of all supplier contracts. In addition, our **Environmental Policy** published on the HUGO BOSS corporate website describes a variety of environmental protection principles, both for our own production sites and those of our suppliers. It reflects our activities and objectives pursued within the framework of the Fashion Industry Charter for Climate Action. Our **Supplier Code of Conduct** also contains comprehensive guidelines for compliance with environmental protection requirements. In addition, HUGO BOSS sets binding sustainability criteria for its suppliers with regard to the use and processing of textile fibers and materials in the form of its publicly available **RESPONSIBLE Product Policy**.

As part of regular **environmental audits** conducted by external auditors, we record, among other things, our suppliers' energy management measures and their CO_2 emissions. In the event that violations of environmental requirements are identified, we work together with the respective supplier to develop action plans, the implementation of which is reviewed in follow-up audits. In order to increase the transparency and measurability of the environmental impacts of our partners, in 2021 we teamed up with other companies to develop a **Resource Efficiency Module (REM)** aimed at enabling suppliers to record their consumption data and to support the reduction of harmful emissions. In fiscal year 2022, more than 50 suppliers were already connected to the REM. This number is to be steadily increased in the coming years.

We also carry out relevant **training sessions** to inform our suppliers regularly about environmental and climate protection measures and to work towards the establishment of standardized energy and environmental management systems. The publicly accessible web-based **"Climate Action Training"** developed by HUGO BOSS in collaboration with the UNFCCC and other organizations and companies was translated into additional languages in 2022. This means that it is now available in a total of five languages.

As a member of the **Better Cotton Initiative (BCI)**, we work together with other companies to reduce the environmental impacts associated with the cultivation and processing of cotton. Cotton is by far the most used material by HUGO BOSS. The BCI takes a holistic approach to environmentally and climate-friendly cotton production that takes into account ecological, social, and economic aspects. In addition, in 2022 we entered into a strategic partnership with the Indian farming initiative Raddis, which contributes to climate protection and biodiversity by cultivating **regenerative cotton**.

The impact of our own production activities on the climate is relatively low compared with that of external suppliers, as in particular the upstream stages of the value chain involve CO_2-intensive processes. Nevertheless, the reduction of energy consumption and CO_2 emissions at our own production sites plays an important role. We continue to develop our **Environmental Management** in line with the international standards ISO 14001 (environmental management) and ISO 50001 (energy management). Our own production site in Izmir (Turkey) – by far the largest of our own production sites globally – has already been certified in accordance with both standards since 2014.

To **further reduce CO_2 emissions at our own production sites**, we are investing primarily in energy-efficient technologies, the modernization and renewal of technical equipment, and increasing the share of renewable energies. For example, HUGO BOSS has been obtaining its energy from renewable sources at all its own facilities since 2020. In this context, in 2022, we commissioned a photovoltaic system at our production site in Izmir (Turkey). The knowledge gained as part of our own environmental management will help us make further progress in reducing the environmental and climate impact in the supply chain together with our suppliers in the coming years.

Performance indicators

In fiscal year 2022, HUGO BOSS' **scope 1 and market-based scope 2 emissions** calculated according to the Greenhouse Gas Protocol decreased by 7% to a level of 29,735t compared to the base year 2019 (scope 1 and location-based scope 2 emissions: 52,549t). This development primarily reflects a reduction in Group-wide energy consumption and an increase in the share of green electricity compared to the base year. Further information on the climate strategy and climate targets as well as the Company's Scope 3 emissions can be found in the Sustainability Report 2022.

Circularity

In light of the comprehensive environmental impact of the global textile and apparel industry, HUGO BOSS considers itself responsible for making a positive contribution to **protecting ecosystems and preservation of valuable resources**. We have therefore firmly anchored the topic of circularity in our sustainability strategy. In this context, the design of our BOSS and HUGO products, which is fundamentally geared towards durability, becomes even more important.

Due to its strategic importance to HUGO BOSS, the topic of circularity is managed by the central **Group Strategy and Corporate Development** division, which, among other things, defines and coordinates the future direction and objectives. Operational responsibility lies primarily with the **design, product, and sales managers**, who define and implement corresponding product-related measures. In addition, **topic-specific task forces** systematically drive the exchange of experience in the area of circularity. Within the framework of the Sustainability Committee, the CFO/COO is regularly informed on the progress in achieving the Company's circularity targets. There is also a direct reporting line from Group Strategy and Corporate Development to the CEO.

Targets

HUGO BOSS is increasingly working on establishing a consistent circular business model. We have set ourselves the target of enabling **80% of our products to become circular** by 2030.

Measures

Already in the phase of design and production, we set ourselves the goal of **further extending the lifetime of our products, increasingly closing material loops**, and promoting the **use of high-quality, recyclable materials**. The use of renewable and recycled raw materials is key in this regard. For example, we are targeting a steady increase in the proportion of recycled fibers in our products. Beyond this, the durability of our products is to be further improved not only by means of a timeless design, but also via the use of particularly resistant materials and corresponding processing steps. In addition, HUGO BOSS entered into a partnership with Swiss innovator **HeiQ AeoniQ** in early 2022. Together, we are working on the development and production of a cellulosic filament yarn, which is intended to be recyclable and thus a sustainable substitute for synthetic fibers. In this context, we launched a polo shirt developed on the basis of this technology for the first time in January 2023.

The know-how of our employees, especially in the areas of design, product development, and sourcing, is of particular importance in the development and production of circular products. For this reason, **trainings** represent an important measure to continuously expand knowledge about circular materials and designs and to ensure the application of circular design principles in main work steps. The current range of online presence trainings on circularity is to be replaced by virtual training courses starting in 2023 and, at the same time, expanded in terms of content. As a relevant guideline, HUGO BOSS also developed an internal **Circular Product Policy** at the beginning of 2022, the key components of which are also published on our corporate website. The guideline was developed on the basis of existing and expanded industry standards and includes important criteria to ensure circularity at the stage of design and development. As part of our Spring/Summer 2023 collections, we have developed and manufactured a range of products that fully meet the defined **circular design criteria** for the first time and labelled them accordingly for our customers.

In addition to developing and manufacturing circular products, HUGO BOSS is also putting a strong focus on establishing **circular business models**. In this context, already today we offer a **Repair & Rewear service** in selected own stores in order to extend the lifetime of products that have already been sold. In addition, we launched the **online resale platform "Pre-Loved"** in France in 2022, where customers are able to return and purchase used BOSS and HUGO products. In the coming years, we plan to roll out this platform also to other markets.

Performance indicators

While parts of our BOSS and HUGO collections were developed and manufactured directly on the basis of the Circular Product Policy for the first time in 2022, we are currently working on reviewing the entire product range for compliance with the criteria set out in the policy. In doing so, this should enable us to report on the current status and **progress made in increasing the proportion of circular products** in the future.

Employee matters

Employer attractiveness

Achieving our strategic and financial targets is largely dependent on our employees, their know-how, and their commitment. Increasing complexity and a fast-moving competitive environment lead to growing demand for skilled employees and executives. For this reason, it is crucial for HUGO BOSS to further strengthen its position in international competition for the most qualified employees. To increase our attractiveness as an employer, we therefore not only focus on a fair and value-based corporate culture, but also on the promotion of **diversity** within the organization, **opportunities for individual development**, and a variety of offers to make it easier to **combine professional and private life**.

The central **Human Resources (HR)** division is responsible for personnel strategy and Group-wide personnel management. Human Resources reports directly to the Chief Executive Officer (CEO) and remains in close contact with the executives of the central departments, as well as the HR departments and executives of the Group companies. The Managing Board is kept regularly informed about the progress of personnel work and is involved in all major decisions.

Targets

Further **enhancing our attractiveness as an employer** is a key target of HR work at HUGO BOSS. This is intended to further strengthen our position in international competition for highly qualified employees and to increase motivation, commitment, and loyalty among our approximately 17,000 employees.

Measures

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

Diversity is a fundamental part of our corporate culture. All employees are to be guaranteed a discrimination-free working environment with equal opportunities. In addition, HUGO BOSS places an important focus on promoting an inclusive environment of trust and belonging, as we regard the individuality of each employee and a culture of diversity as key success factors. The central **Global Diversity and Inclusion** department is to further raise awareness of diversity and inclusion throughout the Company and address important diversity issues. Centrally initiated measures are driven forward by an **internal task force**. On the basis of an employee survey conducted in 2021, HUGO BOSS identified the aspects of "integrative leadership," "diversity and inclusion training," and "gender empowerment" as key topics, among others, and established initial **employee training courses**. A **policy and voluntary commitment against discrimination and harassment** published on our corporate website in 2022 is intended to emphasize our Group-wide commitment to a discrimination- and harassment-free working environment.

HUGO BOSS offers its employees a wide range of individual development opportunities. Structured HR development programs for professionals and managers shall enable the promotion of employees according to their competencies, expand their knowledge, and strengthen their skills, for example with regard to a management career. In addition to the existing **Employee Development Program (EDP)** and **Leadership Development Program (LDP)**, which were conducted in an international context for the first time in 2022, the Company established the Group-wide **High Potential Program (HIPOSS)** last year, which is designed to prepare selected high potentials for cross-functional roles in the first management level below the Managing Board. Our employees also have access to a broad selection of face-to-face and guided online live trainings as well as e-learning courses on social, professional, and management skills via the Group-wide **"HUGO BOSS University"** platform. At our own production and logistics sites, face-to-face training sessions and workplace briefings form an integral part of the induction process for industrial staff.

HUGO BOSS has established the **"Performance & Development Dialog" (PDD)** to provide process and system support in creating individual development opportunities. An online tool collects data relating to performance assessment, potential evaluation, and development planning of our employees and is designed to ensure the greatest possible objectivity, also through the display of multi-dimensional feedback. The aim of the PDD is to increase transparency, particularly with regard to possible cross-divisional and international development paths within the Group, to get the best out of employees and retain talent in the Company for as long as possible. To this end, the tool was expanded in 2022 to include, among other things, system-supported succession planning.

To increase our attractiveness as an employer, we also support our employees in combining professional and private life. A **variety of flexible working models**, such as individual part-time arrangements, trust-based working hours, or working from home, are designed to further increase the motivation and commitment among our employees. Newly established models such as job sharing and co-leadership complete the offering. The majority of our employees already benefit from flexible working hours and possible part-time arrangements. For example, employees in our own production facility in Izmir (Turkey) are also able to reduce accrued overtime hours or take advantage of other part-time arrangements. **Working from home** is available to almost all administrative staff at HUGO BOSS. In addition, we offer administrative employees in Germany the **hybrid work concept "Threedom of Work,"** which provides for three days of attendance at the Company's headquarters in Metzingen, while employees are free to choose their place of work on the other two days. Similar models have also been established at selected international locations.

At HUGO BOSS, we are also committed to strengthening family friendliness as part of the Germany-wide cooperation **"Success Factor Family."** In addition, we already offer a variety of family-friendly options to our employees. For example, young families at the Metzingen site have access to places in the local day care center and **holiday care** programs. In addition, the Company's own **day care center** was opened in February 2023. We also promote work-life balance at our international locations. For example, employees in the U.S. and Canada have free access to an **Employee Assistance Program (EAP)**, which offers independent advice on matters such as childcare and caring for family members. In addition, our employees in both these countries have the choice of spending part of their gross personal income for external care and support services through **flexible spending accounts** (FSAs).

The attractiveness of HUGO BOSS as an employer was again recognized several times in 2022. In the **"Working in Fashion 2022"** study conducted by the German industry magazine TextilWirtschaft, HUGO BOSS further improved, taking a strong third place (2021: fifth place). The Company ranked particularly high in the categories of salary levels and opportunities for promotion and training, taking second and third place, respectively. In addition, HUGO BOSS was able to improve its ranking to one of the **Top 50 Diversity Leaders** in 2022 – based on an independent Europe-wide ranking by Statista and the Financial Times (2021: Top 100 Diversity Leaders). In the global study **"World's Best Employers 2022"** by Forbes and Statista, HUGO BOSS was ranked in the upper midfield of the 800 best employers worldwide.

Performance indicators

We determine the satisfaction and the needs of our employees as part of an employee survey conducted annually in cooperation with Great Place to Work Germany. The findings provide us with important impetus for the further development of our HR work and corporate culture. In addition, the results of the annual employee survey represent an important component of the long-term incentive program (LTI) as part of Managing Board compensation. With a Group-wide participation rate of 70%, **overall satisfaction** rose to 78% in 2022 (2021: participation rate of 62%; overall satisfaction of 76%). Going forward, we aim at maintaining a strong level of at least 75% overall satisfaction. At HUGO BOSS AG, overall satisfaction increased to 86% in 2022 (2021: 83%). Employees particularly appreciated the fair and open corporate culture and also stated that they were proud to work at HUGO BOSS.

Social matters

Brand power

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

At HUGO BOSS, brand power is systematically measured and evaluated by the **central Group Strategy and Corporate Development** division. The Managing Board is kept regularly informed of the progress made and results of the work.

Targets

Strengthening our brands is firmly anchored in our "CLAIM 5" strategy. We are pursuing the ambition of becoming **one of the top 100 global brands** and have set ourselves the goal of significantly increasing the power of BOSS and HUGO in the coming years.

Measures

As part of **"CLAIM 5,"** we are closely aligning all strategic initiatives with our customers and their needs. In line with the claim "Boost Brands," in 2022 we have comprehensively renewed the global **brand images** of BOSS and HUGO. In order to strengthen the relevance of our brands, especially among younger target groups, and to realize their full potential, we significantly expanded our **marketing activities** in 2022 in particular, putting an important focus on digital media. We drove global awareness with the release of star-studded campaigns for BOSS and HUGO, especially on social media. The perception of the brands was further enhanced by highly acclaimed brand events. In addition, under the claim "Product is King," we are pursuing the ambition of establishing BOSS and HUGO as **24/7 lifestyle brands**. The successful launch of our Spring/Summer and Fall/Winter 2022 collections, which reflected the branding refresh for the first time, together with high-profile collaborations and capsule collections, were key measures in this context. Enhancing the customer experience also plays an important role in strengthening our brands. Thus, as part of our claim "Rebalance Omnichannel," our digital and physical customer touchpoints are to be strengthened and turned into points of experience. In this context, we comprehensive, relaunched our **online flagship hugoboss.com** at the beginning of 2022 in order to further enhance the digital customer journey and bring the new branding of BOSS and HUGO to life also online. At the same time, we have already implemented our **new store concept** in around 60 stores in fiscal year 2022, which is designed to strongly improve the shopping experience, particularly in terms of emotionalization and digitalization. An important milestone in this context was the opening of our new **BOSS flagship store on London's Oxford Street** in June 2022. > Group Strategy

At HUGO BOSS, **brand power is measured** as part of a systematic assessment in which both short and medium-term trends in brand heat and brand health are captured and analyzed, along with the long-term development of brand value. In order to assess **brand heat** and **brand health**, we continuously record the scope and tonality of the interactions of BOSS and HUGO on social media and relevant search engines. In addition, we regularly conduct corresponding surveys among relevant target groups. The evaluation of **brand value** development is primarily based on a performance analysis of BOSS and HUGO compared to its competitors, taking into account not only the impact of the brand on the customer, but also factors such as the financial outlook. In realizing our ambition of becoming one of the top 100 global brands, we work closely with the global brand consulting agency Interbrand, focusing on the development of the Best Global Brands ranking.

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

Performance indicators

When evaluating the data obtained by means of the CEM, the **net promoter score (NPS)** forms the most important KPI. It measures the likelihood with which a customer will recommend BOSS and HUGO to others and thus provides important insights into brand health. In 2022, HUGO BOSS once again achieved an improvement of the NPS to a level of 62% (2021: 61%).

In addition, HUGO BOSS has already made important progress in its **positioning in the annual Interbrand ranking** in 2022, thus demonstrating the success of the various strategic initiatives executed to increase brand power, particularly in terms of brand value.

Data protection

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

The central **Data Protection Officer** is responsible for the monitoring and compliance of data protection. The Company has also assigned responsible staff in the international Group companies. A centrally operated **data protection unit**, together with data protection coordinators from key departments and in close cooperation with the Data Protection Officer, is responsible for ensuring that personal data is processed in a legally compliant way. The **work focuses** on the continuous assistance for departments in data protection issues, early identification of risks, remediation of weaknesses, and employee education. Any contraventions must be reported to the Data Protection Officer. The Managing Board is kept updated on the progress of the work on an ad hoc basis and, going forward, by means of annual data protection reports.

Targets

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

Measures

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

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

Performance indicators

In 2022, as in the prior year, the Company was **not aware of any violations** in the sense of data protection infringements established by authorities or courts.

Respect for human rights

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

Respect for human rights and compliance with applicable labor standards in the global supply chain are **integral components of our corporate culture**. A significant portion of our sourcing volume is made up by finished goods produced by independent suppliers in economically less developed regions. HUGO BOSS is aware of its **shared responsibility** for the workers along its supply chain. A commitment by the Managing Board to safeguard and respect human rights can be accessed on our corporate website. > group.hugoboss.com

Respect for human rights is the joint responsibility of the departments **Compliance & Human Rights, Sustainable Supply Chain Management**, and the central **Human Resources** division, and is managed in close exchange with the operational sourcing units. The results of the work are regularly reported to the Managing Board. In addition, the topic of human rights is integrated into our Company's **risk management** with clearly defined processes and responsibilities. Responsibility for occupational safety in our own production is organized on a decentralized basis. The responsible employees at the respective sites report regularly and on an ad hoc basis to the **management of the respective Group companies**, which maintains a close dialog with the Managing Board.

In the event of indications of violations of human rights or labor standards, our own employees as well as employees on the supplier side have recourse to a defined complaints mechanism through which they can reach out directly to the responsible contact person at HUGO BOSS, or an independent external **ombudsman**. In addition, the HUGO BOSS **whistleblowing portal** offers both our own employees and supplier's workers the opportunity to report misconduct and criminal offenses in the Company confidentially and anonymously. In the event of violations, the central Compliance Department is responsible for clarifying, imposing sanctions, and taking action. As part of the compliance reporting process, it reports regularly to the Managing Board and the Audit Committee of the Supervisory Board.

Targets

HUGO BOSS aims to comply with statutory and internal company requirements on both **human rights and labor standards**, both in its own production and that of its suppliers, while at the same time guarantee **occupational safety** for all employees at all times.

Measures

We attach great importance to the **careful selection of our partners**, cooperation based on a spirit of mutual trust, as well as to the establishment and maintenance of long-term strategic relationships. In this context, the creation of a common understanding and helping to develop competencies to manage social issues in the supply chain play an important role. We require our suppliers to adhere to our **Supplier Code of Conduct**, which is the framework for compliance and improvement of human rights and social standards in the supply chain and forms an integral part of contractual agreements. As part of the Code of Conduct, HUGO BOSS also demands compliance with human rights along the entire supply chain. Consequently, our suppliers are obliged to pass on the corresponding requirements to their upstream suppliers and partners and to monitor compliance in an appropriate manner. The Code is based on internationally acknowledged standards such as the Core Conventions of the International Labor Organization (ILO) and includes, among other things, rules on compliance with national laws, working time restrictions, humane and safe working conditions, the prohibition of child labor, forced labor, and discrimination, and the payment of appropriate wages. The Code was updated and supplemented in fiscal year 2022. In countries where the national statutory requirements fall short, the Code sets a minimum standard. It is available in 30 languages on our corporate website. The **HUGO BOSS Code of Conduct** applies accordingly to our own employees. In addition, the publicly accessible **HUGO BOSS Human Rights Policy** is mandatory for all our own employees as well as our partners. In fiscal year 2022, we also published a voluntary **Anti-Discrimination and Anti-Harassment Commitment** and an **Anti-discrimination and Harassment Policy**.

To ensure **monitoring and compliance with human rights and environmental due diligence obligations in the supply chain** and further compliance with the German 'Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains' (LkSG) HUGO BOSS initiated important measures in fiscal year 2022. For example, an in-depth **human rights risk analysis** was initiated, as part of which both our own divisions and all direct suppliers were assessed accordingly. For this purpose, the existing self-assessment questionnaire (SAQ) for checking the social standards specified by HUGO BOSS for suppliers was updated during the year and supplemented with content relating to the LkSG. The SAQ is used to identify and prioritize potential risks in the respective corporate divisions and on the supplier side. Based on this risk analysis, HUGO BOSS will derive preventive and remedial measures and implement them accordingly.

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

As a responsible employer, we also attach great importance to the occupational safety of our employees. This is especially reflected in the high standards of occupational safety at our own production sites. As part of **health and safety inspections and risk assessments**, potential risks are identified and assessed at an early stage so that solutions can be developed. In addition, **face-to-face training courses** and **workplace trainings** form an integral part of the onboarding process of industrial staff at our own production sites. The **Health & Safety Commitment**, published on our corporate website and updated in the reporting year, emphasizes the importance of this topic for our Company. > group.hugoboss.com

In the context of **audits**, HUGO BOSS regularly reviews compliance with the social standards set out in the Supplier Code of Conduct and the regulations on occupational safety. For this purpose, the Company also uses external auditors. If infringements of the social standards are identified, HUGO BOSS works jointly with the respective supplier to develop action plans, the implementation of which is reviewed in follow-up audits. If no sufficient improvement can be shown during the implementation of these corrective measures, as a last resort, and following repeated reviews, HUGO BOSS will ultimately terminate the supplier relationship. In order to prevent violations of social standards, we attach great importance to the further development of our suppliers' social compliance management systems. For example, we regularly conduct **social compliance trainings** at our finished goods suppliers and support them in implementing the social standards. Our own employees are also to be further sensitized of social compliance matters through regular **training sessions**. Both training measures are conducted predominantly online, while on-site training sessions are usually only held on an ad hoc basis.

Performance indicators

In 2022, own production was carried out at five production sites in five European countries. In addition, HUGO BOSS had an active business relationship with 233 external finished goods production facilities in 29 countries (2021: 169 production facilities in 26 countries). The increase compared to the previous year primarily reflects the overall pick-up in sourcing volume driven by the strong business development of HUGO BOSS in 2022. During the reporting period, **97 audits** were conducted in 87 existing finished goods production facilities, including the Company's own production facilities (2021: 68 audits at 55 production facilities). Non-compliances identified in 2022 mainly related to the area of working hours. > Sourcing and Production

By 2025, HUGO BOSS has set itself the goal of sourcing all of its goods – measured by sourcing volume – from finished goods suppliers (including its own production sites) with one of the **top two performance levels ("good" or "satisfying")** in the most recent audit. In 2022, the corresponding share was 97% and thus remained at a very high level (2021: 99%). Based on this, by 2025 the Company has set itself the goal of sourcing 80% of its goods – measured by sourcing volume – exclusively from finished goods suppliers (including its own production sites) that have achieved the **highest level of "good"** in the most recent social compliance check (verified by audit, SAQ or certificate of an external social compliance standard). In 2022, the corresponding share was 52%, based on a total of 224 social compliance checks at 213 suppliers (including own production sites). Due to the aforementioned update of the SAQ during 2022, this figure is not fully comparable with the previous year's figure (2021: 68%).

Anti-corruption and bribery matters

Avoidance of corruption and anti-competitive behavior

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

The central **Compliance Department** at HUGO BOSS reports to the Chief Compliance Officer, who reports directly to the Chief Financial Officer (CFO)/Chief Operations Officer (COO). The department is primarily responsible for supporting the monitoring of effective compliance management. Together with the compliance officers in the Group companies, the department ensures the implementation and continuous further development of the compliance program. The Audit Committee of the Supervisory Board is kept regularly informed about the activities of the Compliance department.

Targets

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

Measures

Our employees are required to comply with the Group-wide **Code of Conduct** and supplementary specific **compliance rules**, such as an antitrust law and a capital market guideline. Both the publicly accessible Code of Conduct and the internal guidelines are regularly reviewed and their content updated, particularly with regard to changes in legal requirements. In 2022, the Code of Conduct was further developed, among others, in the area of social standards and human rights, and supplemented by the inclusion of the corporate values derived from our "CLAIM 5" strategy. We are currently revising our internal sourcing policy with the aim of completion in the first half of 2023. In addition, Group companies are subject to regular **risk analyses** and detailed **audits** where applicable. Any infringements are reported to the Managing Board and the Supervisory Board.

A Group-wide **e-learning program** to be regularly completed by all employees with computer access is designed to raise awareness of compliance rules. Against the backdrop of increasing regulatory requirements, the program is to be further developed in 2023. Employees in positions where compliance is of particular relevance are trained by means of both **online and physical trainings** on specific topics that are of relevance to them, such as antitrust law. HUGO BOSS does not tolerate any deliberate misconduct or serious compliance infringements.

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

Performance indicators

In 2020, the Danish Competition Authority identified an antitrust violation concerning an alleged disclosure of information with regard to prices and quantities of HUGO BOSS to local trading partners. However, HUGO BOSS took a contrary view on this and accordingly filed a complaint with the relevant appeals board, which was rejected by three votes to two in court in mid-2021. In order to continue to safeguard all its rights, and in light of the close decision of the appeals board, HUGO BOSS is currently asserting its rights at the Danish Maritime and Commercial High Court. The written preliminary proceedings have started in 2022. A final decision in this case is not expected before the end of 2023. No fine has been imposed so far. Beyond this, in 2022, **no further violations** in the sense of legal violations due to corruption, bribery, or antitrust cases established by authorities or courts were identified in the Company.

EU taxonomy

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

Reporting on "environmentally sustainable" economic activities

The EU taxonomy requires companies to **report** on their taxonomy-aligned, i.e., environmentally sustainable, economic activities according to EU criteria, as part of the non-financial statement. While the reporting requirements for fiscal year 2022, as in the previous year, are limited to the two climate-related objectives (1) and (2), the corresponding shares of taxonomy-aligned economic activities in relation to **sales, capital expenditure (CapEx), and operating expenses (OpEx)** have to be disclosed for the first time, in addition to the shares of taxonomy-eligible economic activities.

Taxonomy-eligible economic activities are those that comply with the respective activity description according to the EU taxonomy, irrespective of the fulfillment of the technical screening criteria. Economic activities are **taxonomy-aligned** if they meet the taxonomy criteria of the associated activities by means of making a significant contribution to the respective environmental objective (compliance with the technical screening criteria), do no significant harm ("DNSH") to the other environmental objectives, and comply with the minimum safeguards outlined by the EU taxonomy. The following disclosures are based on the **current interpretation** of the EU taxonomy, which was considered dynamic at the time this non-financial statement was prepared.

The delegated acts published to date in connection with the EU taxonomy on the two climate-related objectives "Climate change mitigation" and "Climate change adaptation" only cover a limited number of sectors and economic activities. For the climate-related objectives (1) and (2), the taxonomy regulation currently focuses primarily on the sectors responsible for the largest emissions of CO_2 within Europe. For **companies in the global apparel market** and their primary economic activities, on the other hand, there are not yet any binding taxonomy criteria for the two climate-related objectives. Therefore, the economic activities of HUGO BOSS and thus the sales of these activities as well as CapEx and OpEx in connection with these activities are not yet covered by the taxonomy to a large extent and are therefore mainly to be classified as taxonomy-non-eligible for fiscal year 2022, as was already the case in the prior year.

However, among the **economic activities** listed in the delegated acts already in force for the two climate-related objectives, there are those that, although not revenue-generating, are generally relevant for HUGO BOSS as they concern the Company's basic infrastructure such as real estate or facilities for the Company's own energy generation. The activities relevant to HUGO BOSS were identified as part of a cross-divisional project to implement the requirements of the EU taxonomy. This was based on the overview of activities listed in the annexes to the delegated acts on the two climate-related objectives.

Taxonomy-eligible and taxonomy-aligned turnover

For the primary economic activities of HUGO BOSS there are no binding taxonomy criteria for the two climate-related objectives. The Company therefore reports the **shares of taxonomy-eligible and taxonomy-aligned sales** in fiscal year 2022 as 0%, as in the previous year.

Taxonomy-eligible and taxonomy-aligned capital expenditure (CapEx)

In **determining the taxonomy-eligible and-aligned CapEx**, data from Group Controlling and Group Accounting as well as inquiries at relevant Group companies were used to allocate the investment projects to the corresponding activities in the first step. The following taxonomy-eligible activities related to the environmental objective (1) "Climate change mitigation," whose respective CapEx amounts exceed the threshold of EUR 419 thousand (0.1% of the "denominator" presented below) defined by HUGO BOSS, are financially material for the Company in fiscal year 2022:

- **7.1: "New construction of buildings"** (Annex I of the delegated acts on climate-related objectives): Construction of the new Company day care center at the Company's headquarters in Metzingen (Germany)
- **7.7: "Acquisition and ownership of buildings"**: Renovation and expansion of a building (including electrical and air-conditioning installation) for commissioning as an additional production hall at the production site in Izmir (Turkey).

Taxonomy-eligible activities related to the environmental objective (2) "Climate change adaptation" were not identified. Subsequently, the **taxonomy alignment** was assessed for the economic activities identified. The technical screening criteria specified by the EU taxonomy were used to analyze the extent to which the respective investment projects make a **significant contribution to climate change mitigation**.

When renovating as well as planning and constructing new Company buildings, HUGO BOSS generally pays close attention to reducing energy-related emissions by means of energy supply systems and energy-efficient technologies. HUGO BOSS strives to have all new Company buildings awarded sustainability certificates. For the sustainable construction of its **Company day care center in Metzingen (Germany)**, for example, the Company strives for a platinum certificate from the DGNB (German Sustainable Building Council). Among other things, sustainable materials were used in the construction while also LED lighting and a photovoltaic system were implemented. However, the installation of mechanical ventilation and cooling, which was done against the backdrop of the COVID-19 pandemic, resulted in the Company day care center not meeting the technical screening criterion set by the EU taxonomy in terms of primary energy demand requirements. Consequently, the CapEx attributable to this project has to be classified as not taxonomy aligned. Similarly, the renovation and expansion work at the **additional production hall in Izmir (Turkey) in 2022**, the construction of which took place before December 31, 2020, is to be classified as not taxonomy aligned, as it was not possible to provide the evidence required by the EU taxonomy for the corresponding technical screening criterion, in particular due to the lack of national or regional reference values for the primary energy demand. Nevertheless, the Izmir production site has already been certified in accordance with the international standards ISO 14001 (environmental management) and ISO 50001 (energy management) since 2014. For example, HUGO BOSS obtains all of its energy there from renewable sources, including a photovoltaic system that went into operation in 2022.

HUGO BOSS has carried out an **analysis of physical climate risks** for its most important Company locations, which meets both the requirements of the EU taxonomy and the requirements of the Task Force on Climate Related Financial Disclosures (TCFD). The two construction projects to be considered as part of the alignment assessment were also included. The system-based analysis is based on the reference scenarios of the Intergovernmental Panel on Climate Change (IPCC). No significant short- to medium-term physical climate risks were identified for the two buildings mentioned above, so there is no significant harm ("DNSH") to the environmental objective of "climate change adaptation." Therefore, from the Company's point of view, adaptation measures are not necessary at present.

A **review of the other DNSH criteria** required for activities 7.1 and 7.7 was waived based on a cost-benefit consideration as full taxonomy compliance could not be achieved for the two construction projects anyway due to lack of compliance with the technical screening criteria.

Compliance with the social minimum standards, which comprise the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the ILO Core Labor Standards and the International Bill of Human Rights, was reviewed at Group level. HUGO BOSS complies with all of the standards defined therein. > Combined Non-Financial Statement, Respect for Human Rights

In total, the **taxonomy-eligible CapEx** for 2022 in relation to the total CapEx incurred in the past fiscal year of EUR 419 million ("denominator") amounts to 2% (2021: 1% with a denominator of EUR 257 million). The share of **taxonomy-aligned CapEx**, again in relation to the denominator, amounts to 0% (2021: no reporting requirement). In accordance with the taxonomy regulation, the CapEx to be used in determining the denominator mainly comprises additions to property, plant and equipment and intangible assets before depreciation, amortization, and revaluations, as well as right-of-use asset additions from long-term leases. The amount shown can be reconciled to the disclosures made in the Combined Management Report under Financial Position and in the Consolidated Financial Statements under Note 9.

Taxonomy-eligible and taxonomy-aligned operating expenses (OpEx)

The **OpEx** to be used in calculating the denominator according to the definition of the EU taxonomy essentially comprise direct costs relating to research and development, building renovation measures, short-term leasing, maintenance, and repair. The majority of the OpEx of HUGO BOSS, such as sales and marketing expenses, general administrative expenses, or logistics expenses, are therefore not included in this definition. For fiscal year 2022, the denominator amounts to EUR 116 million (2021: EUR 87 million). The calculation was also based on data from Group Controlling and Group Accounting. In relation to its total OpEx in fiscal year 2022 of EUR 1,921 million (reconcilable to the operating expenses presented in the consolidated income statement; 2021: EUR 1,493 million), HUGO BOSS classifies these OpEx as **immaterial**. Consequently, in accordance with the specifications in Annex I of the delegated acts on Article 8 of the EU taxonomy, a determination of the taxonomy-eligible and taxonomy-aligned OpEx is waived also for fiscal year 2022 and the share is consequently reported at 0% in each case.

For additional information on the taxonomy-eligible and taxonomy-aligned proportions of sales, CapEx, and OpEx, please refer to the section "Additional Disclosures on the EU Taxonomy." > Additional Information, Additional Disclosures on the EU Taxonomy

Outlook for fiscal year 2023

In the event that technical screening criteria are available also for the remaining four environmental objectives for fiscal year 2023 and are to be applied accordingly, HUGO BOSS expects to report, in the coming year in particular, on the **environmental objective (4) "Transition to a circular economy,"** which is particularly relevant for the luxury and premium apparel industry.

GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

2022 characterized by high level of macroeconomic and geopolitical uncertainty

All major economies experienced significant disruptions

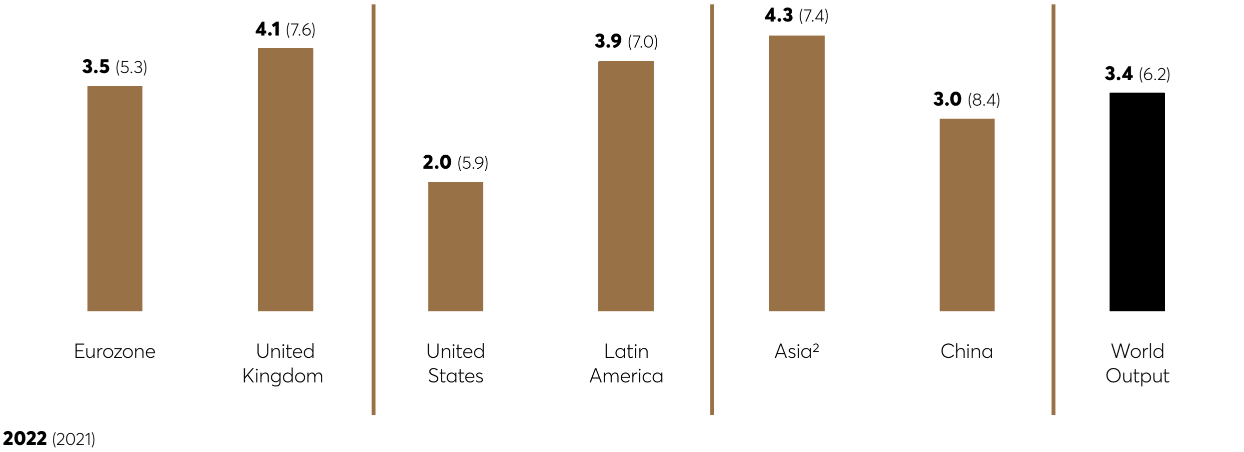
Industry growth slowed significantly over the course of the year

General economic situation

Fiscal year 2022 was overall characterized by a high level of **macroeconomic and geopolitical uncertainty**. While the global recovery from the COVID-19 pandemic continued in most geographies, persisting bottlenecks in global supply chains, surging commodity prices on the back of the **war in Ukraine**, as well as an **economic slowdown in China** amid long-lasting pandemic-related restrictions weighed on the global economy. In addition, energy prices increased significantly during the course of 2022, thus leading to **rising global inflation**. The latter was initially triggered by a strong recovery in consumer spending post the global lockdowns. On top of that, the strong **appreciation of the U.S. dollar** against most other currencies added to inflation outside of the U.S. and put pressure on international financial markets, especially for some emerging countries. With both the U.S. and Europe experiencing broad-based price increases in 2022, international policy makers were forced to start reducing money supply and **increased interest rates** to temper inflation.

Overall, after the strong rebound of economic growth in 2021, the 'post-COVID' economic recovery came to a sudden end during fiscal year 2022, as virtually all major economies had to experience **significant disruptions**. Consequently, in its latest report published in January 2023, the International Monetary Fund (IMF) expects **global economic growth** to have slowed to a level of 3.4% in 2022 (2021: 6.2%), with strong differences across regions and sectors.

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



1 Estimates IMF.
2 Without Japan.

According to IMF estimates, economic growth in the **eurozone** has slowed to 3.5% in 2022 (2021: 5.3%). The Russian invasion of Ukraine had severe economic repercussions, with higher energy prices, weaker consumer confidence, and slower momentum in manufacturing resulting from persistent supply chain disruptions and rising input costs. The impact was particularly severe in the two major economies of Germany and France, which recorded only modest growth of 1.9% and 2.6%, respectively (2021: 2.6% and 6.8%). Economic growth in the **United Kingdom** also slowed noticeably, totaling 4.1% in 2022 (2021: 7.6%), with high inflation reducing purchasing power and tighter monetary policy taking a toll on consumer spending and business investment.

According to the IMF, the **U.S.** economy grew by 2.0% in 2022 (2021: 5.9%). Declining real disposable income continued to depress overall consumer demand, while the sharp rise in interest rates took a noticeable toll on spending. Also in **Latin America**, the pace of economic growth slowed to 3.9% in 2022 (2021: 7.0%), as growth of important partner economies weakened and overall financial conditions tightened.

In **China**, COVID-19 outbreaks and corresponding lockdowns in multiple localities as part of the prevailing zero-COVID policy, as well as the worsening property market crisis, have held back economic activity throughout 2022. Consequently, according to IMF estimates, China's growth totaled 3.0% for the full year (2021: 8.4%), the lowest annual growth in more than four decades. This is also slightly lower than in the **Asia region (excluding Japan)** as a whole, for which the IMF assumes growth of 4.3% (2021: 7.4%). With growth of 1.4% in 2022, the economy in **Japan** suffered from higher energy import prices as well as lower consumption as price inflation outpaced wage growth (2021: 2.1%).

Industry development

In the first half of fiscal year 2022, the **global apparel industry** continued its recovery from the COVID-19 pandemic, which had already been visible throughout most of 2021, with development varying strongly across regions. While most industry players benefitted from robust **consumer demand**, in particular in the first half of 2022, conditions became more challenging in the second half. As the year progressed, ongoing shortages in materials and logistics, the impact of geopolitical tensions, and a further increase in production and freight costs resulted in a sharp **increase in input costs**. The latter led companies to increase prices for consumers at a time when consumer confidence in key markets has started to decline in the wake of rising global inflation.

According to a joint study by The Business of Fashion and management consultancy McKinsey & Company published in November 2022, the **global apparel industry** (excluding the luxury segment) recorded year-on-year revenue growth of 11% in the first half of 2022. In the second half, however, the industry is expected to have contracted between –7% and –5%, first and foremost reflecting the increase in macroeconomic headwinds and the related deterioration in global consumer sentiment both overshadowing company-specific dynamics.

In **Europe**, the apparel industry continued its strong recovery in the first half of the year, which had already begun in mid-2021. Growth was spurred by an overall robust local consumption and a strong rebound in domestic travel, while a return of international tourist flows – also fueled by the noticeable depreciation of the euro – provided further tailwind. Consequently, The Business of Fashion and McKinsey & Company estimate that industry sales (excluding the luxury segment) grew a strong 31% to 33% in the first half of 2022 (H1 2021: 11%), also reflecting long-lasting pandemic-related temporary store closures across key European markets in the prior-year period. In the second half of 2022, however, industry sales are expected to have contracted between –9% and –7% (H2 2021: +8%) as the severe economic repercussions of the war in Ukraine, especially the sharp rise in energy prices that fueled broad-based inflation, led to a decline in overall consumer confidence.

Also in the important **U.S. market**, industry growth slowed significantly over the course of 2022. With the apparel industry (excluding the luxury segment) having posted solid growth of between 7% and 9% in the first half of the year (H1 2021: 21%), growth rates fell to a level of only 1% to 3% in the second half of 2022 (H2 2021: 15%). While the U.S. was more insulated from the implications of the war in Ukraine and COVID-19 than Europe and China, respectively, high inflation and rising interest rates sparked worries about a potential recession, thus weighing on consumer sentiment. On top of that, the strong appreciation of the U.S. dollar against other major currencies led to a regional shift in consumption, mainly towards Europe.

In **China**, the global apparel industry had a rather difficult year, reflecting persistent COVID-19 outbreaks and corresponding health precautions, including long-lasting temporary store closures. In addition, also the ongoing real estate crisis took its toll on consumer spending. Consequently, according to The Business of Fashion and McKinsey & Company, the apparel industry (excluding the luxury segment) recorded revenue declines in a range of –7% to –5% in the first half of 2022 (H1 2021: +36%), before returning to modest growth of between 1% and 3% in the second half (H2 2021: 0%).

COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

2022 marks first important milestone in successfully executing "CLAIM 5"

Strong business performance driven by surge in brand momentum

Sales and EBIT exceed full-year 2022 guidance

For HUGO BOSS, fiscal year 2022 marked a first important milestone in the successful execution of the Company's "CLAIM 5" growth strategy. In particular, the **new and powerful brand image of BOSS and HUGO** drove brand momentum throughout the year, resulting in strong sell-through rates and enabling both brands to successfully expand market share globally. Against this backdrop, HUGO BOSS recorded **record sales** as well as **strong bottom-line improvements**, thus **exceeding its full-year 2022 sales and earnings targets**, which had been revised upwards twice during the course of the year. This stellar business performance is all the more remarkable considering the high level of macroeconomic and geopolitical uncertainty in fiscal year 2022, including global supply chain disruptions, the economic implications of the war in Ukraine, and long-lasting pandemic-related restrictions in China.

The **successful execution of several key brand, product, and sales initiatives** as part of our "CLAIM 5" strategy significantly spurred our operational and financial performance in 2022. In line with our strategic claim **"Boost Brands,"** in January 2022 we comprehensively renewed the brand images of BOSS and HUGO as part of our global branding refresh. In particular, record-breaking global marketing campaigns, numerous exciting brand events, as well as inspiring collaborations significantly drove brand relevance for BOSS and HUGO, first and foremost among younger consumers. The branding refresh also became visible within our brands' collections as part of our strategic claim **"Product is King."** In this context, the completely new "look and feel" of our products resulted in strong wholesale order intakes as well as robust sell-through rates in own retail. We achieved important progress in further strengthening the 24/7 lifestyle image of BOSS with the reintroduction of the BOSS Black, BOSS Orange, and BOSS Green brand lines as well as the introduction of BOSS Camel. At the same time, HUGO made important progress towards becoming the first point of contact for younger consumers by strengthening its broad range of trendy and contemporary products. We also achieved important successes with regard to our two strategic claims **"Lead in Digital"** and **"Rebalance Omnichannel."** To these ends, the HUGO BOSS Digital Campus successfully implemented the global relaunch of our digital flagship hugoboss.com in early 2022. At the same time, we pushed ahead with the further optimization and modernization of our global store network. New, innovative store concepts for BOSS and HUGO, which aim to be significantly more inviting, digital, and productive, can already be experienced by customers in more than 60 freestanding stores globally. In this regard, the opening of our new **BOSS flagship store on Oxford Street** in London in mid-2022 represented an important milestone, with the store's new retail approach setting the stage for a leading omnichannel journey. In line with our claim **"Organize for Growth,"** we made further important progress in 2022 towards driving digitalization and increasing efficiency and flexibility along the value chain. In this context, we also opened an additional high-tech factory in Izmir (Turkey) dedicated to the production of casualwear. Our aim is to be able to react even faster and more flexibly in the future, meeting consumer demand in the best possible way. > Group Strategy, > Sourcing and Production

In the wake of the successful execution of several strategic initiatives, HUGO BOSS recorded strong business performance throughout the entire year. Following the robust financial performance of HUGO BOSS in the first half year of 2022, together with the publication of record second quarter results in July 2022, we **increased our initial full-year 2022 sales and earnings forecast**, as published in March 2022. The continued strong top- and bottom-line momentum in the third quarter prompted HUGO BOSS to **raise its full-year sales and earnings forecast** again in November. Having maintained its strong momentum also in the important final quarter, HUGO BOSS finally even exceeded its twice-revised sales and earnings targets for fiscal year 2022.

COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

	Results 2021	Initial forecast 2022	First increase of forecast 2022[1]	Second increase of forecast 2022[2]	Results 2022
Group sales	EUR 2.8 billion	Increase within a range of +10% to +15% (to EUR 3.1 billion to EUR 3.2 billion)	Increase within a range of 20% to 25% (to EUR 3.3 billion to EUR 3.5 billion)	Increase within a range of 25% to 30% (to EUR 3.5 billion to EUR 3.6 billion)	Increase by 31% to EUR 3.7 billion
Operating result (EBIT)	EUR 228 million	Increase within a range of +10% to +25% (to EUR 250 million to EUR 285 million)	Increase within a range of 25% to 35% (to EUR 285 million to EUR 310 million)	Increase within a range of 35% to 45% (to EUR 310 million to EUR 330 million)	Increase by 47% to EUR 335 million
Group's net income	EUR 144 million	Increase to a level of between EUR 150 million and EUR 180 million	Increase to a level of between EUR 170 million and EUR 200 million	Increase to a level of between EUR 190 million and EUR 210 million	Increase by 54% to EUR 222 million
TNWC as a percentage of sales	17.2%	Increase to a level of between 18% and 19%	Decrease to a level of between 15% and 16%	Decrease to a level of between 15% and 16%	Decrease by 220 bp to 15.0%
Capital expenditure	EUR 104 million	Increase to a level of between EUR 200 million and EUR 230 million	Increase to a level of between EUR 180 million and EUR 210 million	Increase to a level of between EUR 160 million and EUR 190 million	Increase by 84% to EUR 191 million

1 Increase in sales and EBIT forecast in July 2022; Increase in net income forecast, specification of the forecast for TNWC as a percentage of sales and capital expenditure with the publication of the half year results in August 2022.
2 Increase in sales, EBIT, and net income forecast as well as adjustment of the forecast of capital expenditure with the publication of the third quarter results in November 2022.

Group sales in full year 2022 increased by 27% on a currency-adjusted basis. In Group currency, sales grew by 31% to a record level of EUR 3,651 million, thus exceeding the EUR 3 billion threshold for the first time in the history of HUGO BOSS (2021: EUR 2,786 million). Growth was broad-based with both our brands, BOSS and HUGO, as well as all distribution channels recording significant double-digit growth. From a regional perspective, momentum was particularly strong in EMEA and the Americas, while Asia/Pacific was impacted by ongoing COVID-related implications in China. Overall, currency-adjusted Group revenues significantly exceeded pre-pandemic levels by 26% (2019: EUR 2,884 million). > Earnings Development, Sales Performance

Despite ongoing brand, product, and digital investments as part of "CLAIM 5," in fiscal year 2022 we also recorded significant bottom-line improvements, driven by the strong top-line development. Consequently, the Group's **operating profit (EBIT)** increased by 47% to an amount of EUR 335 million in fiscal year 2022 (2021: EUR 228 million), resulting in an increase in EBIT margin to a level of 9.2% (2021: 8.2%). Accordingly, the **Group's net income** totaled EUR 222 million in fiscal year 2022 (2021: EUR 144 million). > Earnings Development, Income Statement

Trade net working capital (TNWC) as a percentage of sales strongly improved to 15.0% (2021: 17.2%), thus at the lower end of the adjusted guidance range of between 15% and 16%. This development mainly reflects the significant top-line growth in fiscal year 2022 as well as the increase in trade payables, which more than compensated for higher inventories, aimed at supporting our strong top-line momentum. > Net Assets

In 2022, **capital expenditure** increased by 84% to EUR 191 million and was thus slightly above the guidance range of EUR 160 million to EUR 190 million (2021: EUR 104 million). Investment activity was once again focused on the further optimization and modernization of our global store network, as well as on expanding our digital capabilities along the entire value chain. > Financial Position, Capital Expenditure

In fiscal year 2022, **free cash flow** amounted to EUR 166 million (2021: EUR 560 million), as improvements in EBIT were more than offset by the increase in inventories as well as the step-up in capital expenditure. > Financial Position, Consolidated Statement of Cash Flows

EARNINGS DEVELOPMENT

Successful execution of "CLAIM 5" spurs significant top- and bottom-line growth

Currency-adjusted Group sales increase 27% to new record level of EUR 3.7 billion

Operating result (EBIT) grows 47% to EUR 335 million

For HUGO BOSS, fiscal year 2022 marked a first important milestone along **the Company's "CLAIM 5" growth strategy** and in achieving its 2025 financial ambition. In particular, the successful execution of several key brand, product, and sales initiatives as part of the comprehensive **branding refresh** significantly drove brand momentum of BOSS and HUGO throughout the year – from new product, to record-breaking marketing campaigns, up to the relaunch of our digital flagship hugoboss.com and new store concepts in brick-and-mortar retail. In light of broad-based and accelerating top-line growth, we posted **record sales as well as strong bottom-line improvements** in fiscal year 2022, thereby also expanding market share for BOSS and HUGO globally. This stellar business performance is all the more remarkable considering the high level of macroeconomic and geopolitical uncertainty in fiscal year 2022, such as global supply chain disruptions, the economic implications of the war in Ukraine, and long-lasting pandemic-related restrictions in China.

Sales performance

In the wake of the successful execution of "CLAIM 5," **Group sales** increased 27% currency-adjusted in 2022. In Group currency, sales grew by 31% to a record level of EUR 3,651 million, thus exceeding the EUR 3 billion threshold for the first time in the history of HUGO BOSS (2021: EUR 2,786 million). Growth was broad-based with both our brands, BOSS and HUGO, as well as all distribution channels recording significant double-digit growth. From a regional perspective, momentum was particularly strong in EMEA and the Americas, while Asia/Pacific was impacted by ongoing COVID-related implications in China. Overall, currency-adjusted Group revenues strongly exceeded pre-pandemic levels by 26% (2019: EUR 2,884 million).

Sales by brand

SALES BY BRAND (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
BOSS Menswear	2,868	79	2,181	78	31	27
BOSS Womenswear	239	7	192	7	24	21
HUGO	545	15	413	15	32	27
Total	**3,651**	**100**	**2,786**	**100**	**31**	**27**

Across brands, both **BOSS Menswear** and **BOSS Womenswear** as well as **HUGO** recorded significant double-digit sales improvements in fiscal year 2022. The strong performance was driven by the comprehensive branding refresh as part of "CLAIM 5." In addition to the new "look and feel" of our BOSS and HUGO collections, various initiatives, including record-breaking marketing campaigns, exciting brand events, and inspiring collaborations, significantly spurred brand power particularly among younger consumers such as Millennials and Gen Z. These initiatives resulted in strong sell-through rates, enabling both brands to successfully expand market share globally. Consequently, currency-adjusted sales for BOSS Menswear and BOSS Womenswear grew 27% and 21%, respectively, while also HUGO posted strong growth of 27% in fiscal year 2022. > **Group Strategy**

Sales by region

SALES BY REGION (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
EMEA	2,303	63	1,742	63	32	32
Americas	789	22	543	20	45	29
Asia/Pacific	467	13	423	15	10	6
Licenses	92	3	77	3	19	19
Total	**3,651**	**100**	**2,786**	**100**	**31**	**27**

All regions contributed to the strong top-line performance in fiscal year 2022. Momentum was particularly strong in EMEA – which includes Europe, the Middle East, and Africa – and in the Americas, fueled in particular by robust consumer sentiment and the successful execution of "CLAIM 5." **EMEA** posted double-digit improvements with currency-adjusted sales up 32% year over year. Growth was spurred by double-digit revenue increases across key markets including the UK, France, and Germany, as well as a particularly strong performance in growth markets such as the Middle East. In the **Americas**, currency-adjusted revenues were up 29% with all markets contributing. In the important U.S. market, where HUGO BOSS successfully fostered its 24/7 brand image, revenues also grew at a strong double-digit rate. Sales in **Asia/Pacific** increased by 6% currency-adjusted, as strong double-digit improvements in South East Asia & Pacific were partly offset by sales declines in mainland China. The latter largely reflects the implications related to the COVID-19 pandemic, caused by the prevailing zero-COVID policy, including temporary store closures during much of fiscal year 2022. > **Earnings Development, Sales and Earnings Development of the Business Segments**

Sales by distribution channel

SALES BY DISTRIBUTION CHANNEL (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	2,016	55	1,512	54	33	29
Brick-and-mortar wholesale	895	25	647	23	38	33
Digital	648	18	549	20	18	15
Licenses	92	3	77	3	19	19
Total	**3,651**	**100**	**2,786**	**100**	**31**	**27**

Also from a channel perspective, growth in fiscal year 2022 was broad-based with double-digit revenue improvements across all consumer touchpoints. Currency-adjusted sales in the Group's **brick-and-mortar retail business** (including freestanding stores, shop-in-shops, and outlets) came in 29% above the prior-year level. This development was supported by robust store productivity improvements, mainly reflecting the successful execution of strategic initiatives to further optimize our global store network including the rollout of new store concepts for BOSS and HUGO.

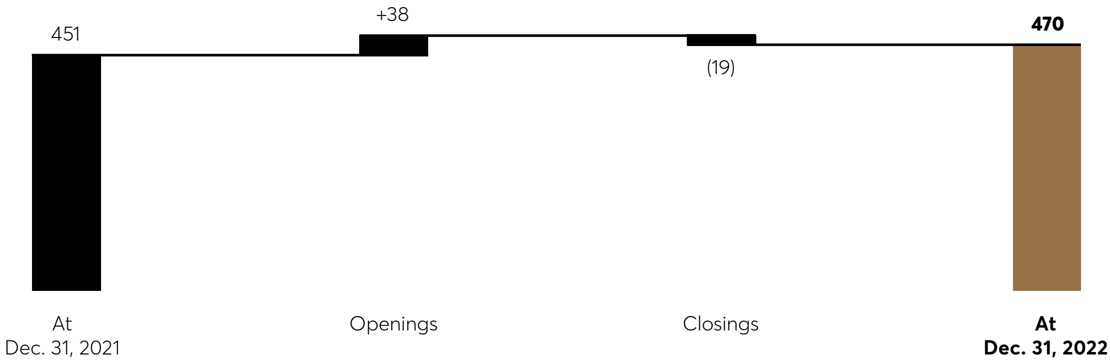
In **brick-and-mortar wholesale**, currency-adjusted sales grew 33% in 2022. This performance was fueled by wholesales partners' strong demand for both brands' collections fully reflecting the branding refresh. In doing so, BOSS and HUGO were able to strongly improve visibility and penetration at key wholesale partners.

The Group's **digital business** (including the Company's digital flagship hugoboss.com as well as digital revenues generated with partners) also recorded double-digit growth. Despite being up against a particularly strong comparison base from the prior-year period, currency-adjusted sales increased by 15% reflecting both a double-digit revenue increase at hugoboss.com as well as strong improvements in digital revenues generated with partners. Performance of hugoboss.com was supported by its successful relaunch as part of the branding refresh implemented in January 2022. Overall, total digital sales thus added up to 18% of Group sales in fiscal 2022.

Sales in the **license business** increased by 19% currency-adjusted, reflecting robust improvements across key product groups, including fragrances, eyewear, and watches.

Network of own retail stores

NUMBER OF OWN FREESTANDING RETAIL STORES

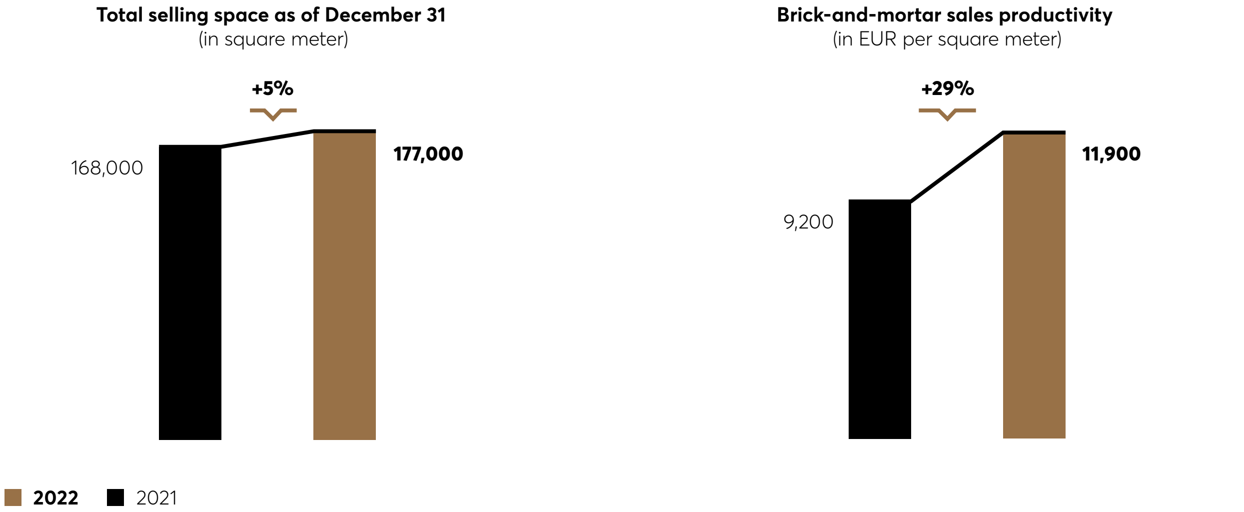


In fiscal year 2022, the number of the Group's own **freestanding retail stores** increased to 470 (2021: 451). A total of 33 new BOSS stores, mainly in China, the UK, as well as the United Arab Emirates, as well as five HUGO stores were opened during the year. On the other hand, 19 stores with expiring leases were closed globally, also reflecting some relocations within the same metropolitan area.

NUMBER OF OWN RETAIL POINTS OF SALES

2022	EMEA	Americas	Asia/Pacific	**Total**
Number of own retail points of sale	581	383	352	**1,316**
Thereof freestanding retail stores	212	106	152	**470**
2021				
Number of own retail points of sale	579	310	339	**1,228**
Thereof freestanding retail stores	206	98	147	**451**

Including **shop-in-shops** and **outlets**, the total number of own retail points of sale operated by HUGO BOSS worldwide increased to 1,316 as of December 31, 2022 (2021: 1,228). Besides the additional freestanding retail stores, this mainly reflects the expansion of the Company's shop-in-shop network to strengthen the brands' presence with key retail partners, particularly in the U.S. market.



The **total selling space** of the Group's own retail business increased by 5%, totaling around 177,000 sqm at the end of the year (December 31, 2021: around 168,000 sqm). Consequently, **brick-and-mortar sales productivity** increased by a strong 29% to a level of around EUR 11,900 per square meter (2021: around EUR 9,200 per square meter). This performance first and foremost reflects the strong top-line performance in fiscal year 2022 as well as the successful execution of strategic initiatives to further optimize the global store network, including right-sizings and relocations.

Income statement

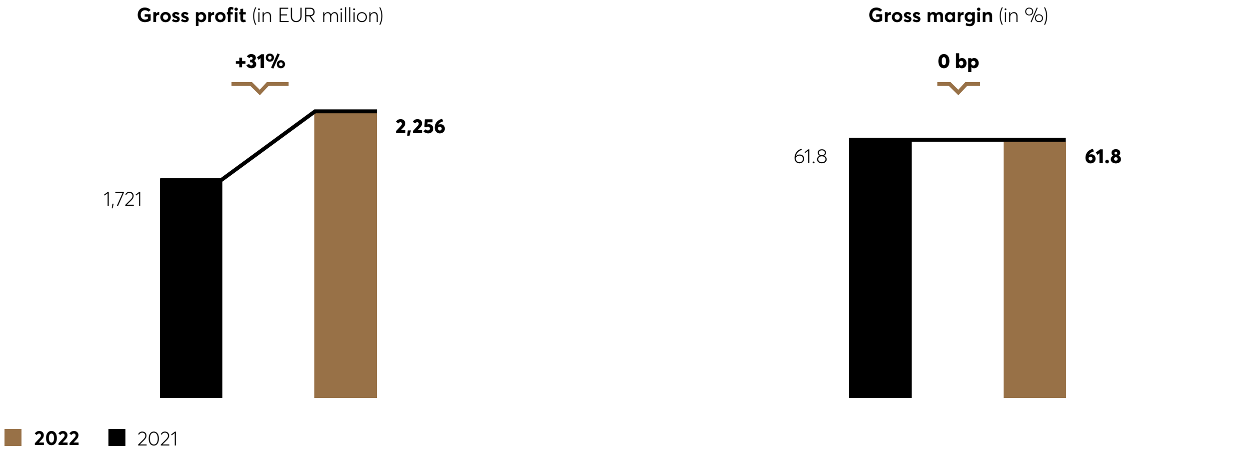
INCOME STATEMENT (IN EUR MILLION)

	Jan.–Dec. 2022	Jan.–Dec. 2021	Change in %
Sales	**3,651**	**2,786**	**31**
Cost of sales	(1,395)	(1,065)	(31)
Gross profit	**2,256**	**1,721**	**31**
In % of sales	61.8	61.8	0 bp
Operating expenses	**(1,921)**	**(1,493)**	**(29)**
In % of sales	(52.6)	(53.6)	100 bp
Thereof selling and marketing expenses	(1,539)	(1,191)	(29)
Thereof administration expenses	(382)	(302)	(27)
Operating result (EBIT)	**335**	**228**	**47**
In % of sales	9.2	8.2	100 bp
Financial result	(50)	(31)	(61)
Earnings before taxes	**285**	**197**	**45**
Income taxes	(63)	(53)	(20)
Net income	**222**	**144**	**54**
Attributable to:			
Equity holders of the parent company	209	137	53
Non-controlling interests	12	7	82
Earnings per share (in EUR)[1]	**3.04**	**1.99**	**53**
Income tax rate in %	**22**	**27**	

1 Basic and diluted earnings per share.

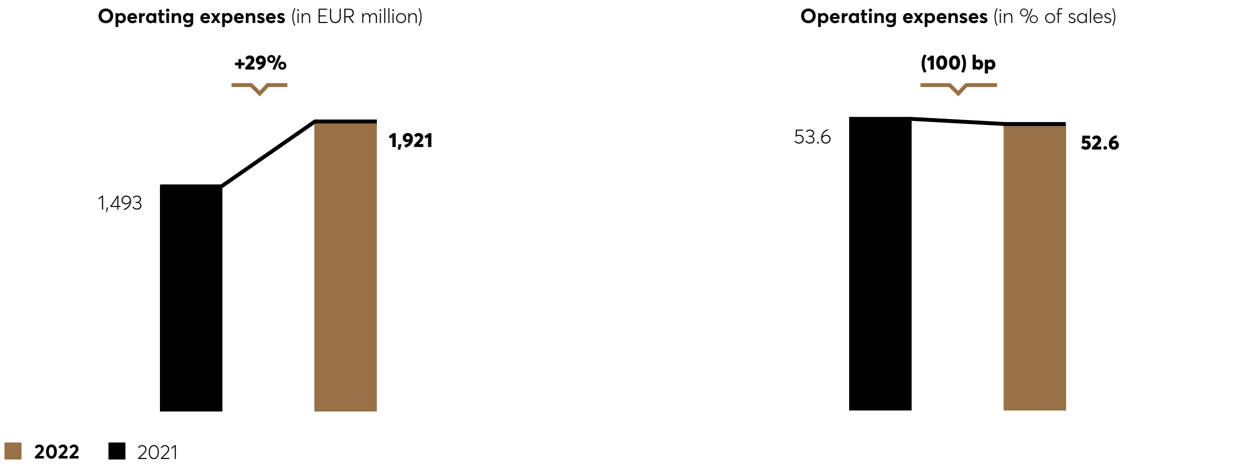
At 61.8%, the **gross margin** in fiscal year 2022 remained stable compared to the prior-year level (2021: 61.8%) and was thus at the upper-end of the Company's mid-term target corridor of between 60% and 62% as laid out in "CLAIM 5." An overall higher share of full-price sales, reflecting a significant uptick in brand momentum following the successful branding refresh, compensated for persistently high levels of freight costs as well as an unfavorable development of foreign exchange rates. Overall, the underlying momentum in the Company's full-price business was strong throughout the year, with promotional activity at HUGO BOSS being well below the prior-year level across markets. > Group Strategy

DEVELOPMENT OF GROSS PROFIT AND GROSS MARGIN



Operating expenses increased by 29% in fiscal year 2022, with both selling and marketing expenses as well as administration expenses above the prior-year level. This largely reflects important investments into the business as part of "CLAIM 5" as well as a normalization in rental and payroll cost levels following COVID-related restrictions and corresponding long-lasting temporary store closures in the prior year. As a percentage of sales, however, operating expenses decreased 100 basis points to a level of 52.6% (2021: 53.6%), first and foremost reflecting further efficiency gains in brick-and-mortar retail. > Notes to the Consolidated Financial Statements, Notes 2, 3, 9

DEVELOPMENT OF OPERATING EXPENSES



Selling and marketing expenses increased by 29% compared to the prior-year period, mainly due to an increase in variable rental expenses, payroll expenses, and fulfillment expenses in the wake of the strong top-line momentum. Besides that, the development is attributable to higher **marketing investments**, largely reflecting the successful brand campaigns and fashion events of BOSS and HUGO over the course of the year, aimed at driving brand relevance globally. Total marketing expenses grew 41% to EUR 288 million, representing 7.9% of Group sales, thus at the upper end of our target corridor of between 7% and 8% as laid out in "CLAIM 5" (2021: EUR 204 million; 7.3% of sales). Selling expenses for the Group's brick-and-mortar retail business totaled EUR 805 million in 2022, up 25% compared to the prior year (2021: EUR 645 million). As a percentage of sales, however, selling expenses for the **Group's brick-and-mortar retail business** declined by 110 basis points to 22.0% (2021: 23.2%). Overall, as a percentage of sales, selling and marketing expenses decreased by 60 basis points to a level of 42.1% in 2022 (2021: 42.7%). > Notes to the Consolidated Financial Statements, Note 2, > Group Strategy, "Boost Brands"

Administration expenses increased by 27% in fiscal year 2022. This development is mainly attributable to higher payroll expenses as well as an increase in digital investments, both aimed at supporting the successful execution of "CLAIM 5." Consequently, **general administration expenses** increased by 23% to EUR 302 million (2021: EUR 245 million), while **research and development expenses** incurring in the collection development were up 41% compared to the prior-year level, amounting to EUR 81 million (2021: EUR 57 million). Overall, as a percentage of sales, administration expenses decreased by 40 basis points to 10.5% (2021: 10.8%).

Operating profit (EBIT) increased a strong 47% to EUR 335 million in fiscal year 2022 (2021: EUR 228 million), driven by the strong top-line performance which more than compensated for ongoing brand, product, and digital investments as part of "CLAIM 5." Consequently, the Group's **EBIT margin** increased noticeably, up 100 basis points to 9.2% (2021: 8.2%).

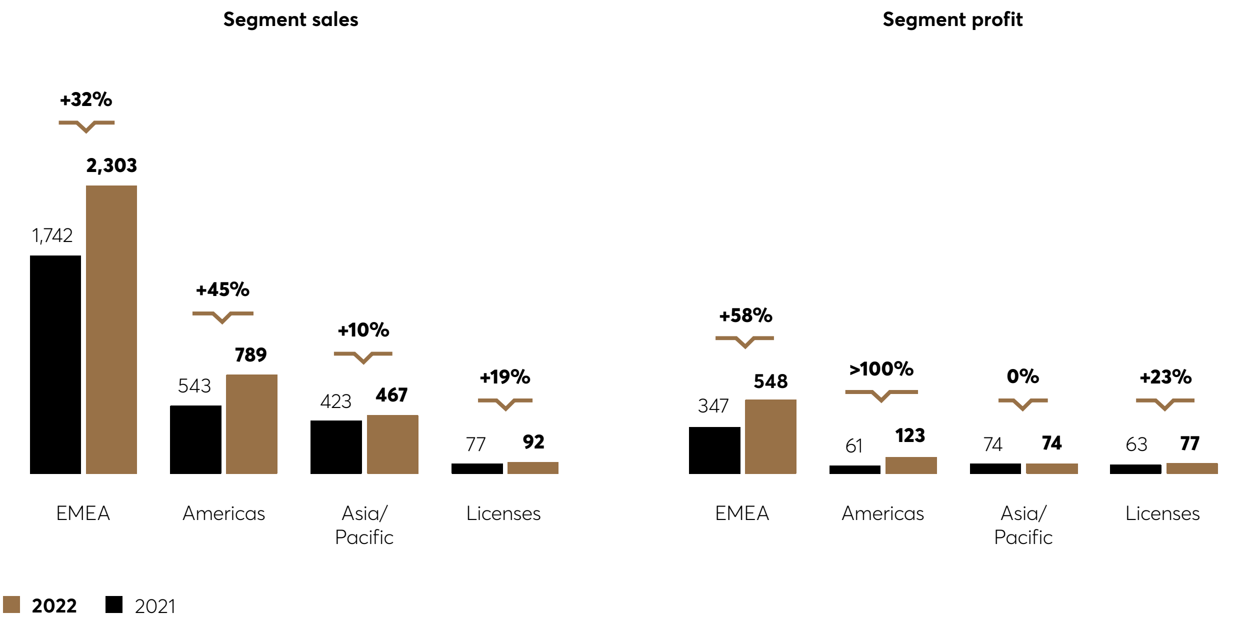
DEVELOPMENT OF EBIT AND EBIT MARGIN

At EUR 345 million, **depreciation and amortization** was slightly above the prior-year level (2021: EUR 339 million). This also includes non-cash impairment charges of EUR 18 million (2021: EUR 32 million), mainly relating to the Company's store network in Russia, which has been temporarily suspended as of March 2022.

At EUR 50 million, **net financial expenses (financial result)** in fiscal year 2022 were 61% above the prior-year level (2021: EUR 31 million). The development is mainly attributable to the unfavorable development of foreign exchange rates, first and foremost with regard to the Russian ruble. At 22%, the **Group tax rate** was well below the prior-year level (2021: 27%), mainly reflecting positive one-time effects in connection with lower than anticipated back tax payments and the revaluation of deferred tax assets. Accordingly, the **Group's net income** for fiscal year 2022 amounted to EUR 222 million, up 54% against the prior-year level (2021: EUR 144 million). > Notes to the Consolidated Financial Statements, Note 4 and 5

Sales and earnings development of the business segments

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



EMEA

Sales in the **EMEA** region (Europe, Middle East, and Africa) were up 32% currency-adjusted in fiscal year 2022. This development was driven by the successful execution of "CLAIM 5" that strongly propelled brand momentum for both BOSS and HUGO, thereby fueling robust consumer demand throughout the year and enabling HUGO BOSS to further gain market share. In addition, the return of tourism provided further stimulus to the overall sentiment. From a channel perspective, momentum in EMEA was broad-based, with both the Group's **brick-and-mortar retail business** and **brick-and-mortar wholesale** recording strong double-digit growth. Also the Group's **digital business** continued its double-digit growth trajectory despite a particularly high comparison base.

SALES DEVELOPMENT EMEA (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	1,074	47	778	45	38	39
Brick-and-mortar wholesale	716	31	510	29	40	38
Digital	513	22	454	26	13	12
Total	**2,303**	**100**	**1,742**	**100**	**32**	**32**

All of the region's key markets recorded strong double-digit growth in fiscal year 2022. In **Germany**, sales increased by 30% to EUR 477 million with broad-based improvements across all channels (2021: EUR 366 million). Currency-adjusted revenues in the **UK** were up 26%, driven by strong double-digit growth in brick-and-mortar retail. In Group currency, sales amounted to EUR 491 million and were hence 27% above the prior-year level (2021: EUR 386 million). In **France**, sales amounted to EUR 221 million, up 28% compared to fiscal year 2021 (2021: EUR 173 million). This performance was mainly due to strong improvements in both brick-and-mortar retail and wholesale. Momentum was also strong in growth markets such as the **Middle East**, as reflected by significant double-digit revenue increases in fiscal year 2022. While the Company also posted strong double-digit growth in key markets across **Eastern Europe**, the fact that HUGO BOSS has temporarily suspended its own retail and online business in Russia since the beginning of March 2022 in light of the war in Ukraine, weighed on the market's overall performance in the past fiscal year.

In light of the strong top-line momentum, **segment profit** in the EMEA region grew 58% to EUR 548 million (2021: EUR 347 million) in fiscal year 2022, thereby more than compensating for an increase in operating expenses. Consequently, the region's EBIT margin improved by 390 basis points to 23.8% (2021: 19.9%).
> Notes to the Consolidated Financial Statements, Note 24

Americas

In the **Americas**, currency-adjusted revenues increased by 29% in fiscal year 2022. Also in this region, growth was driven by robust consumer sentiment across all markets fueled by the rigorous execution of "CLAIM 5." In particular, HUGO BOSS made significant progress in expanding its casualwear offerings at the point of sale and strengthening its 24/7 lifestyle image, especially in the important U.S. market. Also from a channel perspective, regional growth was broad-based, as reflected by strong double-digit revenue improvements in **brick-and-mortar retail**, **brick-and-mortar wholesale** as well as the Group's **digital business**.

SALES DEVELOPMENT AMERICAS (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	551	70	376	69	47	31
Brick-and-mortar wholesale	150	19	105	19	42	26
Digital	89	11	62	11	42	26
Total	**789**	**100**	**543**	**100**	**45**	**29**

In the **United States**, by far the region's largest market for HUGO BOSS, revenues increased 23% currency-adjusted, driven by robust double-digit growth across all consumer touchpoints. In Group currency, sales were up 38%, amounting to EUR 528 million (2021: EUR 382 million). Also in **Canada** and **Latin America**, momentum was equally strong, with currency-adjusted revenues up 46% and 43%, respectively, also reflecting broad-based growth across all channels.

Driven by the strong top-line development, **segment profit** in the Americas more than doubled to EUR 123 million in fiscal year 2022 (2021: EUR 61 million). This corresponds to a strong EBIT margin increase of 430 basis points to a level of 15.6% (2021: 11.3%). > Notes to the Consolidated Financial Statements, Note 24

Asia/Pacific

Revenues in **Asia/Pacific** increased by 6% currency-adjusted year over year. Significant double-digit improvements in South East Asia & Pacific were partly offset by double-digit sales declines in mainland China. While HUGO BOSS recorded a promising start to the year also in this market, COVID-19-related restrictions, including long-lasting temporary store closures and reduced opening hours, weighed on consumer sentiment and store traffic throughout much of fiscal year 2022. Consequently, on average, around 15% of the Group's own stores in mainland China were affected by temporary closures in 2022. From a channel perspective, the Company's **digital business** in Asia/Pacific performed particularly well in 2022, up strong double-digits compared to the prior year. While the Group's **brick-and-mortar retail** business recorded a mid-single-digit increase, revenues in **brick-and-mortar wholesale** remained below the prior-year level, largely reflecting sales declines in the Company's travel retail business in mainland China.

SALES DEVELOPMENT ASIA/PACIFIC (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
Brick-and-mortar retail	392	84	358	85	9	5
Brick-and-mortar wholesale	29	6	32	8	(10)	(18)
Digital	47	10	32	8	44	38
Total	**467**	**100**	**423**	**100**	**10**	**6**

In light of the COVID-19-related implications throughout much of 2022, currency-adjusted revenues in **mainland China** remained 23% below the prior-year level. In Group currency, sales decreased by 16% to EUR 202 million (2021: EUR 242 million). In contrast, **South East Asia & Pacific** – which also includes markets such as Australia and Japan – recorded a particularly strong performance posting currency-adjusted growth of 50% in fiscal year 2022.

Segment profit in the Asia/Pacific region remained on the prior-year level at EUR 74 million (2021: EUR 74 million), despite long-lasting pandemic-related restrictions in mainland China in fiscal year 2022. The corresponding EBIT margin, however, decreased by 160 basis points to 15.8% (2021: 17.4%). > Notes to the Consolidated Financial Statements, Note 24

Licenses

Sales in the **license business** increased by 19% currency-adjusted compared to the prior year. This performance was fueled by strong double-digit growth in the important fragrance business as well as robust improvements across further product groups, including eyewear and watches. > Earnings Development, Sales by Distribution Channel

At EUR 77 million, **license segment profit** increased 23% compared to the prior year (2021: EUR 63 million). > Notes to the Consolidated Financial Statements, Note 24

NET ASSETS

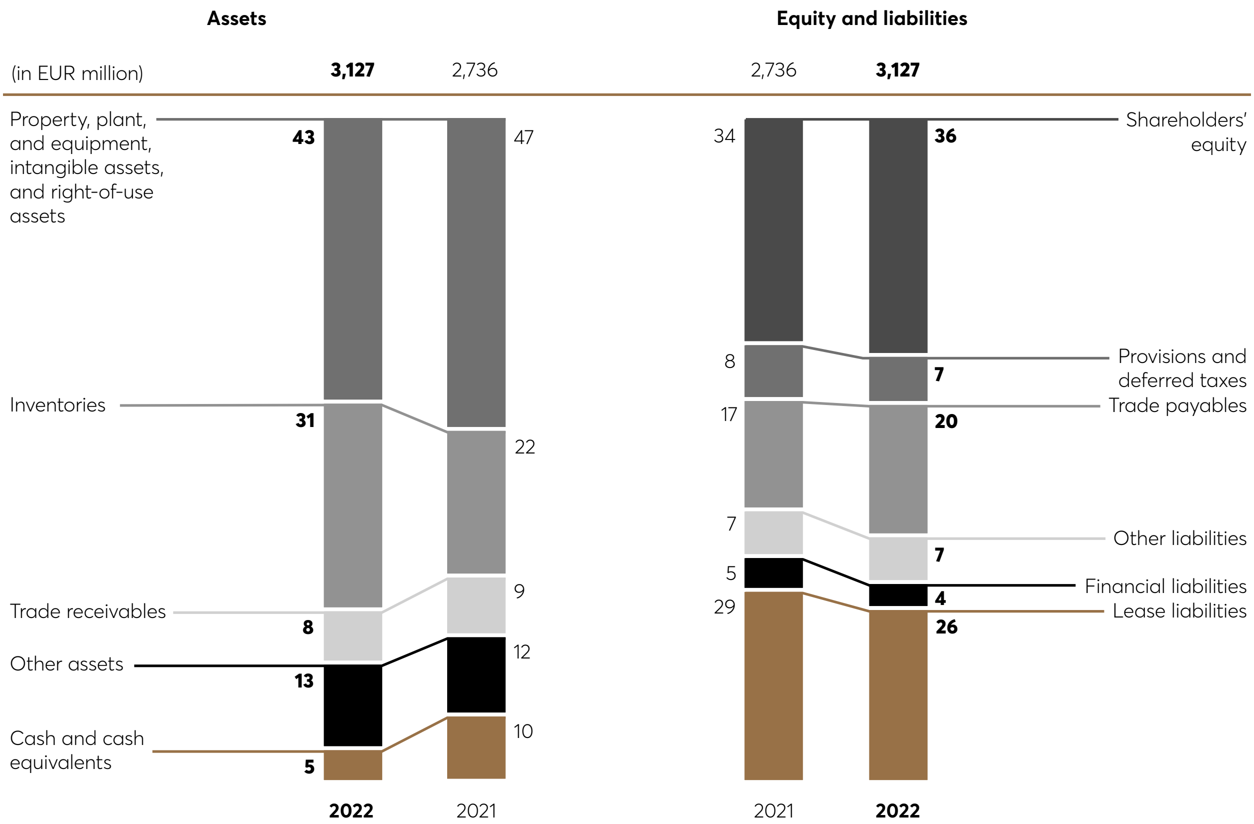
Increase in total assets reflects strong business performance in 2022

Higher inventory position aims at supporting robust top-line momentum

Significant improvement in TNWC as a percentage of sales

Total assets increased by 14% to EUR 3,127 million at the end of fiscal year 2022 (December 31, 2021: EUR 2,736 million). This development mainly reflects an increase in inventories, aimed at supporting the robust top-line momentum across all regions. > Notes to the Consolidated Financial Statements, Note 12

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



The **share of current assets** increased modestly to 51% as of December 31, 2022 (December 31, 2021: 47%), largely reflecting the higher inventory position. Accordingly, the **share of non-current assets** declined to 49% at the end of the year (December 31, 2021: 53%). The **equity ratio** increased slightly to 36% by year-end (December 31, 2021: 34%). > Consolidated Financial Statements, Consolidated Statement of Financial Position

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

	2022	2021	Change in %	Currency-adjusted change in %
Inventories	974	606	61	58
Trade receivables	256	235	9	9
Trade payables	617	464	33	31
Trade net working capital	**613**	**376**	**63**	**61**

Currency-adjusted **inventories** were up 58% year over year, with the increase aimed at supporting our strong top-line momentum across regions. In this context, HUGO BOSS looks back at a very successful order intake from its wholesale partners for the Spring and Summer 2023 collections. In addition, we intentionally accepted earlier receipts of merchandise to ensure sufficient product availability for upcoming seasons, with the vast majority of the intentional build-up in inventories being related to core merchandise that can be sold over several future seasons. While **trade receivables** only increased moderately, **trade payables** were well above the prior-year level, mainly reflecting a higher utilization of our supplier financing program. As a result, **trade net working capital (TNWC)** increased by 61% on a currency-adjusted basis. The moving average of **TNWC as a percentage of sales** based on the last four quarters, however, amounted to 15.0%, reflecting a strong improvement compared to the prior-year level (December 31, 2021: 17.2%). This development mainly reflects the significant top-line growth in fiscal year 2022 as well as the increase in trade payables, thus more than compensating for the higher inventory position. > Notes to the Consolidated Financial Statements, Notes 12 and 13

Property, plant and equipment, intangible assets, and right-of-use assets increased by 6% compared to the prior-year level, totaling EUR 1,356 million at year-end (December 31, 2021: EUR 1,277 million). The increase mainly reflects the overall higher level of capital expenditure in fiscal year 2022. **Cash and cash equivalents** amounted to EUR 147 million, reflecting a decrease in free cash flow (December 31, 2021: EUR 285 million). **Other assets** were 18% above the prior-year level, amounting to EUR 393 million (December 31, 2021: EUR 334 million), mainly due to higher tax refunds as well as increased current prepaid expenses. > Notes to the Consolidated Financial Statements, Notes 8, 11, and 14

The total of **current and non-current lease liabilities** increased by 1% to EUR 804 million as of the reporting date (December 31, 2021: EUR 795 million). At year-end, **current and non-current financial liabilities** were 10% below the prior-year level, totaling EUR 122 million (December 31, 2021: EUR 135 million). This development is due to a lower utilization of the Company's credit lines compared to the prior year, largely reflecting the strong business performance in 2022. **Provisions and deferred tax liabilities** increased by 6% to EUR 225 million compared to the prior-year level (December 31, 2021: EUR 212 million). The increase is mainly attributable to higher provisions for personnel expenses. **Other liabilities** amounted to EUR 223 million at the end of the fiscal year, and were thus 18% above the prior-year level (December 31, 2021: EUR 190 million), mainly reflecting an increase in current personnel liabilities as well as right-of-return liabilities. > Notes to the Consolidated Financial Statements, Notes 9, 17, 19, and 20

FINANCIAL POSITION

Strong investment-grade inaugural ratings received from S&P and Moody's

Positive net financial position for the second consecutive year

Focus of investing activity remains on optimization of store network and digitalization the business model

Principles and goals of financial management

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

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

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

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

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

Capital structure and financing

In June 2022, HUGO BOSS has received strong **investment-grade inaugural ratings** by rating agencies S&P and Moody's. While S&P rated HUGO BOSS 'BBB' with a stable outlook, Moody's assigned the Company a 'Baa2' rating, also with a stable outlook. This puts HUGO BOSS among the highest-rated companies in the global premium apparel industry. These two strong investment-grade ratings are clear evidence of the Company's strong brand perception, sound financial position, and attractive long-term growth opportunities. They further **strengthen the Company's financing flexibility**, thus providing further scope to continue to successfully execute "CLAIM 5" in the coming years.

HUGO BOSS has at its disposal a **revolving syndicated loan** of EUR 600 million, providing additional financial flexibility for the successful execution of "CLAIM 5." The proceeds of the facility can be used for general corporate purposes. Concluded in November 2021, it has a term of three years including two options for extending the term by one year each and an option to increase the credit volume by up to EUR 300 million. The first extension option has already been exercised successfully. The syndicated loan contains a standard covenant requiring the maintenance of **financial leverage**, defined as the ratio of net financial liabilities (including lease liabilities in accordance with IFRS 16) to EBITDA. As of December 31, 2022, financial leverage totaled 1.1, thus well below the maximum permissible level (December 31, 2021: 1.1). The syndicated loan is classified as sustainable finance, with the applicable interest rate being linked to the fulfillment of defined **ESG criteria**. At the end of fiscal year 2022, the loan was utilized for guarantees issued amounting to EUR 22 million and for the supplier financing program amounting to EUR 60 million (December 31, 2021: EUR 18 million for guarantees, EUR 63 million for the supplier financing program).

To further secure liquidity, HUGO BOSS possesses committed and uncommitted **bilateral credit lines** totaling EUR 191 million (December 31, 2021: EUR 204 million), of which EUR 102 million was drawn down at the end of the reporting period (December 31, 2021: EUR 116 million). In addition, HUGO BOSS had at its disposal **cash and cash equivalents** in the amount of EUR 147 million at the end of 2022 (December 31, 2021: EUR 285 million). > Notes to the Consolidated Financial Statements, Note 14, > Financial Position, Consolidated Statement of Cash Flows and Free Cash Flow

The Group's **liabilities** totaled EUR 1,991 million at the end of the fiscal year (December 31, 2021: EUR 1,796 million), corresponding to a 64% share of total assets (December 31, 2021: share of 66%). Of this amount, EUR 804 million was attributable to **current and non-current lease liabilities** (December 31, 2021: EUR 795 million), primarily relating to the rental of retail store locations as well as logistics and administration properties. **Current and non-current financial liabilities** totaled EUR 122 million at the end of fiscal year 2022 (December 31, 2021: EUR 135 million). > Net Assets, > Notes to the Consolidated Financial Statements, Notes 9 and 20

Statement of cash flows and free cash flow

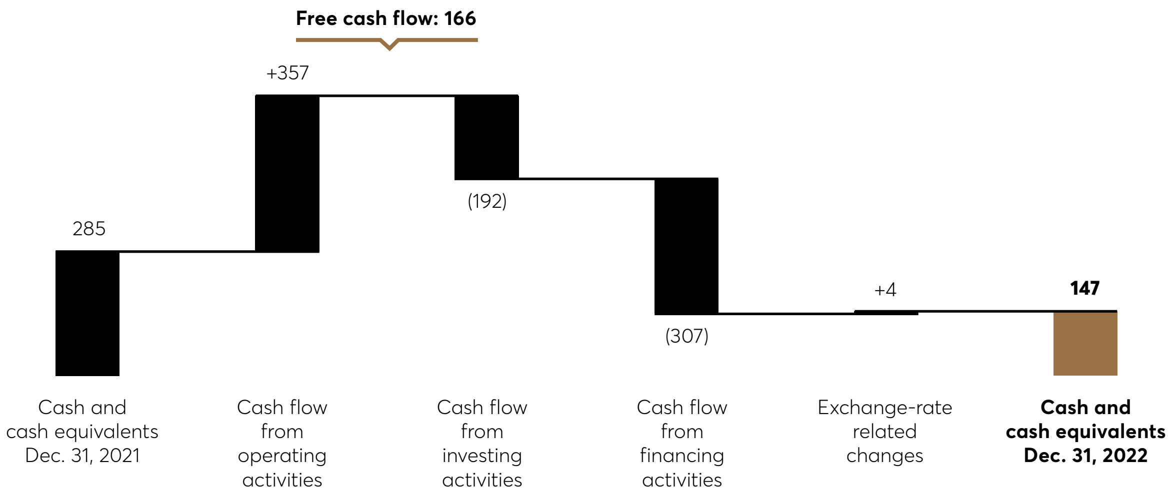
STATEMENT OF CASH FLOWS[1] (IN EUR MILLION)

	2022	2021
Cash flow from operating activities	357	658
Cash flow from investing activities[2]	(192)	(98)
Cash flow from financing activities[2]	(307)	(409)
Change in cash and cash equivalents	**(137)**	**159**
Cash and cash equivalents at the beginning of the period	285	125
Cash and cash equivalents at the end of the period	147	285

1 As the statement of cash flows is presented on a currency-adjusted basis, the values cannot be derived from the statement of financial position.
2 Amounts shown differ from those reported in the previous year due to reclassifications

Free cash flow amounted to EUR 166 million in fiscal year 2022 compared to EUR 560 million in the prior-year period. Improvements in EBIT were more than offset by the increase in inventories as well as the significant step-up in capital expenditure. Free cash flow is calculated as the sum of cash flow from operating activities and cash flow from investing activities.

CHANGE IN CASH AND CASH EQUIVALENTS (IN EUR MILLION)



At EUR 357 million, **cash flow from operating activities** was 46% below the prior-year level (2021: EUR 658 million), as improvements in EBIT were more than offset by the increase in inventories. The significant increase in **cash flow from investing activities** to a level of EUR 192 million (2021: EUR 98 million) mainly reflects the substantial step-up in capital expenditure in fiscal year 2022, aiming at supporting the successful execution of "CLAIM 5" through increased investments in the global store network and the further digitalization of the business model. > Financial Position, Capital Expenditure

At EUR 307 million, **cash flow from financing activities** decreased compared to the prior year (2021: EUR 409 million), mainly reflecting a decline in financial liabilities. > Financial Position, Capital Structure and Financing

Net financial position

The **net financial position** is measured as the total of all financial and lease liabilities less cash and cash equivalents. **Excluding the impact of IFRS 16**, the net financial position of HUGO BOSS at the end of fiscal year 2022 totaled plus EUR 38 million (2021 excluding IFRS 16: plus EUR 167 million), mainly reflecting lower cash and cash equivalents compared to the prior year. **Including the impact of IFRS 16**, the net financial position at the end of fiscal year 2022 totaled minus EUR 767 million (December 31, 2021: minus EUR 628 million).

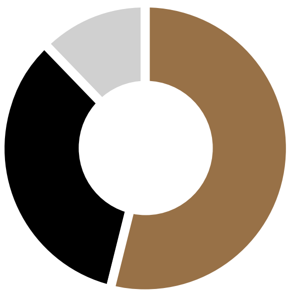
> Financial Position, Capital Structure and Financing, > Notes to the Consolidated Financial Statements, Note 9

Capital expenditure

In fiscal year 2022, HUGO BOSS invested EUR 191 million in **property, plant and equipment, and intangible assets**, representing a strong increase of 84% as compared to the prior-year level (2021: EUR 104 million). The step-up in capital expenditure aims at supporting the successful execution of "CLAIM 5" by increasing the Company's investments in its global store network and further digitalizing its business model. Consequently, as a percentage of sales, capital expenditure amounted to 5.2%, and thus slightly below the Company's mid-term target corridor as laid out in "CLAIM 5" (target range for 2022–2024: 6% to 7% of sales; from 2025: between 4% and 5% of sales).

CAPITAL EXPENDITURE (IN %)

By functional area



Own retail business
54 (62)
Administration (incl. IT)
34 (32)
Other capital expenditure
12 (6)

By region

EMEA
31 (29)
Asia/Pacific
17 (28)
Americas
14 (13)
Corporate units
38 (30)

2022 (2021)

In line with our strategic claim "Rebalance Omnichannel," we aim to fully exploit the potential of our **brick-and-mortar retail business** in the coming years. The **optimization and modernization** of our global store network plays a key role in this. In this context, we plan to invest a total of EUR 500 million in the further optimization and modernization of our store network by 2025. Our **new store concepts** are intended to make a significant contribution to developing our points of sale into true points of experience. Already today, our customers can experience the new store concepts of BOSS and HUGO in more than 60 freestanding stores globally. With capital expenditure of EUR 103 million, the focus of investment activity in fiscal year 2022 continued to be on our own retail network (2021: EUR 64 million). Investments in the continuous **optimization and modernization of existing locations** totaled EUR 78 million (2021: EUR 32 million). At the same time, we invested EUR 25 million in **openings of new retail points of sale** across all three regions (2021: EUR 32 million), including the new BOSS flagship store in London's Oxford Street as well as BOSS stores in Rome and Brussels, among others. > Group Strategy, "Rebalance Omnichannel"

Capital expenditure on **administration** amounted to EUR 65 million in the past fiscal year (2021: EUR 33 million). This primarily includes investments of EUR 47 million in our global **IT infrastructure** (2021: EUR 25 million). In line with our strategic claim "Lead in Digital," these investments mainly relate to the further digitalization of our business model, including important digital initiatives of the HUGO BOSS Digital Campus as well as the Company-wide rollout of a next-generation ERP system as part of a multiyear project. **Other capital expenditure** on the Company's production, logistics, and distribution structure and on research and development amounted to EUR 22 million in 2022 (2021: EUR 6 million). > Group Strategy, "Lead in Digital"

Accumulated depreciation and amortization on property, plant and equipment, and intangible assets, including own capitalized cost, totaled EUR 1,175 million in fiscal year 2022 (2021: EUR 1,087 million). Existing **obligations from investment projects** amounted to EUR 2 million as of December 31, 2022 (December 31, 2021: EUR 2 million). > Notes to the Consolidated Financial Statements, Note 8

HUGO BOSS AG

HUGO BOSS AG is the parent company of HUGO BOSS Group

Operational performance driven by service agreements with subsidiaries

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

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

Earnings development

INCOME STATEMENT HUGO BOSS AG (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %
Sales	**1,815**	**100.0**	**1,301**	**100.0**	**39**
Cost of sales	(1,277)	(70.4)	(870)	(66.9)	(47)
Gross profit	**538**	**29.6**	**431**	**33.1**	**25**
Distribution expenses[1]	(357)	(19.7)	(248)	(19.1)	(44)
General administrative expenses[1]	(150)	(8.3)	(115)	(8.8)	(31)
Other operating income	68	3.8	54	4.1	27
Other operating expenses[1]	(115)	(6.3)	(57)	(4.3)	<(100)
Operating profit	**(16)**	**(0.9)**	**65**	**5.0**	**<(100)**
Income from investments in affiliated companies	84	4.6	84	6.5	0
Net interest income/expenses	(6)	(0.3)	(17)	(1.3)	67
Income from profit and loss transfer agreements	81	4.5	0	0.0	n/a
Depreciation of financial assets and securities held as current assets	0	0.0	(16)	(1.2)	97
Taxes on income and other taxes	(8)	(0.4)	(19)	(1.5)	(58)
Net income	**136**	**7.5**	**96**	**7.4**	**41**
Transfer to (–)/from (+) other revenue reserves	(68)	(3.7)	(48)	(3.7)	(41)
Accumulated income previous year	35	2.0	36	2.7	0
Unappropriated income	**103**	**5.7**	**84**	**6.4**	**23**

1 Amounts shown differ from those reported in the previous year due to reclassifications.

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

SALES BY REGION (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %
EMEA	1,392	77	1,029	79	35
Americas	271	15	138	11	97
Asia/Pacific	151	8	134	10	13
Total	**1,815**	**100**	**1,301**	**100**	**39**

The strong business performance of HUGO BOSS in fiscal year 2022, fueled by the successful execution of "CLAIM 5," also had a noticeably positive impact on HUGO BOSS AG. In **EMEA**, HUGO BOSS AG recorded significant double-digit growth, while in the **Americas** sales almost doubled. Also in **Asia/Pacific**, the Company recorded double-digit sales increases. At EUR 497 million, sales generated by HUGO BOSS AG in **Germany** were 38% above the prior-year level (2021: EUR 360 million).

SALES BY BRAND (IN EUR MILLION)

	2022	In % of sales	2021	In % of sales	Change in %
BOSS	1,281	71	876	67	46
HUGO	292	16	218	17	34
Other services	242	13	207	16	17
Total	**1,815**	**100**	**1,301**	**100**	**39**

While both brands, **BOSS** and **HUGO**, posted significant double-digit sales growth, supported by the successful branding refresh initiated at the beginning of 2022, the Company also recorded a robust increase in **sales from other services**. This was due to higher intercompany charges passed on to subsidiaries, in particular related to service, IT, and marketing.

At 29.6%, the **gross margin** of HUGO BOSS AG was below the prior-year level (2021: 33.1%), mainly reflecting higher freight and duty costs which more than offset favorable effects from a higher share of full-price sales. The increase in **distribution expenses** largely reflects higher marketing investments as well as higher fulfillment costs. **General administration expenses** also grew year over year, mainly due to an increase in personnel expenses in line with the Company's strategic claim "Organize for Growth." The increase in **other operating income** was largely due to higher income from charging costs and services to affiliated companies. **Other operating expenses** were also above the prior-year level and mainly included research and development costs as well as allowances for doubtful accounts and exchange rate effects.

At EUR 84 million, the **income from investments in affiliated companies** in 2022 was in line the prior-year level (2021: EUR 84 million). The income from affiliates primarily reflects the annual profits of HUGO BOSS Trade Mark Management GmbH & Co. KG, which are credited to the loan account of its limited partner HUGO BOSS AG in accordance with company regulations. The **income from profit and loss transfer agreements** of EUR 81 million is attributable to HUGO BOSS Internationale Beteiligungs-GmbH (2021: EUR 0 million).

Net assets and financial position

Property, plant and equipment, and intangible assets increased by 3% compared to the prior year totaling EUR 969 million (December 31, 2021: EUR 944 million), mainly reflecting a step up in investment activity in 2022.

TRADE NET WORKING CAPITAL (IN EUR MILLION)

	2022	2021	Change in %
Inventories	283	188	50
Trade receivables	26	30	(14)
Trade payables	236	170	38
Trade net working capital	**73**	**48**	**54**

The noticeable increase in **inventories** is primarily aimed at supporting the Group's future top-line growth, as HUGO BOSS AG is the main supplier for the Group's global distribution companies. While **trade receivables** of HUGO BOSS AG were below the prior-year level, the Company recorded an increase in **trade payables**, primarily reflecting a higher utilization of the supplier financing program that HUGO BOSS established back in 2020. As the latter only partly compensated for the increase in inventories, **trade net working capital (TNWC)** of HUGO BOSS AG ended fiscal year 2022 above the prior-year level.

At EUR 61 million, **receivables from affiliated companies** at the end of fiscal year 2022 were slightly above the prior-year level (December 31, 2021: EUR 59 million). **Liabilities to affiliated companies** decreased to EUR 289 million, mainly due to repayments of loans to HUGO BOSS International B.V. (December 31, 2021: EUR 331 million). **Provisions** slightly increased to EUR 154 million at the end of the year (December 31, 2021: EUR 151 million). At EUR 60 million, **liabilities to credit institutions** at year-end were below the prior-year level (December 31, 2021: EUR 70 million).

As of December 31, 2022, **cash and cash equivalents**, defined as the total of cash on hand and bank balances, amounted to EUR 3 million and were thus below the prior-year level (December 31, 2021: EUR 24 million). The decline primarily reflects a lower **cash flow from operating activities** compared to the prior year, which is mainly due to the higher inventory position.

OUTLOOK

Successful execution of "CLAIM 5" remains primary focus also in 2023

Group sales expected to increase at a mid-single-digit percentage rate

EBIT to increase to a level between EUR 350 million and EUR 375 million in 2023

Subsequent events

Between the end of fiscal year 2022 and the preparation of this report on February 22, 2023, there were no material macroeconomic, socio-political, industry-related, or Company-specific changes that the Management expects to have a significant impact on the Group's earnings, net assets, or financial position.

Outlook

The following report presents the **view of the Management of HUGO BOSS** with respect to the Company's expected business performance in fiscal year 2023. It also describes the expected development of significant macroeconomic and industry-specific conditions. In doing so, it reflects Management's current knowledge at the time the report was prepared, while also taking into account that actual developments may differ significantly from this outlook, either positively or negatively, in case that risks and opportunities materialize as described in the Risks and Opportunities section of this Annual Report. Other than the statutory publication requirements, HUGO BOSS does not assume any obligation to update the statements contained in this report.
> Report on Risks and Opportunities

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

Outlook for the global economy

In its publication of January 30, 2023, the IMF anticipates a further slowdown of the **global economy** in 2023, with ongoing high levels of inflation, tightening financial conditions in most regions, and lasting geopolitical tensions all weighing heavily on the outlook. In particular, the reversal of monetary and fiscal policies aimed at lowering inflation is expected to cool demand in many economies, after having delivered strong stimulus during the pandemic. Consequently, a growing share of economies have been facing a slowdown in growth with the probability of entering a recession mounting up. The global economy's future health therefore rests critically on the successful calibration of monetary policy, the further course of the war in Ukraine, and the further evolution of easing supply chain disruptions. Overall, global growth is forecast to slow from 6.2% in

2021 to 3.4% in 2022 and 2.9% in 2023, with significant declines in economic activity expected for the world's largest economies. With the exception of the global financial crisis and the acute phase of the COVID-19 pandemic, this would represent the weakest growth profile since 2001. > Risk Report, External Risks

By region, the IMF expects economic growth in the **eurozone** to slow down to 0.7% in 2023 (2022: 3.5%), mainly reflecting economic repercussions of the war in Ukraine, including ongoing high energy prices and weaker consumer confidence. For the **U.S. economy**, the IMF expects growth of 1.4% (2022: 2.0%), with high levels of inflation and the associated sharp rise in interest rates likely to continue putting pressure on both consumers and companies. According to the IMF, the economy of **China** is forecast to grow by 5.2% in 2023, thus above the prior-year level (2022: 3.0%), with support coming from the end of China's zero-COVID policy announced in late 2022.

Risks and uncertainties associated with these assumptions remain fundamentally high. According to the IMF, monetary policy could miscalculate the right stance to fight inflation. In the event of a further escalation of the war in Ukraine, additional energy and food price shocks could lead to prolonged inflation, while a further global tightening in financing conditions could trigger widespread emerging market debt distress. And while negative health implications due to the abrupt end of China's zero-COVID policy could hamper the country's recovery in the short-term, the IMF also flags a potential worsening of China's property sector crisis. The latter could spill over to the domestic banking sector and weigh heavily on China's economic growth, with negative cross-border effects. Finally, a further geopolitical fragmentation could impede trade and capital flows, while also hindering future climate policy cooperation.

Industry outlook

For the **global apparel industry**, fiscal year 2023 is expected to be dominated by the persistently high level of macroeconomic and geopolitical uncertainties and the associated deterioration in consumer sentiment that became visible already in the second half of 2022. Major **challenges** for 2023 include, in particular, ongoing high levels of inflation and the related pressure on company's input costs and consumer demand, a highly competitive labor market, as well as overall economic volatility.

In a joint study published in November 2022, The Business of Fashion and consulting firm McKinsey & Company estimate that revenue growth of the global apparel industry (excluding the luxury segment) should be in the range of between –2% to +3% in 2023 (H1 2022: +11%; H2 2022: –7% to –5%), with growth likely to vary noticeably across geographies.

In **Europe**, industry sales growth (excluding the luxury segment) is expected to total between −4% and +1% in 2023 (H1 2022: +31% to +33%; H2 2022: −9% to −7%). Consumer sentiment is expected to remain rather muted in light of ongoing high inflation and the fact that many consumers will be exposed to the impact of rising costs and high energy bills in particular. Industry growth in the **U.S.** will also likely slow, but is expected to show greater resilience than Europe, as strength of the U.S. dollar has probably peaked and inflation is projected to cool during the course of 2023. Consequently, non-luxury fashion companies in the U.S. are expected to grow modestly in 2023, with expected growth of between +1% and +6% (H1 2022: +7% to +9%; H2 2022: +1% to +3%). In **China**, the global apparel industry is expected to see a robust recovery in 2023 following a rather difficult fiscal year 2022, when persistent outbreaks of COVID-19 and the lasting zero-COVID policy weighed on industry revenues. China's substantial middle class will also be impacted by policy responses to the ongoing real estate crisis as well as international travel guidelines. Overall, The Business of Fashion and McKinsey & Company expects industry sales growth in China (excluding the luxury segment) to further recover to a level of +2% to +7% in 2023 (H1 2022: −7% to −5%; H2 2022: +1% to +3%).

Outlook for HUGO BOSS

For HUGO BOSS, **fiscal year 2023 represents a further important milestone** in achieving its 2025 financial ambition as laid out in the Company's "CLAIM 5" growth strategy. The main focus in 2023 will therefore be on the **determined and relentless execution of "CLAIM 5"** aimed at maintaining the strong top-line momentum gained in 2022. This includes, above all, building on the strong brand power gained in the wake of the comprehensive branding refresh successfully implemented in 2022. Also this year, we are committed to winning over consumers from all over the globe through impressive marketing campaigns, exciting brand events, and inspiring collections as well as collaborations. HUGO BOSS will therefore continue to **invest into brand-building activities as well as its product offering** to further drive brand relevance and strengthen the 24/7 lifestyle image of BOSS and HUGO. In addition, the Company will push ahead with the **digitalization of its business model** and make further progress in expanding its omnichannel activities, including the **modernization of its global store network**. All initiatives will provide a strong foundation in fostering the strong top-line momentum gained in 2022, thereby taking a further important step towards the Group's sales target of EUR 4 billion by 2025. At the same time, HUGO BOSS will continue to put strong emphasis on realizing efficiency gains also in 2023, particularly via the ongoing optimization of its global store network. This should enable the Company to make further progress also this year towards its 2025 EBIT margin target of around 12%. > Group Strategy, 2025 Financial Ambition

Taking into account the anticipated macroeconomic and industry-specific conditions as outlined in this chapter, HUGO BOSS expects **Group sales** in 2023 to increase at a mid-single-digit percentage rate (2022: EUR 3,651 million). For both, **EMEA** and the **Americas** region, the Company expects growth in the low- to mid-single-digit percentage range. In the **Asia/Pacific** region, on the other hand, HUGO BOSS expects to achieve sales growth in the teens range in fiscal year 2023.

At the same time, HUGO BOSS forecasts to increase its **operating profit (EBIT)** in 2023 within a range of +5% to +12% to an amount of between EUR 350 million and EUR 375 million (2022: EUR 335 million), with the final sales performance being decisive for the level of expected EBIT. In this context, the Company's investments planned for 2023 as part of "CLAIM 5" to further strengthen products, brands and digital expertise are expected to be more than offset by efficiency gains. Broadly in line with EBIT growth, also the **Group's net income** is expected to improve within a range of +5% to +12% in 2023 (2022: EUR 222 million).

Following a very positive development of **trade net working capital as a percentage of sales** in 2022, HUGO BOSS now expects a gradual normalization for fiscal year 2023, anticipating a modest increase to a level of around 17% (2022: 15.0%), fully in line with the Company's mid-term target range of between 16% and 19% as laid out in "CLAIM 5." **Capital expenditure** is expected to total between EUR 200 million and EUR 250 million in 2023 (2022: EUR 191 million), and thus at the lower end of the target range of between 6% and 7% of Group sales laid out in "CLAIM 5." Investment activity will continue to be focused on the modernization and further optimization of the global store network as well as the ongoing digitalization of the business model along the entire value chain.

In view of the strong operational and financial performance in 2022, the very solid financial position and management's confidence in the further successful execution of "CLAIM 5," the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 9, 2023, a **dividend** of EUR 1.00 per share for fiscal year 2022, corresponding to an increase of 43% year over year (2021: EUR 0.70). The proposal is equivalent to a **payout ratio** of 33% of the Group's net income attributable to shareholders in fiscal year 2022. Assuming that the shareholders approve the proposal, the dividend will be paid out on May 12, 2023. Based on the number of shares outstanding at the end of 2022, the amount distributed will total EUR 69 million (2021: EUR 48 million).

OUTLOOK FOR FISCAL YEAR 2023

	Results 2022	Outlook 2023
Group sales	Increase by 31% to EUR 3,651 million	Increase at a mid-single-digit percentage rate
Sales by region		
EMEA	Increase by 32% to EUR 2,303 million	Increase in the low to mid-single-digit percentage range
Americas	Increase by 45% to EUR 789 million	Increase in the low to mid-single-digit percentage range
Asia/Pacific	Increase by 10% to EUR 467 million	Increase in the teens percentage range
Operating result (EBIT)	Increase by 47% to EUR 335 million	Increase to a level of between EUR 350 million and EUR 375 million
Group's net income	Increase by 54% to EUR 222 million	Increase within a range of +5% to +12%
Trade net working capital as a percentage of sales	Decrease by 220 bp to 15.0%	Increase to a level of around 17%
Capital expenditure	Increase by 84% to EUR 191 million	Increase to a level of between EUR 200 million and EUR 250 million

REPORT ON RISKS AND OPPORTUNITIES

Transparent handling of risks as part of the risk management system

No going concern risks to the Group identified

Exploiting business opportunities important element for sustainable increase in enterprise value

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

Risk report

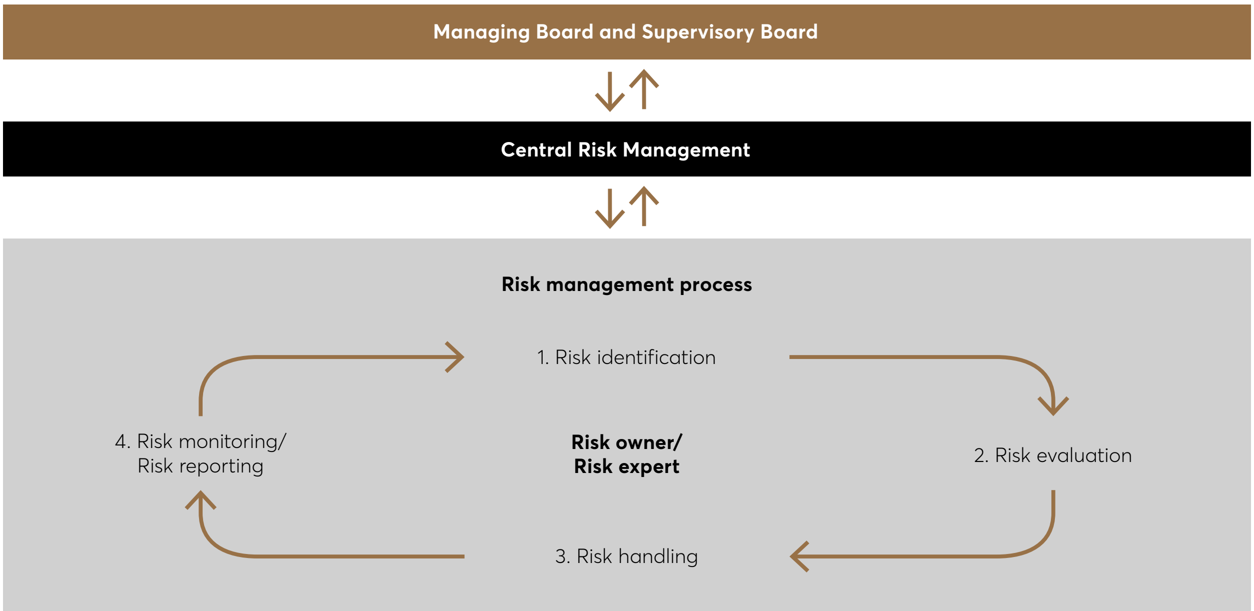
HUGO BOSS is exposed to a variety of risks. Its **risk management system** comprises all measures of a systematic and transparent approach towards risks. It aims at identifying risks as early as possible, evaluating them adequately, limiting or avoiding them through suitable measures, as well as monitoring and documenting them. In this context, risks are defined as possible future developments or events, which may lead to negative deviations from the planned operating result. All types of risks are grouped into five categories: external, strategic, financial, operational, and organizational risk. The systematic handling of opportunities, on the other hand, is not part of risk management. > Opportunities Report

Risk management system

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

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

MAIN FEATURES OF THE HUGO BOSS RISK MANAGEMENT SYSTEM



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

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

Risk owners delegate the **regular evaluation** of identified risks to the defined risk experts and give their assessment after a thorough examination. Risk experts are supported by the central risk management. Individual risks are evaluated by assessing their likelihood of occurrence and systematically analyzing their potential impact on the planned operating result (EBIT). Tax risks, however, are evaluated based on their potential impact on cash flow.

RISK MATRIX (AGGREGATED RISKS)

Potential impact (in % of planned EBIT) / Likelihood (within 1 year)	remote ≤10%	unlikely >10% – 25%	possible >25% – 50%	probable >50% – 90%	certain >90%
very high >30%		Politics and society, environment and health, suppliers and sourcing markets	Sales and distribution		
high >15% – 30%		Collection, quality, governance and compliance, IT	Overall economy, logistics		
essential >5% – 15%	Brand and corporate image, facilities	Investments, personnel	Taxes	Currencies	
moderate >2.5% – 5%		Competition, financing and liquidity	Profitability		
low ≤2.5%	Occupational health and safety	Product piracy, vision and direction, counterparties	Legal		

The two valuation criteria of likelihood of occurrence and potential impact make up the **risk matrix**, within which the significance of the risks presented increases from the bottom left to the top right. This is intended to create transparency regarding the Company's current risk situation and support with prioritizing risks. Classification is done by means of summing up all individual risks' weighted averages of the impact scenarios within the respective risk category (potential impact) as well as the weighted average of likelihoods of all individual risks (likelihood). Any net risk as an actual risk potential is defined as the gross risk reduced by the impact of the respective mitigation measures. To create a more differentiated picture of the risk portfolio and improve the prioritization of risks, HUGO BOSS further specified the matrix by increasing the granularity of both valuation criteria from four to five categories in fiscal year 2022.

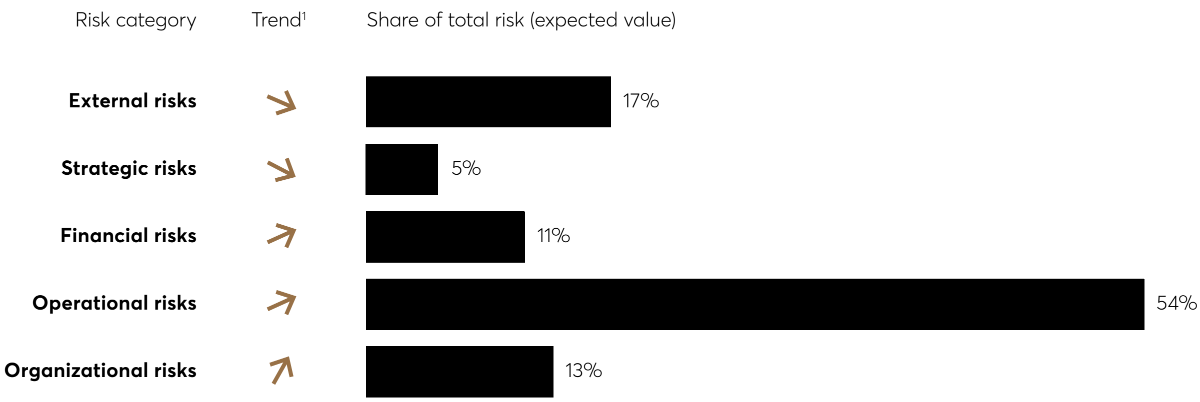
Preparing and implementing appropriate risk mitigation measures is the responsibility of the respective risk owner. In general, **risks are handled** in four different ways: risk avoidance, risk reduction, risk transfer to third parties, and risk acceptance. One component of risk management is thus the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

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

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

Assessment of the risk situation by the Managing Board

DEVELOPMENT AND COMPOSITION OF THE TOTAL RISK EXPOSURE



1 As compared to the prior year.

The individual risks are aggregated using two methods to obtain the most accurate possible overview of the **total risk position** of HUGO BOSS. On the one hand, the expected loss values of all assessed risks within the five risk categories are added together. On the other hand, the probability distributions of all identified risks are aggregated to form a single probability distribution for a possible total loss by means of a Monte Carlo simulation and thus determining maximum annual loss values. The Monte Carlo simulation encompasses risks of all categories, also including non-financial risks. The result of this simulation for fiscal year in 2023 shows that, as in the prior year, the Group's equity is in excess of all simulated risk-dependent loss values, even within the tightest confidence intervals.

The risk management system implemented forms the basis of the assessment of the risk situation by the Managing Board and is regularly monitored by them. Risks with a potential impact that is classified as at least essential are discussed and evaluated by the Managing Board at regular intervals. While the assessment of individual risks in fiscal year 2022 has changed, mainly due to the development of external conditions as well as the impact of our own countermeasures, the overall risk situation for HUGO BOSS has not changed significantly as compared to the prior year. The Managing Board did not identify any individual or aggregate risks that could jeopardize the **continuation of the Company as a going concern** at the time this report was prepared.

Illustration of risks

Risks that have been assessed in the risk management process having an at least essential potential impact for HUGO BOSS are explained in more detail below. In general, it is possible that further latent risks or risks currently assessed as immaterial may have a greater adverse effect on the Group's development in the future than indicated. Regardless of the measures implemented to manage the identified risks, business activity is always exposed to **residual risks** that cannot be entirely avoided even by a risk management system such as that implemented at HUGO BOSS.

RISK CATEGORIES

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

Risks that have an at least essential impact according to the risk matrix are shown in bold and are explained in more detail below. In contrast, risks assessed as only having a low or moderate potential impact are not explained in more detail.

External risks

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

Macroeconomic risks

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

In order to reduce the impact of economic volatility, HUGO BOSS aims to further **balancing its global footprint** as part of its "CLAIM 5" strategy. The Group continuously monitors the macroeconomic environment as well as relevant industry developments in order to identify risks at an early stage and be able to react as quickly as possible. **Internal early indicators** are analyzed regularly to allow a forecast of the impact of potential macroeconomic risks. Possible responses to a cyclical downturn in demand include, in particular, reducing production and sourcing activity, stricter managing trade net working capital, increasing cost controlling, and implementing price adjustments. > Group Management, > Group Strategy, "Organize for Growth"

In its publication in January 2023, the IMF anticipates **global growth** to further slow to 2.9% in fiscal year 2023 (2022: 3.4%; 2021: 6.2%). This forecast reflects ongoing **high levels of inflation, tightening financial conditions** in most regions, and lasting **geopolitical tensions** all weighing heavily on the global economic outlook. In particular, the reversal of monetary and fiscal policies aimed at lowering inflation is expected **to cool demand in many economies**, after having delivered strong stimulus during the pandemic. At the same time, a growing share of economies have been facing a slowdown in growth with the probability of entering a recession mounting up. Consequently, the global economy's future health rests critically on the successful calibration of monetary policy, the further course of the war in Ukraine, and the further evolution of easing supply chain disruptions. > Outlook

Political and social risks

HUGO BOSS is exposed to **political and social risks** due to the global nature of its business activities. For example, changes in the political and regulatory environment, geopolitical tensions, military conflicts, changes in government, or terrorist attacks can have a negative impact on consumer sentiment. In light of HUGO BOSS's global business activities, with distribution in more than 130 countries, the Company is **naturally hedged** against adverse developments in individual markets or regions.

Global uncertainties in the context of political and social developments are expected to remain elevated also in 2023. In this context, the implications of the war in Ukraine, a potential escalation of trade conflicts, or the ongoing threat of terrorist attacks pose a significant risk for the global apparel industry and thus also for the Group's business development.

In particular, the implications of the **war in Ukraine** continue to pose a noticeable risk for HUGO BOSS also in 2023. This first and foremost includes potential shortages and further price increases for energy, electricity, and raw materials, which could also result in interruptions of supply chains and energy supplies. In addition, a significant escalation or further expansion of the war beyond Ukraine would increase the risk of a noticeable global economic downturn and consequently have a significant impact on global consumer sentiment, with a potentially negative impact on the sales and earnings development of HUGO BOSS.

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

Environmental and health risks

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

Besides the potential outbreak of new pandemics, the future course of the **COVID-19 pandemic** continues to pose a noticeable risk for HUGO BOSS also in 2023. Main uncertainties primarily relate to possible new virus variants and additional waves of infection that might lead to renewed restrictions on public life, including regional lockdown measures. With regard to the latter, there is a risk of renewed temporary store closures in markets important to HUGO BOSS. This is accompanied by the risk that a renewed deterioration in consumer sentiment could have a material impact on business performance, with a negative impact on the Group's sales, profitability, and cash flow development. In addition, there remain supplier and sourcing market risks connected to the pandemic including renewed shortages in global production and logistics capacity, as well as a related increase in material, production, and freight costs. Amongst others, this could lead to disruptions in the Company's value chain, thus representing additional sales risks as a result of delayed product availability. As was the case during the peak of the COVID-19 pandemic, we continue to be in close contact with our partners to ensure we are well prepared for any renewed restrictions that may arise. > Sourcing and Production, > Risk Report, Operational Risks

Risks as a result of climate change, such as increasing **water scarcity**, are considered as unlikely for fiscal year 2023. In the future, however, these risks could become more significant for the industry and HUGO BOSS alike. In particular, in the long term there is a risk that an increasing scarcity of water could have negative consequences on the cultivation of cotton, leading to a reduced availability of cotton fibers and higher material costs. Cotton is by far the most used material in the products of BOSS and HUGO.

HUGO BOSS has implemented a **central emergency management system** in order to be able to react promptly and appropriately to an environmental or natural disaster occurring. Its structural organization pools cross-functional skills needed to handle emergencies and is intended to ensure efficient coordination with clear decision-making paths.

Strategic risks

HUGO BOSS primarily includes collection risks, investment risks, as well as risks to the brand and corporate image, among its strategic risks.

Collection risks

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

Comprehensive **analyses of relevant target groups and markets**, the use of digital tools to **identify trends**, as well as detailed evaluations of the **sell-through rates** of previous collections are intended to reduce collection risks. In addition, the collections of BOSS and HUGO aim to be even more relevant in the future by fully incorporating a 24/7 lifestyle approach. In this context, we strongly focus on covering all wearing occasions while particularly targeting younger customer groups. Beyond that, direct customer interaction in our own retail business, feedback from wholesale partners, and insights gathered from our **customer relationship management (CRM)** enable changes in buying behavior to be identified at an early stage and taken into account accordingly in the development of future collections. On top of that, the ongoing **digitalization of the collection development process** enables HUGO BOSS to further shorten lead times in order to respond even more quickly to global trends. > Research and Development, > Group Strategy, "Product is King"

Investment risks

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

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

At HUGO BOSS, there is a specific **approval process** for major investment projects. Apart from qualitative analyses, for example with regard to potential locations of own stores, this also includes an analysis of each project's net present value. **Group Controlling** regularly evaluates planned investment projects with respect to their contribution to the Group's profitability targets. In addition, subsequent analyses are conducted at regular intervals to verify the profitability of projects that have already been realized. Appropriate countermeasures are initiated in the event of any negative deviations from the profitability targets originally set. > Group Management

Risks to the brand and corporate image

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

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

At the same time, the global **branding refresh** in 2022 – from new product, to record-breaking marketing campaigns, and the relaunch of its digital flagship hugoboss.com, up to the rollout of new store concepts for BOSS and HUGO – has further increased brand relevance among consumers, thereby having had a positive impact on the brand image. Consequently, these initiatives resulted in a **higher share of full-price sales** and thus led to a reduction in markdown activity in 2022.

The corporate image of HUGO BOSS is reflected in how it is **perceived by its stakeholders**. All external communication activities are managed by the central departments Corporate Communications, Investor Relations, and Corporate Sustainability, which are involved in continuous dialog with all key stakeholders. Compliance with laws, standards, and guidelines, both within the Group and by partners, is regularly verified.

Financial risks

Financial risks at HUGO BOSS mainly include tax risks and currency risks.

Tax risks

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

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

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

As for taxes, risks may occur primarily from **modifications of tax legislation** in various countries, due to varying assessment of existing topics by tax authorities or tax field audits. There may also be risks in transfer pricing in relation to the business model of the Company. > Notes to the Consolidated Financial Statements, Note 5

Currency risks

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

Currency risks are managed centrally by the **Group Treasury department**. Corporate guidelines form the basis for the selection and scope of hedging and, at the same time, are intended to ensure strict functional separation of trading, settlement, and control of all financial market transactions. The primary objective is to mitigate currency exposure using **natural hedges**. In this way, foreign currency exposures from business operations across the Group can be offset against each other as much as possible, thereby minimizing both the scope of hedging measures and costs. **Foreign exchange forwards and swaps** as well as **plain vanilla options** can be applied to hedge the remaining exposure. > Notes to the Consolidated Financial Statements, Note 22

In the Group's **operating business**, currency risks primarily arise due to products being sourced and sold in different currencies at unequal amounts **(transaction risk)**. In particular, HUGO BOSS does not hedge the transaction risk in connection with its global sourcing activities as these are mainly denominated in U.S. dollars with the corresponding exposure being largely offset by means of a natural hedge via the Company's revenues generated in the U.S. market. Currency risks in financing result from financial receivables, liabilities, and loans to finance Group companies **(transaction risk)**. As of the reporting date, the main financing loans were hedged via foreign exchange forwards. In addition, currency risks exist in connection with the translation of financial statements of Group companies outside the eurozone into the Group currency, the euro **(translation risk)**. The translation risk is monitored on an ongoing basis, however the Group does not hedge against it, as the impact on the Group's statement of financial position and the Group's income statement is not cash-effective. **> Notes to the Consolidated Financial Statements, Consolidation Principles**

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

In accordance with the **requirements of IFRS 7**, HUGO BOSS has determined the impact of transaction risk on the Group's net income and equity based on the balance sheet currency exposure as of December 31, 2022. The exposures include cash, receivables, and liabilities, as well as intercompany loans held in currencies other than the functional currency of the respective Group company.

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

Aggregated across all currencies considered, the **diversified portfolio risk** for the Group's net income after hedging amounts to EUR 22 million (2021: EUR 8 million). Hedging costs for concluding forward exchange transactions are not included. The largest foreign currency exposure results from the balance sheet exposure towards the U.S. dollar, pound sterling, Swiss franc, and renminbi. Due to the cash flow hedging implemented in connection with the own production activities in Turkey, the sensitivity of the Group's equity does not correspond to that of the Group's net income. If the euro had appreciated or depreciated against the Turkish lira by the standard deviation, the Group's equity would have decreased or increased by EUR 1 million in the reporting year (2021: EUR 2 million).

Operational risks

HUGO BOSS faces operational risks, which are mainly associated with suppliers and sourcing markets, sales and distribution, quality, as well as logistics.

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

HUGO BOSS attaches great importance to the careful selection of suppliers and the establishment and maintenance of long-term strategic partnerships. However, there is a risk that production may be temporarily interrupted at one or more suppliers due to supplier-related or regional events, the latter including implications of trade conflicts and restrictions introduced by governments. Excessive **dependence on individual suppliers or production sites** could lead to disruptions in the Group's supply chain and thus to sales risks. HUGO BOSS therefore continues to pursue the goal of a **regionally balanced strategic sourcing mix**, in order to minimize risks such as local or regional capacity shortfalls as far as possible. In this context, the production and sourcing process is coordinated centrally by Business Operations. Supplier relationships are regularly monitored and evaluated with the aim of identifying risks in a timely manner and initiating appropriate measures to ensure product availability. In fiscal year 2022, both the largest external supplier as well as the largest single external production site accounted for 5% of the total sourcing volume (2021: 7% and 3%, respectively).

In the medium term, within the framework of **"nearshoring,"** HUGO BOSS is pursuing the strategic ambition of relocating parts of its sourcing volume closer towards its largest sales markets EMEA and the Americas, thus further strengthening their respective share of the global sourcing mix. In this context, the expansion of the Company's own production capacities at the Izmir (Turkey) site in 2022 represented an important milestone. In addition to closer proximity to its most important sales markets enabling HUGO BOSS a faster replenishment process, the Company will also benefit from greater **independence from external factors**.
> Sourcing and Production

In view of **earthquake risks** and possible risks due to **political uncertainties**, particularly comprehensive measures have been implemented at the Company's largest production site in Izmir (Turkey) in order to limit the impact of a production downtime on Group revenues. For the majority of the production volume, contingency plans are in place to transfer production to external suppliers. In addition, the financial risk in the event of an earthquake is partially covered by insurance policies.

Wage increases in production, in particular in emerging economies, and a rise in the price of relevant raw materials such as cotton, wool, and leather, may lead to **higher production costs** and thus have a negative impact on the gross profit margin and ultimately on the profitability of the Group. In particular during the COVID-19 pandemic, global value chains have been exposed to particular stress. Challenges include shortages in terms of global sourcing and production capacities and a related increase in material and production costs. HUGO BOSS counters these risks with margin-based collection planning, measures to improve efficiency in the production and sourcing processes, continuous optimization in the use of materials, and regular review of its pricing policy.

The forecasting of sales volumes, planning of production capacities, and allocation of raw materials and finished goods as part of the sourcing process involves **scheduling risks**. Deviations from the appropriate allocation can lead to over-scheduling resulting in high inventory levels, on the one hand. On the other, it can also lead to under-scheduling with the risk of missed sales opportunities. In order to reduce scheduling risks, HUGO BOSS is working on constantly improving its forecasting quality and on further increasing the flexibility of merchandise management across distribution channels and markets. In this context, HUGO BOSS is developing a "digital twin" of its value chain – a smart and technology-driven business operations platform. Using real-time data, it will provide the Company with important information from demand planning over production status to intelligent inventory allocation. In addition, HUGO BOSS aims to harmonize purchasing and sales more closely in the future by further shortening the collection development times, thereby enabling the Company to respond even better to market trends and customer needs.

Sales and distribution risks

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

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

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

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

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

Quality risks

When sourcing materials and manufacturing its products, HUGO BOSS places the highest emphasis on **quality**. Thus, we always strive to use high-quality materials and new, innovative manufacturing techniques in order to meet our own high standards of quality and fit. Intensive quality controls at all stages of production and the incorporation of customer feedback are intended to contribute to the continuous improvement of the production process. In addition, both the Company's own production sites as well as those of its partners are regularly monitored to ensure strict compliance with central quality guidelines. Incoming goods inspections as well as intensive quality tests at the Group's headquarters in Metzingen are designed to ensure the high quality standards of HUGO BOSS. > Research and Development, > Sourcing and Production

Logistics risks

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

As a consequence of the COVID-19 **pandemic**, competition for global transport and logistics capacity has intensified noticeably. On the one hand, this has led to a significant increase in freight costs in 2022 compared to pre-pandemic levels. At the same time, risks exist with regard to disruptions or significant delays in product availability. Thanks to its **resilient value chain** and timely and forward-looking actions, HUGO BOSS was largely able to secure sufficient product availability during the pandemic, which is also reflected in the Company's strong business performance in 2022. The Company particularly benefited from its well-balanced global sourcing mix, the flexibility of its own production sites, long-term strategic partnerships with suppliers, and the successful onboarding of new partners. HUGO BOSS will continue to use all means at its disposal also in the current fiscal year to ensure sufficient product availability at the point of sale, while, at the same time, expects at least a partial easing in global transportation and supply chains, particularly in the second half of 2023. However, significant interruptions in product availability and related lost sales opportunities cannot be completely ruled out. > Sourcing and Production

Ensuring sufficient warehouse capacity and a seamless delivery of goods also forms an essential aspect as part of Company's strategic claim "Organize for Growth." In this context, capacity bottlenecks caused by strong top-line growth represent a noticeable risk as they may lead to a delayed delivery of goods or interruptions in product availability at the point of sale. With the aim of constantly improving the **efficiency and flexibility** of its logistics setup while minimizing the associated risks as far as possible, HUGO BOSS will continue to work on further optimizing its global logistics platform in the future. In addition, compliance with comprehensive **fire protection and safety measures** is continuously monitored at all warehouse locations. HUGO BOSS has also taken out insurance to cover the direct financial risk from a loss of goods or equipment stored in warehouses.

Organizational risks

HUGO BOSS considers governance and compliance risks, IT risks, personnel risks, and facility risks to be among its main organizational risks.

Governance and compliance risks

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

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

IT risks

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

HUGO BOSS assumes that global cyber attacks will continue to increase in the future, and consequently regard them as an **"emerging risk."** With the objective of further improving the ability to respond to potential attacks, the Company aims to keep working on the continuous development of its information security program. In this context, the Company has implemented a dedicated security information and event management system, which is intended to provide a complete overview of the Group's IT security.

Personnel risks

Achieving our strategic and financial ambition is largely dependent on the know-how, commitment, and performance of our employees. Ensuring a fair and value-based corporate culture is intended to provide a strong foundation for this. Personnel risks mainly relate to **recruitment bottlenecks**, **shortages of specialists**, and **excessive employee turnover**. HUGO BOSS counters this risk with a forward-looking personnel planning, comprehensive development and training measures, the continuous development of its performance-based remuneration system, and flexible working models to better combine work and private life and to promote employer attractiveness. To measure employee engagement on a regular basis, HUGO BOSS conducts an annual **employee survey** in cooperation with Great Place to Work Germany. In this context, in 2022, the overall satisfaction improved further to 78% (2021: 76%). The Company has set itself the goal to maintain a strong level of at least 75% of overall satisfaction also in the years to come. > Employees and Teams

Facility risks

The global business operations of HUGO BOSS are subject to **facility risks** that may result from physical interruptions of operational processes, in particular at the Group's own production sites. These interruptions could be caused, among others, by natural disasters, fire, terrorist attacks, or vandalism. In order to be able to respond promptly and appropriately in such an event, HUGO BOSS has established a **central emergency management system**, aimed at ensuring efficient coordination with clear decision-making paths. For the Group's largest production site in Izmir (Turkey), contingency plans are in place to transfer production to external suppliers, for example, in the event of an earthquake. In addition, the risks associated with such events are partially covered by **insurance policies**. > Risk Report, External Risks, > Risk Report, Operational Risks

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

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

Using efficient IT systems

Controls across all business units require reliable information to be available and provided on time. The reporting systems of HUGO BOSS are therefore of great importance. The multiyear project launched in 2022 to convert the Group's current SAP based ERP system to SAP S/4HANA is also intended to ensure an even **higher level of control quality** in the future.

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

Clear definition of responsibilities

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

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

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

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

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

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

Training and development of employees

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

Opportunities report

In connection with the successful execution of our "CLAIM 5" strategy, the **early identification and consistent exploitation of business opportunities** is of particular importance and a key element in sustainably increasing the enterprise value. At HUGO BOSS, opportunities are defined as possible positive deviations from planned targets or assumptions in corporate planning.

Opportunity management

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

Short-term opportunities, defined as potential positive deviations from the planned operating result (EBIT) for the current fiscal year, are discussed at regular intervals with the management of the respective market or region, or with the central functions. If necessary, appropriate measures are initiated to exploit them. **Long-term opportunity management** is directly linked to "CLAIM 5." Opportunities identified and assessed in terms of their contribution to the enterprise value are analyzed in detail several times a year as part of strategic planning. Based on this, the Managing Board allocates the necessary resources to the operating units to enable them to benefit from the realization of the respective opportunities.

Illustration of opportunities

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

External opportunities

As a global player in the apparel industry, HUGO BOSS can benefit directly from positive macroeconomic developments and their impact on consumer sentiment and buying behavior. For example, a faster than expected cooling of global inflation or a faster than expected reopening pattern in China following the abrupt end of the zero-COVID policy might lead to a noticeable **uplift in consumer sentiment** and could have a fundamentally positive impact on the demand for premium apparel and accessories. In addition, a more rapid easing of global supply chain disruptions, including a normalization of material, production, and freight cost levels, may have a direct positive impact on the Company's profitability. On top of that, social trends that emphasize the value of high-quality clothing more strongly than in the past could also support the sales performance of HUGO BOSS regardless of the development of the overall consumer sentiment.

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

Financial opportunities

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

Strategic and operational opportunities

As part of our **"CLAIM 5" growth strategy**, we aim at significantly increasing the relevance of our two brands BOSS and HUGO and thus achieving significant top- and bottom-line growth in the medium term. With a broad range of premium apparel and accessories, we intend to benefit in particular from the globally **growing middle and upper class**. In this regard, we are particularly focusing on younger customer groups, such as **Millennials and Gen Z**, with the latter being particularly relevant for the premium apparel industry as it is estimated to make up the largest customer group in that sector by 2030. > Group Strategy

In fiscal year 2023, the successful execution of "CLAIM 5" will remain key to maintain the strong top-line momentum gained in 2022 and to fully exploit opportunities across all business areas. Above all, fully in line with our strategic claim **"Boost Brands,"** we will continue to build on our successful branding refresh. In this context, we comprehensively renewed the images of BOSS and HUGO in 2022, making our brands even more appealing to consumers. Also going forward we will put strong emphasis on spectacular, high-profile brand campaigns to significantly fuel brand power and win over new and younger target groups. On top of that, exceptional events and collaborations will continue to help increasing brand relevance among relevant target groups. To support future growth, we have stepped up our **marketing expenses** and remain committed to continue targeting marketing investments in a range of between 7% and 8% of Group sales also going forward. A further significant increase in brand relevance can have an immediate positive impact on consumer demand and thus boost full-price sales, consequently resulting in higher-than-expected sales and earnings. > Group Strategy, "Boost Brands"

At the same time, HUGO BOSS will continue to fully exploit opportunities in connection with further enhancing the appeal of its collections. Following the successful branding refresh, initiated in early 2022, under the claim **"Product is King,"** we will continue to focus on establishing **BOSS** as a true 24/7 lifestyle brand, thus further leveraging opportunities to attract new customer groups across all wearing occasions. As the first point of contact for younger consumers, **HUGO** will continue to focus on a wide range of trendy and modern products while putting strong emphasis on relevant product categories – including denim, jersey, bodywear, and outerwear – in which the Company sees significant growth opportunities. In this context, HUGO has already achieved important progress by strengthening its product range in 2022 and launching exciting capsule collections with a particular emphasis on these product categories. At the same time, we will further invest in optimizing the **price-value proposition** in the coming years to ensure premium quality, a high level of innovation and sustainability, and to guarantee clear distinguishing features. HUGO BOSS is also committed to exploiting the full potential of **casualwear** in the future, thus helping to lead the casualization trend. At the same time, the Company aims to further strengthen its important **formalwear** business via a modern interpretation, thereby having already launched a number of innovative and functional products such as a washable or extra warm flannel suit. With formalwear regaining momentum since the easing of the pandemic, both the formalwear and the casualwear segments offer enormous potential, which should enable HUGO BOSS to continue to retain a leading position in the upper premium segment of the global apparel market. > Group Strategy, "Product is King"

As part of our distribution activities, we see particular opportunities to further drive traffic and conversion rates along all consumer touchpoints. With a strong focus on translating brand power into all channels, we will further optimize our distribution structure as part of our strategic claim **"Rebalance Omnichannel,"** and significantly advance our omnichannel activities in the coming years. In this context, we aim to ensure a **seamless brand experience across all consumer touchpoints**. To this end, we will continue to expand our presence at all digital touchpoints, for example via the further global expansion of our digital flagship hugoboss.com, after having added another 11 markets in 2022. In addition, with the implementation of our much more **emotional store concepts for BOSS and HUGO** being already in full swing, productivity in brick-and-mortar retail is aimed to further increase also going forward. We also strive to regain market share in key product categories in brick-and-mortar wholesale, having already made initial strong progress in this respect in 2022. With a strong focus on our most important wholesale partners, we will foster BOSS as a **true 24/7 lifestyle brand** in the wholesale business. The reintroduction of BOSS Black, BOSS Orange, and BOSS Green together with the introduction of the BOSS Camel line, both successfully completed in 2022, also play an important role in this context. Consistent exploitation of the various sales-related opportunities may have a direct positive impact on the business performance of HUGO BOSS. > Group Strategy, "Rebalance Omnichannel"

At HUGO BOSS, we regard **digitalization** as key to a personalized, seamless omnichannel consumer experience, while also considering it to be a significant opportunity to further increase efficiency and flexibility along the entire value chain. As part of our claims **"Lead in Digital"** and **"Organize for Growth,"** we are thus fully committed to the further digitalization of all business activities – from digital trend detection and product development to opportunities for AI-enabled pricing, and the Company-wide rollout of our digital showrooms. The **HUGO BOSS Digital Campus** plays a crucial role in this, as it is expected to further strengthen our digital expertise and bring consumer experience to a new level through the targeted use of data. In addition, HUGO BOSS is developing a "digital twin" of its value chain – a smart and technology-driven business operations platform, providing the Company with real-time data, for example, on demand planning, production status, or smart inventory allocation. Successes in this area may have a direct positive impact on the sales and earnings performance of HUGO BOSS. > Group Strategy, "Lead in Digital," > Group Strategy, "Organize for Growth"

In recent years, the importance of environmental and climate protection has increased noticeably overall, also among consumers. Besides high-quality products and a unique shopping experience, customers today increasingly expect compliance with high ecological and social standards. We regard the intensification of our diverse **activities in the area of sustainability** as an additional opportunity to win over young and sustainability-oriented consumers in particular, while at the same time, having a positive impact on society and environment alike. We thus firmly embedded sustainability in our "CLAIM 5" strategy. In addition to circular products, we increasingly focus on innovative, sustainable materials and manufacturing techniques during collection creation and aim to significantly expand our RESPONSIBLE Styles offering going forward. Besides direct opportunities in terms of revenue increases and cost reductions, we regard acting sustainably as an opportunity to further enhance the general reputation of our Company and our brands. > Sustainability, > Combined Non-Financial Statement

Organizational opportunities

HUGO BOSS firmly believes that its employees are the essence to the successful execution of "CLAIM 5." We therefore aim at promoting a **corporate culture** in which the values of entrepreneurial spirit, personal ownership, team mentality, simplicity and quality, and youthful spirit are firmly anchored. They form the guiding principle for day-to-day cooperation and are intended to foster a spirit of mutual trust. This is accompanied by the opportunity to foster creativity and innovation, implement ideas and processes faster and more comprehensively, and consequently achieve competitive advantages.

As an international company, **diversity** is a fundamental part of our corporate culture. We are convinced that heterogeneous and inclusive teams can achieve better and more creative solutions to complex issues and thus make a positive contribution to the successful execution of our "CLAIM 5" strategy. In recognition of the importance of the topic, HUGO BOSS has implemented numerous initiatives to ensure a discrimination-free working environment with equal opportunities and inclusive work culture for all employees. The central Global Diversity and Inclusion department focuses on further raising awareness of diversity and inclusion throughout the Company. In addition, an internal task force of employees from various locations and functional areas supports the execution of defined measures and promotes selected topics within the Company, such as inclusion and diversity in management positions. We are convinced that intensifying our activities in the important area of diversity positively contributes to employee satisfaction and is also considered a relevant factor by potential applicants.

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

OVERALL STATEMENT ON THE BUSINESS PERFORMANCE AND SITUATION OF THE GROUP

For HUGO BOSS, fiscal year 2022 marked a first important milestone in the successful execution of its "CLAIM 5" growth strategy. In particular, the **new and powerful brand image of BOSS and HUGO** drove brand momentum throughout the year, resulting in strong sell-through rates and enabling both brands to successfully expand market share globally. Against this backdrop, we posted **record sales** as well as **strong bottom-line improvements**, thus **exceeding our full-year 2022 sales and earnings targets**. This stellar business performance is all the more remarkable considering the high level of macroeconomic and geopolitical uncertainty in fiscal year 2022, including global supply chain disruptions, the economic implications of the war in Ukraine, and long-lasting pandemic-related restrictions in China. > Comparison of Actual and Forecast Business Performance

The **successful execution of several key brand, product, and sales initiatives** as part of our "CLAIM 5" strategy significantly spurred our operational and financial performance in 2022. In line with our strategic claim **"Boost Brands,"** in January 2022, we comprehensively renewed the brand images of BOSS and HUGO as part of our global branding refresh. Record-breaking global marketing campaigns, numerous exciting brand events, as well as inspiring collaborations significantly drove brand relevance for BOSS and HUGO, in particular among younger consumers. The branding refresh also became visible within our brands' collections as part of our strategic claim **"Product is King."** In this context, the completely new "look and feel" of our products resulted in strong wholesale order intakes as well as robust sell-through rates in own retail. We achieved important progress in further strengthening the 24/7 lifestyle image of BOSS with the reintroduction of the BOSS Black, BOSS Orange, and BOSS Green brand lines as well as the first-time introduction of BOSS Camel. At the same time, HUGO made important progress towards becoming the first point of contact for younger consumers by strengthening its broad range of trendy and contemporary products. We also achieved important successes with regard to our two strategic claims **"Lead in Digital"** and **"Rebalance Omnichannel."** To these ends, the HUGO BOSS Digital Campus successfully implemented the global relaunch of our digital flagship hugoboss.com in early 2022. At the same time, we pushed ahead with the further optimization and modernization of our global store network. New, innovative store concepts for BOSS and HUGO, which aim to be significantly more inviting, digital, and productive, can already be experienced by customers in more than 60 freestanding stores globally. In this regard, the opening of our new BOSS flagship store on Oxford Street in London in mid-2022 represented an important milestone, with the store's new retail approach setting the stage for a leading omnichannel journey. In line with our claim **"Organize for Growth,"** in 2022, we strongly advanced in driving digitalization and increasing efficiency and flexibility along the value chain. In this context, we also opened an additional high-tech factory in Izmir dedicated to the production of casualwear. Our aim is to be able to react even faster and more flexibly in the future, being closer to consumer demand and fulfilling preferences in the best possible way. > Group Strategy, > Sourcing and Production

Overall, **Group sales** increased by a strong 27% currency-adjusted, totaling EUR 3,651 million in 2022, thus exceeding the EUR 3 billion threshold for the first time in the history of HUGO BOSS (2021: EUR 2,786 million). Growth was broad-based with both our brands, all regions, and distribution channels contributing to growth. Consequently, currency-adjusted revenues significantly exceeded pre-pandemic levels by 26% (2019: EUR 2,884 million). Driven by the strong top-line performance and despite ongoing brand, product, and digital investments as part of "CLAIM 5," in fiscal year 2022 we also recorded significant bottom-line improvements. Consequently, **operating profit (EBIT)** increased by 47% to an amount of EUR 335 million in fiscal year 2022 (2021: EUR 228 million), resulting in a robust increase in EBIT margin to a level of 9.2% (2021: 8.2%). > Earnings Development, > Financial Position

In **fiscal year 2023**, we will continue to put particular emphasis on the **determined and relentless execution of "CLAIM 5"** to make further progress along our 2025 financial ambition. This includes, above all, building on the strong brand power gained in the wake of the comprehensive branding refresh successfully implemented in 2022 and maintaining the overall top-line momentum. Against the backdrop of ongoing macroeconomic and geopolitical uncertainty, HUGO BOSS expects **Group sales** in 2023 to increase at a mid-single-digit percentage rate. At the same time, the Company forecasts to increase its **EBIT** in 2023 within a range of +5% to +12% to an amount of between EUR 350 million and EUR 375 million. In this context, our investments planned for 2023 as part of "CLAIM 5" to further strengthen products, brands, and digital expertise are expected to be more than offset by efficiency gains, in particular when it comes to our brick-and-mortar retail store network. > Outlook

In view of the strong operational and financial performance in 2022, the very solid financial position, and management's confidence in the further successful execution of "CLAIM 5," the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 9, 2023, a **dividend** of EUR 1.00 per share for fiscal year 2022, corresponding to an increase of 43% year over year (2021: EUR 0.70). In view of its healthy balance sheet structure and ongoing positive free cash flow generation, the Group remains in an **exceedingly solid economic situation** at the time of preparing this report. > Outlook

Metzingen, February 22, 2023

HUGO BOSS AG
The Managing Board

Daniel Grieder
Yves Müller
Oliver Timm

CHAPTER 3
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE STATEMENT

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

Close and continuous dialog between Managing Board and Supervisory Board

Managing Board and Supervisory Board issue declaration of compliance

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

In fiscal year 2022, the Managing Board and Supervisory Board dealt in detail with compliance with the requirements of the German Corporate Governance Code (GCGC) and, as a result, issued the **Declaration of Compliance** most recently in February 2023. It is included at the end of this chapter and, like previous declarations of compliance, published on the corporate website. Apart from the exceptions mentioned therein, HUGO BOSS complies with the recommendations of the GCGC as amended on April 28, 2022, published in the Bundesanzeiger [German Federal Gazette] on June 27, 2022.

The **Corporate Governance Statement** (pursuant to Sec. 289f and Sec. 315d HGB ["Handelsgesetzbuch": German Commercial Code]) contains, among other things, the declaration of compliance, disclosures on corporate governance practices, and a description of the working methods of the Managing Board and the Supervisory Board. It is also available at cgs.hugoboss.com.

Corporate governance practices

As an international Company, HUGO BOSS is aware of its corporate responsibility vis-à-vis employees, society, and the environment. In this context, **responsible corporate action** is an important prerequisite for ensuring competitiveness and long-term success. Consequently, HUGO BOSS not only places the highest demands on innovation and the quality of its products, but also takes social and ecological factors into account in all activities along the value chain. With **sustainability** being an integral part of its business activities, HUGO BOSS has divided corporate responsibility into six fields of actions: we, environment, employees, partners, product, and society. HUGO BOSS always complies with the applicable regulatory frameworks as well as its internal guidelines. > Sustainability

Corporate compliance

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

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

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

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

Capital market communication

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

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

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

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

When making decisions and in performing their duties for HUGO BOSS, members of the Managing Board and Supervisory Board are not permitted to pursue their personal interests or grant other persons unjustified advantages. **No conflicts of interest** of members of the Managing Board or Supervisory Board were reported in fiscal year 2022. The mandates held by the Managing Board and Supervisory Board members in statutory supervisory boards or comparable domestic and foreign oversight committees of business enterprises are listed in the notes to the consolidated financial statements. > Notes to the Consolidated Financial Statements, Additional Disclosures on the Members of the Supervisory Board and the Managing Board

The Managing Board

The Managing Board of HUGO BOSS consists of the Chairman of the Managing Board and the members of the Managing Board with equal rights and their respective areas of responsibility. At the end of fiscal year 2022, the Managing Board comprised **three members**.

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

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

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

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

Decisions on the specific **composition of the Managing Board** are made by the Supervisory Board in the interest of the Company and taking into account all circumstances of the individual case. With the exception of the target for the proportion of women on the Managing Board, the aforementioned composition targets were achieved throughout the reporting period. Pursuant to Sec. 111 (5) AktG ["Aktiengesetz": German Stock Corporation Act], the Supervisory Board of HUGO BOSS has set the **target of having at least one female Managing Board member by no later than December 31, 2023**.

The GCGC stipulates that the Managing Board shall pay attention to **diversity** when filling management positions in the Company, and shall in particular strive for an appropriate consideration of women. The Managing Board of HUGO BOSS is committed to this objective. It has already paid attention to the diversity of the workforce in the past and will continue to do so in future. Pursuant to Sec. 76 (4) AktG, the Managing Board has set the target of achieving a proportion of women of at least 40% at the first management level, and at least 50% at the second management level below the Managing Board for the reference period up to December 31, 2025. As of December 31, 2022, the **proportion of women at the first management level below the Managing Board was 28%**, while it was 46% at the **second management level below the Managing Board**. Both proportions were hence broadly in line with the prior-year level (December 31, 2021: 29% and 45%, respectively). HUGO BOSS strives to ensure that all genders are adequately represented within the workforce. However, positions are filled solely on the basis of the qualifications of the applicants, even if this might lead to a proportion of women that is lower than the target. > Employees and Teams

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

The Supervisory Board

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

In accordance with the recommendation in Sec. C.1 of the GCGC, the Supervisory Board adopted a **Supervisory Board competency profile** and set specific targets for its **composition**. Accordingly, the Supervisory Board should include at least two members with an international background. In fiscal year 2022, the Supervisory Board had three members who were nationals of countries other than Germany. In addition, further Supervisory Board members with German nationality have international professional experience. Furthermore, none of the members may have any potential conflicts of interest. **No conflicts of interest** of members of the Supervisory Board were reported in fiscal year 2022. None of the current members of the Supervisory Board previously held a Managing Board position within the Company. There were also no advisory or other service agreements in place between members of the Supervisory Board and the Company in the reporting year. In addition, no member of the Supervisory Board should be older than 69 years at the time of election. However, the Supervisory Board has not set a standard limit for the length of membership of the Supervisory Board. HUGO BOSS has the opinion that a predefined length of membership is not appropriate, as the Company also benefits from the expertise of long-standing Supervisory Board members.

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

The Supervisory Board also adopted the following additional composition targets, with the aid of which **diversity** on the Supervisory Board as a whole is to be achieved **(diversity and competency concept for the Supervisory Board)**:

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

All composition targets were either reached or exceeded throughout the reporting period, with the **implementation status of the diversity and competency concept** being disclosed below.

IMPLEMENTATION STATUS OF THE DIVERSITY AND COMPETENCY CONCEPT FOR THE SUPERVISORY BOARD

Member	Inter-nationality	Expertise accounting	Expertise auditing	Expertise branding, supply chain and/or distribution	Current or former manager of another company	Expertise of the Company itself	Expertise regarding sustainability matters relevant to the Company	Indepen-dence
Hermann Waldemer, Chairman	X	X	X	X	X	X	X	X
Sinan Piskin, Deputy Chairman						X	X	X
Iris Epple-Righi	X			X	X	X	X	X
Katharina Herzog	X	X	X			X	X	X
Anita Kessel						X		X
Gaetano Marzotto	X	X	X	X	X	X	X	
Luca Marzotto	X	X	X	X	X	X	X	
Tanja Silvana Nitschke					X	X	X	X
Christina Rosenberg	X			X	X	X	X	X
Martin Sambeth					X	X	X	X
Bernd Simbeck						X		X
Robin J. Stalker	X	X	X	X	X	X	X	X

Criterion met, based on a self-assessment by the Supervisory Board. An "X" means at least "good knowledge" on the basis of existing qualifications or the knowledge and experience acquired in the course of work as a member of the Supervisory Board.

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

The Supervisory Board regularly reviews the **efficiency** of its activities. In fiscal year 2022, as in previous years, the assessment of the members of the Supervisory Board was obtained by means of a comprehensive questionnaire. The external evaluation of the completed questionnaires and the suggestions for improvement contained therein were analyzed and discussed in detail at the Supervisory Board meeting on December 6, 2022. The Supervisory Board drew an overall favorable conclusion.

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

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

1. Audit Committee

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

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

The Supervisory Board assured itself that Robin J. Stalker, Chairman of the Audit Committee, is independent.

Pursuant to the German Stock Corporation Act, the Supervisory Board must have at least one member with **expertise in the area of accounting** and at least one additional member with **expertise in the auditing of financial statements**. According to the GCGC, expertise in the area of accounting consists of specialist knowledge and experience in the application of accounting principles and internal control and risk management systems, while expertise in the area of auditing consists of specialist knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance. In the persons of Hermann Waldemer and Robin J. Stalker, the Supervisory Board and the Audit Committee have two members with expertise in both the area of accounting and the auditing of financial statements, thus complying with the requirements of the German Stock Corporation Act. Pursuant to the GCGC, the Chairman of the Audit Committee shall be an expert in at least one of these two areas while also being independent. The Chairman of the Audit Committee, Robin J. Stalker, fulfills both these requirements.

In the course of his professional career, **Hermann Waldemer** has gained extensive knowledge in the application of accounting principles and internal control and risk management systems as well as in the field of auditing financial statements during his work as a certified tax consultant and certified public accountant, before serving many years as Chief Financial Officer of a publicly listed international company. He deepened and broadened this experience at HUGO BOSS, having served as the Chairman of the Audit Committee between 2015 and 2020 before having been appointed Chairman of the Supervisory Board in 2020. He actively applies this expertise for the benefit of the Supervisory Board and the Audit Committee of HUGO BOSS.

Robin J. Stalker started his professional career as chartered accountant at a major auditing firm before serving more than 15 years as Chief Financial Officer of a publicly listed international company. He thus has comprehensive knowledge and expertise in the auditing of financial statements as well as in the application of accounting principles and internal control and risk management systems, including sustainability reporting. His activities as Chief Financial Officer of a publicly listed international company also include intensive engagement with non-financial aspects and the reporting thereon. Robin J. Stalker closely follows and monitors current developments in sustainability reporting, participates regularly in stakeholder dialogs, and actively applies this expertise for the benefit of the Supervisory Board and the Audit Committee of HUGO BOSS.

As of December 31, 2022, the Audit Committee comprises the following members: Robin J. Stalker (Chairman), Gaetano Marzotto, Sinan Piskin, Martin Sambeth, Bernd Simbeck, and Hermann Waldemer.

2. Personnel Committee

The Personnel Committee, which has equal representation of shareholders and employees, consists of the Chairman of the Supervisory Board and five other members elected by the Supervisory Board from among its members. It decides on matters relating to the service agreements of the Managing Board members and other contractual matters (including those relating to former Managing Board members and their surviving dependents), prepares the decisions of the Supervisory Board on the appointment and, if necessary, dismissal of members of the Managing Board, and, together with the full Supervisory Board and the Managing

Board, ensures long-term succession planning. Decisions concerning the compensation of Managing Board members (including former Managing Board members and their surviving dependents) as well as regular deliberation on and the review of the compensation system are the responsibility of the full Supervisory Board. However, the Personnel Committee submits proposals in preparation for decisions on these matters. In addition, the Personnel Committee makes decisions in accordance with Sec. 114 AktG (Contracts with Supervisory Board Members) and Sec. 115 AktG (Loans to Supervisory Board Members) as well as matters requiring the Supervisory Board's consent in connection with senior management (including the granting of loans to senior management within the meaning of Sec. 89 (2) AktG). To the extent permitted by law, it represents the Company in transactions with Managing Board members (including former Managing Board members and their surviving dependents).

As of December 31, 2022, the Personnel Committee comprises the following members: Hermann Waldemer (Chairman), Anita Kessel, Luca Marzotto, Sinan Piskin, Christina Rosenberg, and Bernd Simbeck.

3. Working Committee

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

As of December 31, 2022, the Working Committee comprises the following members: Hermann Waldemer (Chairman), Iris Epple-Righi, Katharina Herzog, Luca Marzotto, Tanja Silvana Nitschke, and Sinan Piskin.

4. Nomination Committee

The Nomination Committee consists of two members elected by the shareholder representatives of the Supervisory Board, and is thus composed exclusively of shareholder representatives in accordance with the recommendation in Sec. D.4 of the GCGC. Its task is to identify suitable candidates for the election of shareholder representatives to the Supervisory Board, and to propose them to the Supervisory Board for its election proposals at the Annual Shareholders' Meeting.

As of December 31, 2022, the Nomination Committee comprises the following members: Hermann Waldemer (Chairman) and Gaetano Marzotto.

5. Mediation Committee

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

As of December 31, 2022, the Mediation Committee comprises the following members: Hermann Waldemer (Chairman), Anita Kessel, Gaetano Marzotto, and Sinan Piskin.

Risk management and risk controlling

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

Financial reporting and audit of the financial statements

The financial reports of HUGO BOSS are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The Audit Committee established by the Supervisory Board regularly **monitors the financial reporting process** and the **audit of the financial statements**. Since fiscal year 2022, the audit has been performed by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, with Marco Koch having signed the auditors' report together with Dr. Thomas Reitmayr. It was agreed with the auditor with respect to the reporting year that the Chairman of the Audit Committee shall be informed without delay during the audit of any possible grounds for disqualification or partiality that could not be immediately rectified. It was also agreed that the external auditor is obliged to report on any findings or events arising during the performance of the audit that are of importance to the duties of the Supervisory Board. In addition, the external auditor is obliged to inform the Supervisory Board and state in his audit report if findings are made during the audit that are inconsistent with the declaration of compliance made by the Managing Board and Supervisory Board pursuant to Sec. 161 AktG. Moreover, the Supervisory Board requested a declaration of independence from the external auditor and duly convinced itself of the auditor's independence. This declaration also included mandates to perform non-auditing services..

Compensation of the Managing Board and Supervisory Board

HUGO BOSS considers transparent and comprehensible reporting on the compensation of the Managing Board and Supervisory Board as an important element of good corporate governance. The **compensation report** pursuant to Sec. 162 AktG outlines and explains the compensation of current and former members of the Managing Board and the Supervisory Board of HUGO BOSS AG in fiscal year 2022. The main features of the compensation systems for the Managing Board and Supervisory Board applicable in fiscal year 2022 are also outlined. > Compensation Report

Declaration of compliance

Most recently in February 2023, the Managing Board and Supervisory Board of HUGO BOSS AG issued the following declaration prescribed by Sec. 161 AktG:

"Declaration of compliance

Declaration of the Managing Board and Supervisory Board of HUGO BOSS AG pursuant to section 161 AktG (German Stock Corporation Act)

HUGO BOSS AG, Metzingen, Securities ID A1PHFF, International Securities ID DE000A1PHFF7

The Managing Board and Supervisory Board of HUGO BOSS AG herewith declare pursuant to section 161 para. 1 sentence 1 AktG (German Stock Corporation Act) that since the Compliance Declaration of December 2022, the recommendations of the Government Commission "German Corporate Governance Code" in the version of April 28, 2022 – published in the Federal Gazette on June 27, 2022 – ("GCGC 2022") have been and will be complied with except for:

- Deviating from the recommendation in A.5 GCGC 2022, the reporting in the management report and the Group management report of HUGO BOSS AG is based on the legal requirements of Section 289 (4) and Section 315 (4) of the German Commercial Code (HGB) and contains detailed information on the accounting-related internal control system and the risk management system. Recommendation A.5, however, goes significantly beyond the legal requirements. At this stage, it is unclear what disclosures the GCGC 2022 requires on the appropriateness and effectiveness of these systems that go beyond the law. HUGO BOSS AG therefore declares a deviation from recommendation A.5 of the GCGC 2022 as a precautionary measure.

- Deviating from the recommendation in G.11 sentence 2 GCGC 2022, the currently existing employment contracts with the members of the Managing Board in part do not provide for the possibility to withhold or reclaim variable compensation in justified cases. The compensation system approved by the Annual Shareholders Meeting on May 11, 2021 provides for this possibility. The corresponding adjustment of the employment contracts will be made at the latest in the context of the extension of an existing contract or in the case of a new appointment, so that the recommendation will be complied with from that point on.

Metzingen, February 2023"

COMPENSATION REPORT

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

Compensation system geared towards long-term success of HUGO BOSS

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

HUGO BOSS considers transparent and comprehensible reporting on the compensation of the Managing Board and the Supervisory Board as an **important element of good corporate governance**. The following compensation report pursuant to Sec. 162 AktG ["Aktiengesetz": German Stock Corporation Act] outlines and explains the compensation of the current and former members of the Managing Board and of the Supervisory Board of HUGO BOSS AG in fiscal year 2022. In order to facilitate the context of the disclosures and to enhance understanding, the main features of the compensation systems for the Managing Board and the Supervisory Board applicable in fiscal year 2022 are also outlined. In addition, a detailed description of the compensation systems for the Managing Board and the Supervisory Board can be found at **compensation.hugoboss.com**.

Review of compensation in fiscal year 2022

Resolution on the approval of the compensation report for fiscal year 2021

The report in accordance with Sec. 162 AktG on the compensation awarded or due to present and former members of the Managing Board and Supervisory Board of HUGO BOSS AG in fiscal year 2021, which was prepared in accordance with the requirements of Sec. 162 AktG, was **approved by the Annual Shareholders' Meeting** on May 24, 2022 with a majority of 74.74% of the capital represented in accordance with Sec. 120a (4) AktG. The Managing Board and Supervisory Board see this vote as a confirmation of the format used for the compensation report 2021 for the first time. Therefore this format has been retained in its basic features in the present compensation report 2022. In addition, further improvements, such as in the disclosure of the so-called CEO Investment Opportunity, were implemented. The latter continues to be considered as a compensation by a third party, thus explicitly not being part of the compensation system in accordance with Sec. 87a AktG.

Application of the compensation system for the Managing Board in fiscal year 2022

The **current compensation system for the Managing Board**, for which the main features are presented later in this report, was approved at the Annual Shareholders' Meeting on May 11, 2021 with a majority of 93.83% of the capital represented, and applies to all new appointments and agreement extensions. In addition, individual compensation was granted to the members of the Managing Board within the meaning of Sec. 162 AktG in fiscal year 2022, which had been agreed in previous fiscal years under the compensation system applicable at the time. This compensation is also presented and explained below, where relevant.

The Personnel Committee regularly reviews the **appropriateness and customarily nature of the compensation** of the Managing Board members and, if necessary, proposes adjustments to the Supervisory Board in order to ensure that compensation for the members of the Managing Board is customary for the market and competitive within the applicable framework. The suitability was last reviewed in March 2022. In this context, the compensation of the members of the Managing Board was compared with the companies of the DAX and MDAX as well as relevant competitors, taking into account the size criteria of revenues, employees, and market capitalization **(horizontal comparison)**. The review led to the conclusion that the compensation of the members of the HUGO BOSS Managing Board continues to be considered in line with market practices. In addition, the appropriateness of the Managing Board compensation within the Group is reviewed annually based on the development of the Managing Board compensation compared to the development of the senior management compensation, defined as the first management level below the Managing Board, and to the development of the compensation of the employees as a whole, defined as the average compensation of the Group's full-time employees **(vertical comparison)**.

In accordance with the applicable compensation system, the Supervisory Board has set specific **target compensation** for each member of the Managing Board. The target compensation set for the members of the Managing Board was not adjusted in fiscal year 2022, nor are adjustments planned for fiscal year 2023, apart from any possible adjustments in the context of individual agreement extensions.

In fiscal year 2022, there were two personnel changes on the Managing Board of HUGO BOSS AG. Effective February 28, 2022, **Chief Brand Officer (CBO)** Ingo Wilts left the Managing Board for personal reasons. The duties that fell under the responsibility of Ingo Wilts were assumed by Chief Executive Officer (CEO) Daniel Grieder. Effective May 31, 2022, **Chief Operating Officer (COO)** Dr. Heiko Schäfer left the Managing Board to pursue a new professional assignment outside the Group. All functional areas, reporting to Dr. Heiko Schäfer were divided among the remaining Managing Board members, with Chief Financial Officer (CFO) Yves Müller additionally assuming the role of COO.

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

In the case of the **short-term incentive (STI)**, the strong sales and EBIT development in fiscal year 2022, primarily reflecting the successful execution of the "CLAIM 5" strategy, resulted in a financial outperformance of criteria targets set for fiscal year 2022 at the beginning of the reporting year. The average level of target achievement for the STI 2022 amounted to 150%. The payment due for fiscal year 2022 from the **long-term incentive (LTI)** tranche issued in fiscal year 2019 amounts to 81% of the target value (payment in fiscal year 2023).

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

This compensation report is prepared jointly by the Managing Board and the Supervisory Board. The compensation report is audited by the **external auditor** as part of the formal audit required by law pursuant to Sec. 162 (3) AktG. The corresponding **report on the audit of the compensation report** is attached to this compensation report. > Report of the Independent Auditor on the Audit of the Compensation Report in accordance with Section 162 (3) AktG

Application of the compensation system for the Supervisory Board in fiscal year 2022

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

Compensation of the members of the Managing Board in fiscal year 2022

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

The compensation system complies with the requirements of the German Stock Corporation Act, in particular the requirements of the Act Implementing the Shareholder Rights Directive II (SRD II), and is based on the recommendations of the GCGC as amended on December 16, 2019. It furthermore complies with the recommendations stipulated in the updated GCGC as amended on April 28, 2022. The compensation system of the Managing Board is an important element of the Group's orientation and is intended to significantly **contribute to driving operational performance** and the **successful execution of the Group strategy**, and thus to the long-term success of HUGO BOSS. It is intended to support successful and sustainable business activities. The compensation of the members of the Managing Board is therefore linked to the short- and long-term development of the Company. By selecting suitable performance criteria, important incentives are simultaneously set for the successful execution of the "CLAIM 5" strategy.

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

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

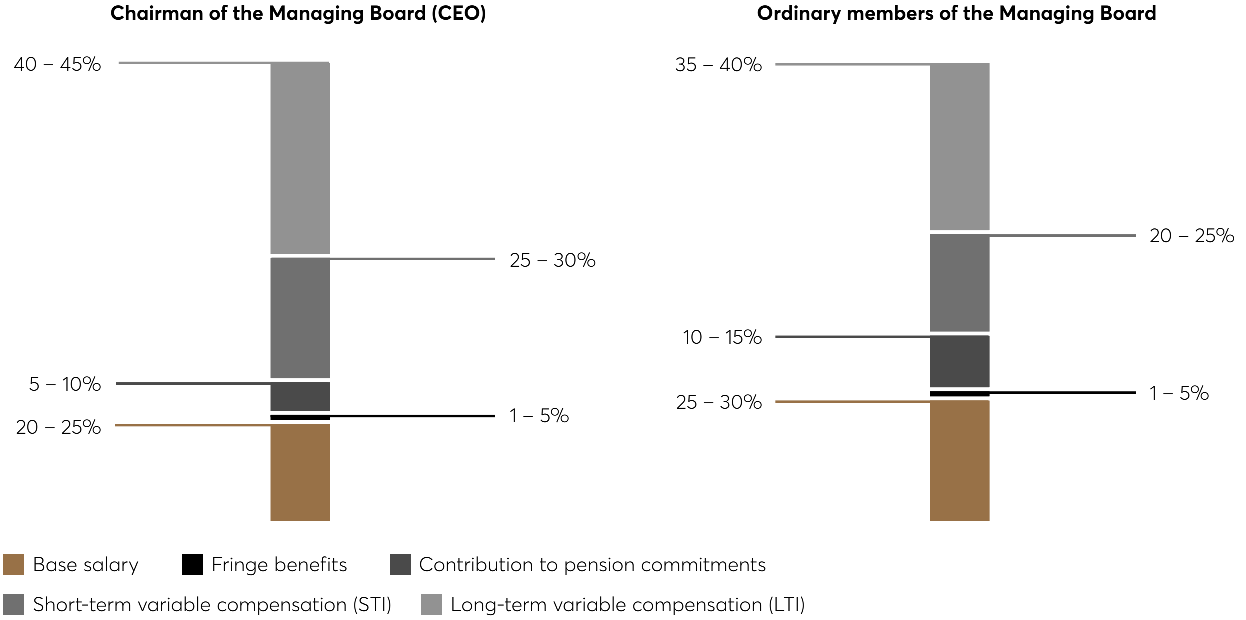
The following table shows the **basic components of the compensation system for the Managing Board and their structure**. The components and their specific application in fiscal year 2022 are explained in detail below.

OVERVIEW OF THE COMPENSATION SYSTEM

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

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

COMPENSATION STRUCTURE OF THE MANAGING BOARD



Non-performance-related (fixed) compensation components

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

The **fixed basic compensation** is paid as a monthly salary. It takes into account the role assigned to the member of the Managing Board and the associated duties and responsibilities of that member. The current annual basic compensation of the Managing Board members active as of December 31, 2022 is EUR 1,300 thousand for Daniel Grieder, EUR 750 thousand for Yves Müller, and EUR 750 thousand for Oliver Timm.

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

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

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

PENSION COMMITMENTS (IN EUR THOUSAND)

	Daniel Grieder Chairman of the Managing Board (since June 1, 2021)		**Yves Müller** Member of the Managing Board (since December 1, 2017)		**Oliver Timm** Member of the Managing Board (since January 1, 2021)	
	2022	2021	**2022**	2021	**2022**	2021
Service cost under IFRS	520	303	300	380	300	300
Pension provision under IFRS	0	0	0	0	0	0

	Dr. Heiko Schäfer Member of the Managing Board (from March 16, 2020 until May 31, 2022)		**Ingo Wilts** Member of the Managing Board (from August 15, 2016 until February 28, 2022)		**Total**	
	2022	2021	**2022**	2021	**2022**	**2021**
Service cost under IFRS	290	290	290	290	**1,700**	**1,563**
Pension provision under IFRS	0	0	0	0	**0**	**0**

Performance-related (variable) compensation components

The compensation system of the Managing Board comprises two performance-related components: short-term variable compensation (STI) and long-term variable compensation (LTI). Both are linked to the performance of the Company, aimed at providing **incentives for the successful execution of the Group strategy** and for the **value-creating and long-term development of HUGO BOSS**. The performance criteria and the key indicators used in fiscal year 2022 for the performance assessment in the context of variable compensation are consistent with the Group strategy, and derived from the strategic targets as well as operational performance indicators of HUGO BOSS. In addition, they correspond to the applicable compensation system.

Short-term incentive (STI) for 2022

General functioning
The STI is the short-term variable compensation component, with the term being one year. The amount of the STI is based on the development of financial performance criteria. In accordance with the Group's management system, the Supervisory Board has defined the following **three financial performance criteria as target components**:

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

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

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

STI TARGET BONUS SYSTEM

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

Contribution to the long-term development of the Group

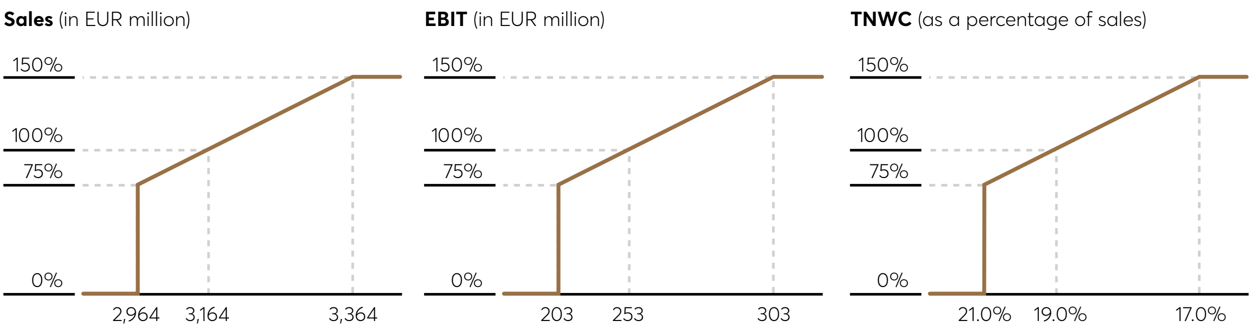
The STI is intended to ensure the **continuous execution of the operational targets**, the achievement of which is of material importance for the long-term success of the Group. In light of the "CLAIM 5" strategy, which aims at achieving significant top- and bottom-line improvements by 2025, sales and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

Financial performance criteria

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

For fiscal year 2022, the Supervisory Board has set the following **target achievement corridors** at the beginning of the fiscal year with regard to the respective financial targets:

STI TARGET ACHIEVEMENT CORRIDORS FOR FISCAL YEAR 2022



In the event of **100% target achievement** for the STI 2022, a total amount of EUR 2,763 thousand would be paid out for the Managing Board members active as of December 31, 2022 (Daniel Grieder EUR 1,500 thousand, Yves Müller EUR 613 thousand, and Oliver Timm EUR 650 thousand), whereas EUR 500 thousand would be paid out to the former member of the Managing Board Ingo Wilts. To settle the entitlement from the STI 2022, Dr. Heiko Schäfer was granted a payment of EUR 490 thousand based on a target compensation of EUR 500 thousand agreed in the separation agreement dated May 2022. The payment became due in September 2022.

With regard to the financial performance criteria relevant for fiscal year 2022, the Supervisory Board determined the following **target achievement** based on the performance corridors defined at the beginning of the fiscal year:

TARGET ACHIEVEMENT STI 2022 (IN EUR MILLION)

Target component	Target weighting	Target value 2022 (based on target achievement of 100%)	Performance corridor (Min/Max) 2022	Actual value 2022	Target achievement 2022
Sales[1]	30%	3,164	2,964 to 3,364	3,488	150%
EBIT	40%	253	203 to 303	335	150%
Trade net working capital as a percentage of sales	30%	19.0%	21.0% to 17.0%	15.0%	150%
Total	**100%**				**150%**

1 Use of exchange rates underlying the budget.

For fiscal year 2022, **average target achievement** thus amounts to 150%.

Target achievement STI 2022

The **individual payout amounts** for the STI 2022, which are allocated to the compensation awarded and due in fiscal year 2022, are therefore as follows:

PAYOUT FOR THE STI 2022

	Target amount (in EUR thousand)	Total target achievement	Payout amount (in EUR thousand)
Members of the Managing Board as of December 31, 2022			
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	1,500	150%	2,250
Yves Müller, Member of the Managing Board since December 1, 2017	613	150%	919
Oliver Timm, Member of the Managing Board since January 1, 2021	650	150%	975
Former Members of the Managing Board			
Dr. Heiko Schäfer, Member of the Managing Board from March 16, 2020 until May 31, 2022[1]	500	n.a.	490
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	500	150%	750
Total	**3,763**		**5,384**

1 To settle the entitlement from the STI 2022, Dr. Heiko Schäfer was granted a payment of EUR 490 thousand based on a target compensation of EUR 500 thousand agreed in the separation agreement dated May 2022. The payment became due in September 2022.

Outlook for the STI for fiscal year 2023

For the **STI for fiscal year 2023**, the three financial performance criteria described above, together with their respective weighting, remain unchanged. The specific targets for the three performance criteria will be disclosed and described in the compensation report for fiscal year 2023.

Long-term incentive (LTI) for 2022

General functioning

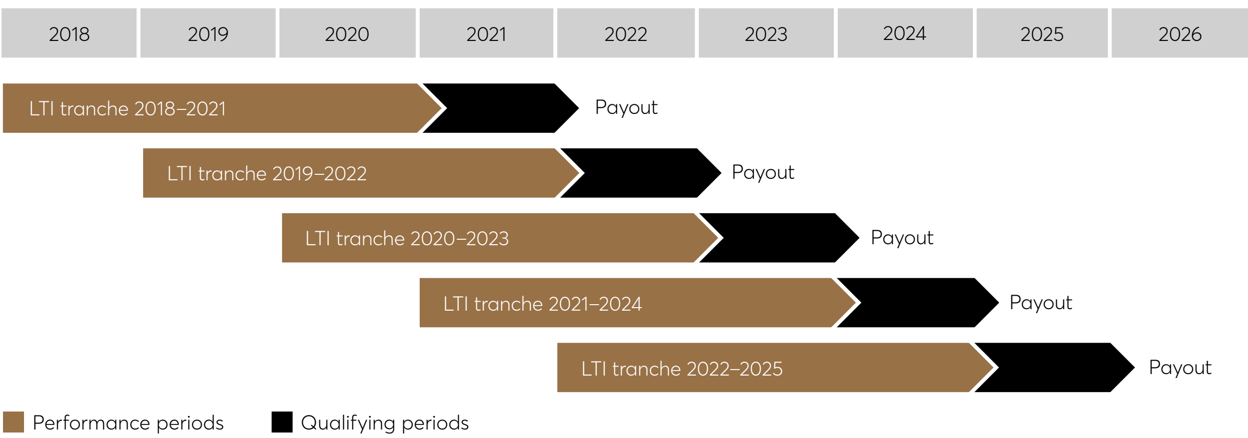
The LTI is the long-term variable compensation component. It is designed in the form of a **performance share plan** that takes into account both financial targets relevant to the Group strategy and non-financial ESG (environment, social, governance) targets. Consequently, the LTI is intended to ensure that the members of the Managing Board of HUGO BOSS pursue a sustainable business policy which is aligned to the interests of the Company. Accordingly, the Supervisory Board has determined the following **four performance criteria as additively linked target figures** for the LTI:

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

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

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

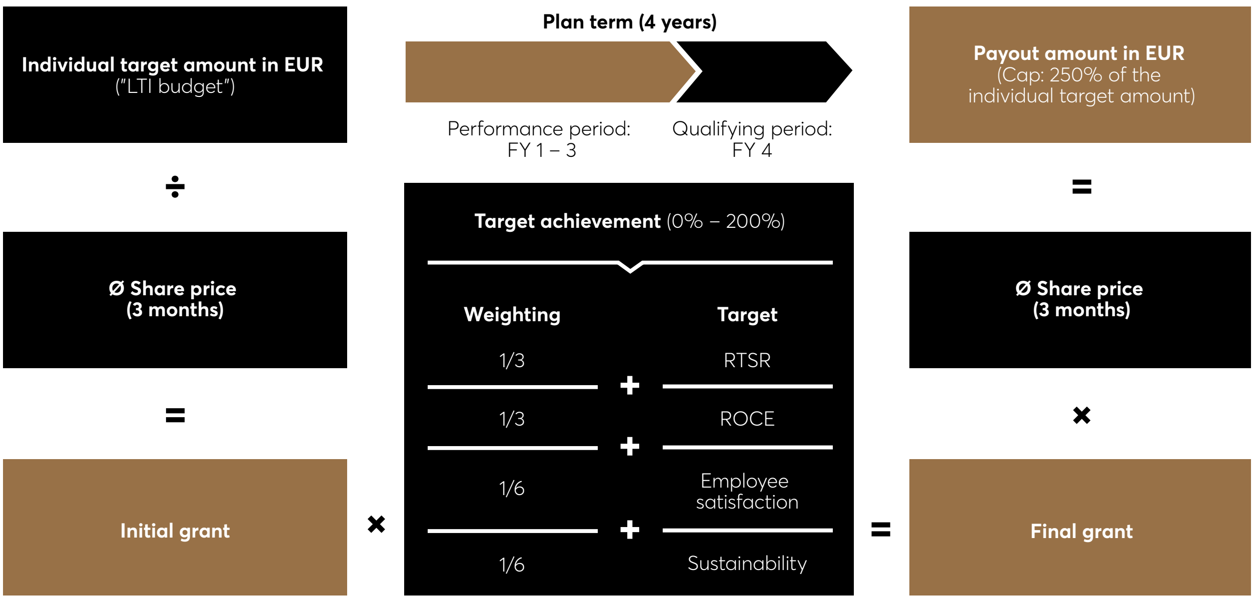
PERFORMANCE PERIODS AND QUALIFIYING PERIOD OF LTI TRANCHES



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

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

LTI TARGET ACHIEVEMENT SYSTEM



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

Contribution to the long-term development of the Group

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

Individual LTI budget for the LTI 2022–2025 issued in fiscal year 2022

The following table shows the **grants** for the LTI 2022–2025 issued in fiscal year 2022. It includes the target amount, the number of provisionally granted virtual shares, the payout cap, and the fair value at grant date in accordance with "IFRS 2 Share-based Payment".

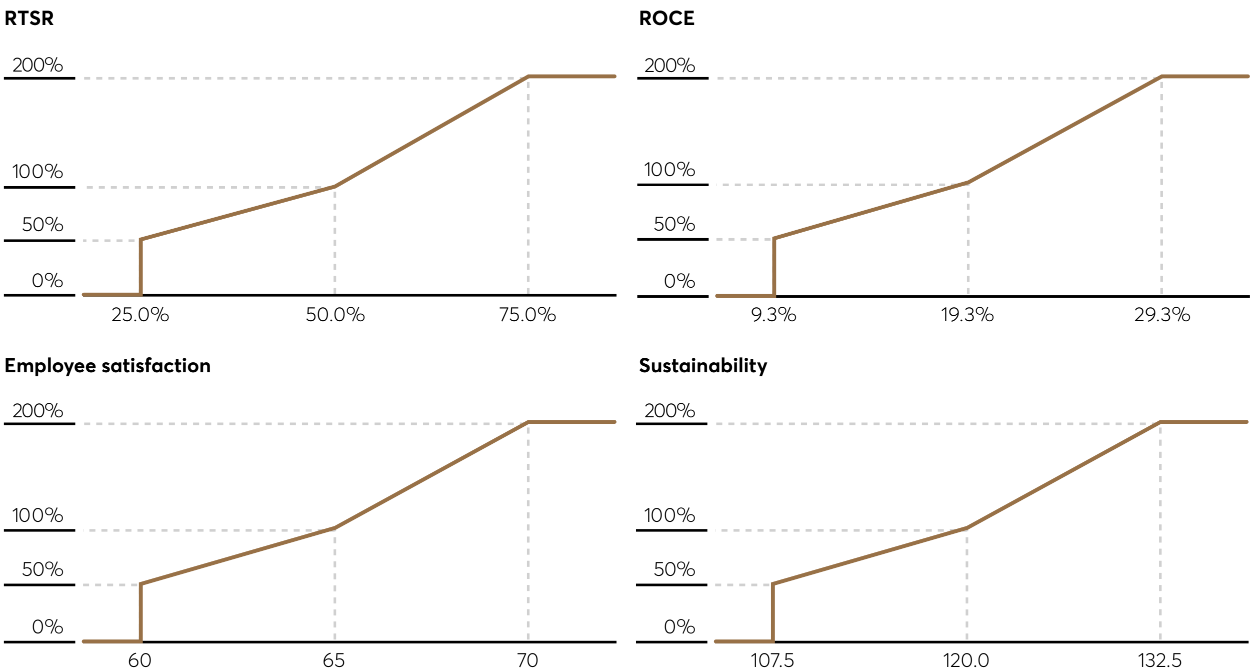
ALLOCATION OF LTI 2022–2025

	Target amount ("LTI budget") in EUR thousand	Average share price of HUGO BOSS in Q4 2021 in EUR	Provisionally granted number of virtual shares ("initial grant")	Payout cap (250% of target amount) in EUR thousand	Fair value at grant date in EUR thousand
Members of the Managing Board as of December 31, 2022					
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	2,400	53.78	44,627	6,000	2,334
Yves Müller, Member of the Managing Board since December 1, 2017	938	53.78	17,433	2,344	912
Oliver Timm, Member of the Managing Board since January 1, 2021	1,000	53.78	18,595	2,500	973
Former Members of the Managing Board					
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	250	53.78	4,649	625	243

To settle the entitlement from the LTI 2022–2025, Dr. Heiko Schäfer was granted a payment of EUR 158 thousand agreed in the separation agreement dated May 2022. The payment became due in September 2022. As agreed with Ingo Wilts in the separation agreement dated February 2022, his initial LTI budget for the LTI 2022–2025 in the amount of EUR 750 thousand was reduced to an amount of EUR 250 thousand.

Financial and non-financial performance criteria for the LTI 2022–2025 issued in fiscal year 2022
The targets and thresholds set out below for the LTI's four performance criteria apply throughout the entire performance period of the tranche.

TARGET ACHIEVEMENT CORRIDORS FOR LTI TRANCHE 2022–2025



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

RELATIVE TOTAL SHAREHOLDER RETURN (RTSR) – PEER GROUP

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

In line with the Company's "CLAIM 5" strategy, the Supervisory Board is convinced that the comparison with relevant competitors in the premium segment of the global apparel industry best reflects the strategic positioning of the two brands BOSS and HUGO.

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

The **ROCE** represents the return on capital employed and is determined by dividing the EBIT by average capital invested. The degree of **employee satisfaction** is measured by the "Employee Trust Index" as part of an employee survey conducted annually by Great Place to Work. The **sustainability** performance is determined by the Company's results in the annual Dow Jones Sustainability Index (DJSI) assessment in which the sustainability performance of listed companies is assessed by an independent index provider.

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

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

Annual target achievement levels of the performance criteria for the LTI 2022–2025 issued in fiscal year 2022

As shown, target achievement for the LTI's performance criteria is determined on an annual basis. For fiscal year 2022, the Supervisory Board has determined the following **target achievement for the LTI 2022–2025**:

TARGET ACHIEVEMENT 2022 OF THE LTI 2022–2025 (ON A PRELIMINARY BASIS)

Target component	Target weighting	Target value (based on target achievement of 100%)	Performance corridor (Min/Max)	Actual value 2022	**Target achievement 2022**
RTSR	33%	50.0%	25.0% to 75.0%	90.9%	200%
ROCE	33%	19.3%	9.3% to 29.3%	21.6%	122%
Employee satisfaction	17%	65	60 to 70	71	200%
Sustainability performance	17%	120.0	107.5 to 132.5	181.3	200%
Total	**100%**				**174%**

For fiscal year 2022, the **target achievement level** (on a preliminary basis) of the LTI 2022–2025 is 174%.

Payout from the LTI 2019–2022 issued in fiscal year 2019

The following table provides an overview of the **overall target achievement** of the LTI 2019–2022 awarded in fiscal year 2022 (payout in fiscal year 2023):

FINAL TARGET ACHIEVEMENT LTI 2019–2022

Target component	Target weighting	Target value (based on target achievement of 100%)	Performance corridor (Min/Max)	Actual value 2019	Actual value 2020	Actual value 2021	Actual value (average 2019–2021)	**Final target achievement**
RTSR[1]	33%	2.5%	(10.0)% to 15.0%	(54.8)%	(58.8)%	73.4%	(13.4)%	0%
ROCE	33%	44.0%	32.0% to 56.0%	35.3%	33.5%	29.0%	32.6%	53%
Employee satisfaction	17%	62	57 to 67	63	64	71	66	180%
Sustainability performance	17%	115.0	102.5 to 127.5	111.6	130.3	148.3	130.1	200%
Total	**100%**							**81%**

1 In the previous compensation system applicable up to and including April 1, 2021, the RTSR was based on a comparison with the MSCI World Textiles, Apparel & Luxury Goods Performance Index.

The final target achievement level of the LTI 2019–2022 is 81%. The **individual payout amounts resulting from the LTI 2019–2022** (payout in fiscal year 2023) are as follows:

PAYOUT FOR THE LTI 2019–2022

	Target amount ("LTI budget") in EUR thousand	Average share price of HUGO BOSS in Q4 2018 in EUR	Provisionally granted number of virtual shares ("initial grant")	Final target achievement	Finally granted number of virtual shares ("Final Grant")	Average share price of HUGO BOSS in Q4 2022 in EUR	Payout amount in EUR thousand
Members of the Managing Board as of December 31, 2022							
Yves Müller, Member of the Managing Board since December 1, 2017	700	60.97	11,482	81%	9,286	50.15	466
Former Members of the Managing Board							
Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022	711	60.97	11,666	81%	9,434	50.15	473
Total	**1,411**		**23,148**		**18,720**		**939**

Current members of the Managing Board Daniel Grieder and Oliver Timm as well as former member of the Managing Board Dr. Heiko Schäfer will not receive any payment from the LTI 2019–2022, as they have not been members of the Managing Board in fiscal year 2019.

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

Under the separation agreement dated April 2020, former Chairman of the Managing Board Mark Langer was entitled to a payment for the pro-rata earned tranches of the LTI 2019–2022 and LTI 2020–2023 totaling EUR 993 thousand, which was paid out in March 2022.

Total number of virtual shares outstanding at the end of fiscal year 2022

The following overview outlines the total number of **virtual shares (initial grant)** held by current members of the Managing Board at the end of fiscal year 2022:

TOTAL NUMBER OF VIRTUAL SHARES (INITIAL GRANT) AT THE END OF FISCAL YEAR 2022 (IN UNITS)

	LTI 2022–2025	LTI 2021–2024	LTI 2020–2023	LTI 2019–2022	Balance at the end of fiscal year 2022
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	44,627	57,004	0	0	101,631
Yves Müller, Member of the Managing Board since December 1, 2017	17,433	30,538	17,016	11,482	76,469
Oliver Timm, Member of the Managing Board since January 1, 2021	18,595	40,717	0	0	59,312
Total	**80,655**	**128,259**	**17,016**	**11,482**	**237,412**

Outlook on the financial and non-financial performance criteria of LTI 2023–2026
The Supervisory Board is convinced that the four target components described above promote the **sustainable and long-term development of the Company**. For this reason, the four target components also apply to the LTI 2023–2026 to be issued in fiscal year 2023.

Special compensation (sign-on, bonuses)

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

When concluding the respective service agreement in 2020, the Supervisory Board resolved to grant a **one-off payment (sign-on)** of EUR 500 thousand to Oliver Timm, who has been a member of the Managing Board since January 1, 2021. This serves to partially compensate for the loss of variable compensation components (restricted stock units) from his former employer. Partial amounts of EUR 300 thousand and EUR 100 thousand were paid out in fiscal year 2021 and fiscal year 2022, respectively. A further EUR 100 thousand was paid out at the beginning of fiscal year 2023.

Malus and clawback regulations

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

In fiscal year 2022, the Supervisory Board **did not make use** of the option to reduce or reclaim variable compensation components.

Share Ownership Guidelines

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

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

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

The members of the Managing Board are entitled to contribute any **existing pre-held shares**. The following table shows the **shares held** by the active members of the Managing Board as of December 31, 2022.

SHARES DIRECTLY HELD BY MEMBERS OF THE MANAGING BOARD

	Contributed existing pre-held shares acquired prior to Managing Board activity	Shares acquired during Managing Board activity	Number of shares as of December 31, 2022	XETRA closing price on December 30, 2022	**Total value of shares as of December 31, 2022 (in EUR thousand)**
Daniel Grieder, Chairman of the Managing Board since June 1, 2021	40,000	41,000	81,000	54.16	4,387
Yves Müller, Member of the Managing Board since December 1, 2017	0	18,000	18,000	54.16	975
Oliver Timm, Member of the Managing Board since January 1, 2021	1,333	16,000	17,333	54.16	939
Total	**41,333**	**75,000**	**116,333**	**54.16**	**6,301**

For Daniel Grieder and Oliver Timm, the SOG do not apply as of December 31, 2022, as their service contracts were concluded prior to the introduction of the current compensation system by resolution of the Annual Shareholders' Meeting 2021. The SOG will be applied once the respective service contracts are either extended or amended. For Yves Müller, however, the SOG apply following the extension of his service arrangement in April 2022. As of December 31, 2022, Yves Müller has already exceeded the requirements of the SOG, both in terms of the review due for the first time in March 2023 and in terms of the total period of five years.

Maximum compensation

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

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

The compensation of the members of the Managing Board is limited in two respects. Firstly, the **performance-related components are subject to maximum limits**, which amount to 150% of the target amount for the STI and 250% for the LTI. These limits were complied with in all cases with respect to the performance-related compensation awarded and due in fiscal year 2022, as shown in the following table:

Compliance with the maximum compensation for the performance-related compensation of the Managing Board awarded and due in fiscal year 2022

		Daniel Grieder Chairman of the Managing Board (since June 1, 2021)			Yves Müller Member of the Managing Board (since December 1, 2017)			Oliver Timm Member of the Managing Board (since January 1, 2021)		
(in EUR thousand)		Target compensation	Max.	Payout	Target compensation	Max.	Payout	Target compensation	Max.	Payout
Short-term variable compensation	STI 2022	1,500	2,250	2,250	613	919	919	650	975	975
Long-term variable compensation	LTI 2019–2022	0	0	0	700	1,750	466	0	0	0
Total		**1,500**	**2,250**	**2,250**	**1,313**	**2,669**	**1,385**	**650**	**975**	**975**

		Dr. Heiko Schäfer Member of the Managing Board (from March 16, 2020 until May 31, 2022)			Ingo Wilts Member of the Managing Board (from August 15, 2016 until February 28, 2022)		
(in EUR thousand)		Target compensation	Max.	Payout	Target compensation	Max.	Payout
Short-term variable compensation	STI 2022	500	n.a.	490	500	750	750
Long-term variable compensation	LTI 2019–2022	0	0	0	711	1,778	473
Total		**500**	**n.a.**	**490**	**1,211**	**2,528**	**1,223**

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

The **maximum compensation valid** for fiscal year 2022 is EUR 11,000 thousand for the Chairman of the Managing Board and EUR 5,500 thousand for the ordinary members of the Managing Board. Compliance with the maximum compensation for fiscal year 2022 can only be reported in the compensation report for fiscal year 2025, since the final payout for the LTI 2022–2025 depends on the share price performance of HUGO BOSS in the fourth quarter of 2025.

Compensation-related legal matters

Regulations for the termination of Managing Board activity

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

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

The service agreements do not provide an extraordinary right to termination in the event of a **change of control** (acquisition of more than 30% of the voting rights in HUGO BOSS AG). This also applies to new appointments or extension agreements. There are no other compensation agreements.

Post-contractual non-compete clause

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

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

Individualized disclosure of the compensation of the Managing Board

Compensation awarded and due to current members of the Managing Board in fiscal year 2022 pursuant to Sec. 162 AktG

The following table shows the non-performance-related and performance-related compensation components awarded and due to **current members of the Managing Board** (active as of December 31, 2022) in the past fiscal year, including the respective relative share in accordance with Sec. 162 AktG. These include the basic compensation paid in the fiscal year, the fringe benefits accrued in the fiscal year, the pension allowance paid in the fiscal year, the STI 2022 awarded in fiscal year 2022 (payout in fiscal year 2023), the LTI 2019–2022 awarded in fiscal year 2022 (payout in fiscal year 2023), and any special compensation.

COMPENSATION AWARDED AND DUE

		Daniel Grieder Chairman of the Managing Board (since June 1, 2021)				**Yves Müller** Member of the Managing Board (since December 1, 2017) Spokesperson of the Managing Board (from July 16, 2020 until May 31, 2021)			
		2022		2021		**2022**		2021	
		in EUR thousand	**in %**	in EUR thousand	in %	**in EUR thousand**	**in %**	in EUR thousand	in %
Fixed compensation	Basic compensation	1,300	35	758	37	750	35	750	35
	Fringe benefits	132	4	68	3	20	1	30	1
	Pension allowance	0	0	0	0	0	0	0	0
Total		**1,432**	**39**	**826**	**41**	**770**	**36**	**780**	**36**
Short-term incentive	STI 2022	2,250	61	0	0	919	43	0	0
	STI 2021	0	0	1,212	59	0	0	693	32
Long-term incentive	LTI 2019–2022	0	0	0	0	466	22	0	0
	LTI 2018–2021	0	0	0	0	0	0	294	14
Total		**2,250**	**61**	**1,212**	**59**	**1,385**	**64**	**986**	**46**
Other	Special compensation	0	0	0	0	0	0	400	18
Total compensation		**3,682**	**100**	**2,038**	**100**	**2,154**	**100**	**2,166**	**100**

		Oliver Timm Member of the Managing Board (since January 1, 2021)			
		2022		2021	
		in EUR thousand	in %	in EUR thousand	in %
Fixed compensation	Basic compensation	750	41	750	38
	Fringe benefits	15	1	45	2
	Pension allowance	0	0	0	0
Total		**765**	**42**	**795**	**40**
Short-term incentive	STI 2022	975	53	0	0
	STI 2021	0	0	900	45
Long-term incentive	LTI 2019–2022	0	0	0	0
	LTI 2018–2021	0	0	0	0
Total		**975**	**53**	**900**	**45**
Other	Special compensation	100	5	300	15
Total compensation		**1,840**	**100**	**1,995**	**100**

Compensation awarded and due to former members of the Managing Board in fiscal year 2022

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

COMPENSATION AWARDED AND DUE

		Dr. Heiko Schäfer Member of the Managing Board (from March 16, 2020 until May 31, 2022)				Ingo Wilts Member of the Managing Board (from August 15, 2016 until February 28, 2022)			
		2022		2021		2022		2021	
		in EUR thousand	in %	in EUR thousand	in %	in EUR thousand	in %	in EUR thousand	in %
Fixed compensation	Basic compensation	725	59	725	50	750	38	725	42
	Fringe benefits	11	1	19	1	10	1	22	1
	Pension allowance	0	0	0	0	0	0	0	0
Total		**736**	**60**	**744**	**52**	**760**	**38**	**747**	**44**
Short-term incentive	STI 2022	490	40	0	0	750	38	0	0
	STI 2021	0	0	693	48	0	0	679	40
Long-term incentive	LTI 2019–2022	0	0	0	0	473	24	0	0
	LTI 2018–2021	0	0	0	0	0	0	286	17
Total		**490**	**40**	**693**	**48**	**1,223**	**62**	**965**	**56**
Other	Pension payments	0	0	0	0	0	0	0	0
	Deferred compensation payments	0	0	0	0	0	0	0	0
Total compensation		**1,226**	**100**	**1,436**	**100**	**1,983**	**100**	**1,712**	**100**

		Mark Langer Chairman of the Managing Board (from May 19, 2016 until July 15, 2020) Member of the Managing Board (from January 15, 2010 until May 18, 2016)			
		2022		2021	
		in EUR thousand	**in %**	in EUR thousand	in %
Fixed compensation	Basic compensation	0	0	0	0
	Fringe benefits	0	0	0	0
	Pension allowance	0	0	0	0
Total		**0**	**0**	**0**	**0**
Short-term incentive	STI 2022	0	0	0	0
	STI 2021	0	0	725	64
Long-term incentive	LTI 2019–2022[1]	993	100	0	0
	LTI 2018–2021	0	0	404	36
Total		**993**	**100**	**1,129**	**100**
Other	Pension payments	0	0	0	0
	Deferred compensation payments	0	0	0	0
Total compensation		**993**	**100**	**1,129**	**100**

1 Under the separation agreement dated April 2020, former Chairman of the Managing Board Mark Langer was entitled to a payment for the pro-rata earned tranches of the LTI 2019–2022 and LTI 2020–2023 totaling EUR 993 thousand, which was paid out in March 2022.

No non-performance-related or performance-related compensation components were awarded and due to the former members of the Managing Board Bernd Hake (ordinary member of the Managing Board from March 1, 2016 until July 2, 2019), Claus-Dietrich Lahrs (Chairman of the Managing Board from August 1, 2008 until February 29, 2016), and Christoph Auhagen (ordinary member of the Managing Board from December 1, 2009 until April 22, 2016) in fiscal year 2022 or in fiscal year 2021.

Target compensation and actual compensation of the current members of the Managing Board for fiscal year 2022

The following table shows the respective **target compensation** of the members of the Managing Board active as of December 31, 2022 for fiscal year 2022. This includes the target compensation agreed for the fiscal year in the event of a target achievement of 100%, supplemented by details of the minimum and maximum compensation achievable on an individual basis. In addition, the allocation for the fiscal year are stated as **actual compensation** according to the GCGC. This actual compensation comprises the fixed compensation paid out in the fiscal year, the fringe benefits accrued in the fiscal year, the pension allowance due for the fiscal year, the payout due in March 2023 from the STI 2022, and the payout due in March 2023 from the LTI 2019–2022. The ongoing pension commitments also include the service costs incurred for the fiscal year in accordance with IFRS.

TARGET COMPENSATION AND ACTUAL COMPENSATION ACCORDING TO GCGC IN FISCAL YEAR 2022

(in EUR thousand)		Daniel Grieder Chairman of the Managing Board (since June 1, 2021) Target compensation	Minimum compensation	Maximum compensation	Allocation	Yves Müller Member of the Managing Board (since December 1, 2017) Target compensation	Minimum compensation	Maximum compensation	Allocation
Fixed compensation	Basic compensation 2022	1,300	1,300	1,300	1,300	750	750	750	750
	Fringe benefits 2022	132	132	132	132	20	20	20	20
	Pension allowance 2022	0	0	0	0	0	0	0	0
Total		**1,432**	**1,432**	**1,432**	**1,432**	**770**	**770**	**770**	**770**
Short-term incentive	STI 2022	1,500	0	2,250	2,250	613	0	919	919
Long-term incentive	LTI 2022–2025	2,400	0	6,000	–	938	0	2,344	–
	LTI 2019–2022	–	–	–	0	–	–	–	466
Total		**3,900**	**0**	**8,250**	**2,250**	**1,550**	**0**	**3,263**	**1,385**
Pension	Service costs 2022	520	520	520	520	300	300	300	300
Other	Special compensation 2022	0	0	0	**0**	0	0	0	**0**
Total compensation		**5,852**	**1,952**	**10,202**	**4,202**	**2,620**	**1,070**	**4,332**	**2,454**

(in EUR thousand)		Oliver Timm Member of the Managing Board (since January 1, 2021) Target compensation	Minimum compensation	Maximum compensation	Allocation
Fixed compensation	Basic compensation 2022	750	750	750	750
	Fringe benefits 2022	15	15	15	15
	Pension allowance 2022	0	0	0	0
Total		**765**	**765**	**765**	**765**
Short-term incentive	STI 2022	650	0	975	975
Long-term incentive	LTI 2022–2025	1,000	0	2,500	–
	LTI 2019–2022	–	–	–	0
Total		**1,650**	**0**	**3,475**	**975**
Pension	Service costs 2022	300	300	300	300
Other	Special compensation 2022	100	100	100	**100**
Total compensation		**2,815**	**1,165**	**4,640**	**2,140**

Compensation of the members of the Supervisory Board in fiscal year 2022

Principles of the compensation system for the Supervisory Board

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

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

Structure and application of the compensation system of the Supervisory Board in fiscal year 2022

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

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

COMPENSATION FOR SUPERVISORY BOARD ACTIVITY AND MEMBERSHIP IN A COMMITTEE

Compensation for Supervisory Board function

Chairman	Deputy Chairman	Ordinary Member
EUR 200,000 2.5 times the base amount	EUR 140,000 1.75 times the base amount	EUR 80,000 Base amount

Compensation for membership in a committee

	Working Committee	Audit Committee	Personnel Committee	Nomination Committee
Chairman	EUR 60,000	EUR 60,000	EUR 60,000	–
Ordinary Member	EUR 30,000	EUR 30,000	EUR 30,000	EUR 20,000

No further compensation is granted beyond the compensation described above. Consequently, the current system does not foresee variable compensation components or attendance fees.

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

In fiscal year 2022, the compensation system for the Supervisory Board was applied in full as set out in Art. 12 of the Company's Articles of Association. In fiscal year 2022, the members of the Supervisory Board **did not receive any further compensation or benefits** for services provided individually, in particular consulting and mediation services. Furthermore, no loans or advances were granted to the members of the Supervisory Board, nor were there any contingent liabilities in their favor.

Individualized disclosure of the compensation of the Supervisory Board

The following table shows the **fixed and variable compensation components which were awarded and due to current and former members of the Supervisory Board in the past fiscal year**, including the respective relative share in accordance with Sec. 162 AktG. In accordance with Art. 12 of the Company's Articles of Association, the total amount of the compensation of the Supervisory Board is due after the end of the Annual Shareholders' Meeting that decides on the approval of the Supervisory Board for the respective past fiscal year. The disclosure for fiscal year 2022 relates to the fixed compensation awarded for the Supervisory Board's activities in fiscal year 2022 (payout in fiscal year 2023) and the compensation awarded for committee membership in fiscal year 2022 (payout in fiscal year 2023).

COMPENSATION AWARDED AND DUE

		Fixed compensation (base amount)		Compensation for committee work		Total compensation	
Current members of the Supervisory Board		**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Hermann Waldemer Chairman	in EUR thous.	200	200	150	150	350	350
	in %	57	57	43	43	100	100
Sinan Piskin Deputy Chairman	in EUR thous.	140	140	90	90	230	230
	in %	61	61	39	39	100	100
Iris Epple-Righi	in EUR thous.	80	80	30	30	110	110
	in %	73	73	27	27	100	100
Katharina Herzog	in EUR thous.	80	80	30	30	110	110
	in %	73	73	27	27	100	100
Anita Kessel	in EUR thous.	80	80	30	30	110	110
	in %	73	73	27	27	100	100
Gaetano Marzotto	in EUR thous.	80	80	50	50	130	130
	in %	62	62	38	38	100	100
Luca Marzotto	in EUR thous.	80	80	60	60	140	140
	in %	57	57	43	43	100	100
Tanja Silvana Nitschke	in EUR thous.	80	80	30	30	110	110
	in %	73	73	27	27	100	100
Christina Rosenberg	in EUR thous.	80	80	30	30	110	110
	in %	73	73	27	27	100	100
Martin Sambeth	in EUR thous.	80	80	30	30	110	110
	in %	73	73	27	27	100	100
Bernd Simbeck (since Sep. 1, 2021)	in EUR thous.	80	27	60	20	140	47
	in %	57	57	43	43	100	100
Robin J. Stalker	in EUR thous.	80	80	60	60	140	140
	in %	57	57	43	43	100	100

Former members of the Supervisory Board		**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Antonio Simina until Aug. 31, 2021	in EUR thous.	–	53	–	40	–	93
	in %	–	57	–	43	–	100

No compensation was awarded and due to the former members of the Supervisory Board Kirsten Kistermann-Christophe, Fridolin Klumpp, Michel Perraudin, and Axel Salzmann, who all left the Supervisory Board on May 27, 2020, either in fiscal year 2022 or in fiscal year 2021.

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

Comparative presentation of compensation and earnings development

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

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

(Annual change in %)	2022 vs. 2021	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
Key earnings figures					
Group sales	31	43	(33)	3	2
Group's operating result (EBIT)	47	197	(169)	(1)	2
Group´s net income	54	166	(207)	(13)	2
Net income of HUGO BOSS AG	41	163	(191)	(14)	(17)
Employee compensation[1]					
Employees HUGO BOSS Group	14[2]	9[3]	–	–	–
Compensation of the Managing Board					
Members of the Managing Board as of December 31, 2022					
Daniel Grieder (Chairman since 06/2021)	81	–	–	–	–
Yves Müller (since 12/2017; Spokesperson of the Managing Board from 07/2020 until 05/2021)	(1)	70	7	(27)	1,647
Oliver Timm (since 01/2021)	(8)	–	–	–	–

1 In accordance with Sec. 26J (2) sentence 2 EGAktG ["Einführungsgesetz zum Aktiengesetz": German Introductory Act to the Stock Corporation Act], a comparison of the average employee compensation on a full-time equivalent basis over the last five fiscal years in pursuant to Sec. 162(1) sentence 2 No. 2 AktG is not yet to be included in the compensation report.
2 In absolute terms, this reflects an increase in the Group-wide average compensation of employees on a full-time equivalent basis from EUR 46 thousand in fiscal year 2021 to EUR 52 thousand in fiscal year 2022. The increase largely reflects salary increases against the backdrop of the high level of global inflation, measures implemented in fiscal year 2021 in connection with COVID-19 to reduce working hours and personnel costs, as well as currency effects.
3 The increase in employee compensation in fiscal year 2021 also reflects the measures implemented in fiscal year 2020 in connection with COVID-19 to reduce working hours and personnel costs.

(Annual change in %)	2022 vs. 2021	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
Former members of the Managing Board					
Dr. Heiko Schäfer (from 03/2020 until 05/2022)	(15)	59	–	–	–
Ingo Wilts (from 08/2016 until 02/2022)	16	36	1	(25)	39
Mark Langer (Chairman from 05/2016 until 07/2020, Ordinary member from 01/2010 until 05/2016)	(12)	24	(46)	(27)	25
Bernd Hake (from 03/2016 until 07/2019)	–	–	(48)	(81)	48
Christoph Auhagen (from 12/2009 until 04/2016)	–	–	–	–	–
Claus-Dietrich Lahrs (Chairman from 08/2008 until 02/2016)	–	–	–	–	–
Compensation of the Supervisory Board					
Members of the Supervisory Board as of December 31, 2022					
Hermann Waldemer (since 05/2015; Chairman since 05/2020)	0	57	47	(18)	4
Sinan Piskin (since 11/2008; Deputy Chairman since 05/2020)	0	62	37	(18)	4
Iris Epple-Righi (since 05/2020)	0	99	–	–	–
Katharina Herzog (since 05/2020)	0	99	–	–	–
Anita Kessel (since 05/2015)	0	49	(8)	(18)	4
Gaetano Marzotto (since 02/2010)	0	80	81	(18)	4
Luca Marzotto (since 02/2010)	0	45	(7)	(18)	4
Tanja Silvana Nitschke (since 05/2015)	0	68	64	(18)	4
Christina Rosenberg (since 05/2020)	0	106	–	–	–
Martin Sambeth (since 08/2016)	0	73	59	(18)	4
Bernd Simbeck (since 09/2021)	198	–	–	–	–
Robin J. Stalker (since 05/2020)	0	96	–	–	–
Former members of the Supervisory Board					
Antonio Simina (until 08/2021, Deputy Chairman until 05/2020)	–	(16)	(44)	(22)	4
Kirsten Kistermann-Christophe (until 05/2020)	–	–	(75)	(18)	4
Fridolin Klumpp (until 05/2020)	–	–	(75)	(18)	4
Michel Perraudin (Chairman until 05/2020)	–	–	(72)	(15)	3
Axel Salzmann (until 05/2020)	–	–	(75)	(18)	4

CEO Investment Opportunity

Prior to Daniel Grieder assuming his duties, a so-called **CEO Investment Opportunity** was agreed between Daniel Grieder and the Marzotto family, the aim of which is to provide an incentive for a substantial and sustainable increase in the share price of HUGO BOSS. Classified as compensation by a third party, the CEO Investment Opportunity is explicitly not part of the compensation system in accordance with Sec. 87a AktG. Therefore, it is not to be included in the maximum compensation.

The Supervisory Board discussed the CEO Investment Opportunity agreement at a plenary meeting and noted it with approval. In the opinion of the Supervisory Board, there are no conflicts of interest arising from the CEO Investment Opportunity, as it is directly tied to the **long-term share price performance** of HUGO BOSS. Ultimately, all shareholders in HUGO BOSS benefit from a sustainable increase in the share price.

The CEO Investment Opportunity was implemented by setting up an **investment vehicle** titled ZPG HOLDING S.àr.l. ("ZPG"). ZPG bought 625.000 HUGO BOSS shares in mid-2021 for an average share price of EUR 46.40 and will hold these shares until the occurrence of a so-called liquidity event. In this context, Daniel Grieder invested a total amount of EUR 1.5 million in ordinary shares in ZPG, with the rest of the investment provided by PFC S.r.l. and Zignago Holding S.P.A., each controlled by the Marzotto family, and a third-party bank financing. PFC S.r.l. and Zignago Holding S.P.A. hold the remainder of ordinary shares and certain preference shares, with limited economic rights ranking senior to the ordinary shares.

Liquidity events are the exercise of a call option by ZPG, the exercise of a put option by Daniel Grieder, or ZPG selling the HUGO BOSS shares to a third party.

The **call option** may be exercised by ZPG either in the event that Daniel Grieder leaves HUGO BOSS or in a period of 120 days following the ordinary expiration of his employment contract with HUGO BOSS. If the call option is exercised based on a reason for which Daniel Grieder is responsible (e.g., termination by Daniel Grieder not based on good cause), he will receive the lower of either the fair market value of his ZPG shares or the amount of his initial investment. If the call option is exercised without Daniel Grieder having given cause for it (e.g., termination by HUGO BOSS not based on good cause), he will receive the fair market value of his ZPG shares.

The **put option** may be exercised by Daniel Grieder once the average HUGO BOSS share price during a period of 120 days exceeds specific thresholds. The minimum share price required for exercising the put option is EUR 75.10, representing an increase of 62% compared to the average purchase price of HUGO BOSS shares (EUR 46.40). The consideration both in the event of exercising the put option or in case ZPG sells its HUGO BOSS shares to a third party, is the fair market value of the ZPG shares held by Daniel Grieder.

The **fair market value** of the ZPG shares held by Daniel Grieder is linked to the difference between the average purchase price of HUGO BOSS shares (EUR 46.40) and the average share price of HUGO BOSS shares during the 120 days prior to the liquidity event. If the average share price of HUGO BOSS during the 120 days prior to the liquidity event ranges between EUR 46.40 and EUR 75.00, Daniel Grieder will receive back the contributed amount of EUR 1.5 million. If the average share price during the 120 days prior to the liquidity event is less than EUR 46.40, the amount will be correspondingly lower depending on the average share price. By contrast, if the average share price during the 120 days prior to the liquidity event is EUR 75.10 or higher, the fair market value of the ZPG shares held by Daniel Grieder increases depending on the share price performance of HUGO BOSS. For example, an average share price of EUR 75.10 would result in a fair market value of EUR 7.1 million, an average share price of EUR 100.00 in a fair market value of EUR 14.8 million, and an average share price of EUR 126.00 in a fair market value of EUR 23.6 million.

Metzingen, March 7, 2023

HUGO BOSS AG
The Managing Board The Supervisory Board

LEGAL DISCLOSURES

Legal disclosures form part of the combined management report

Corporate governance statement published on the corporate website

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

Corporate governance statement

The **corporate governance statement** (pursuant to Sec. 289f and Sec. 315d HGB) forms part of the combined management report and can be found on the corporate website at **cgs.hugoboss.com**. It is also included in the section "Corporate Governance and Corporate Governance Statement" of this annual report.

Disclosures under takeover law

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

Composition of subscribed capital

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

Restrictions on voting rights or the transfer of shares

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

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

On the basis of the voting rights notifications received by the Company on or before December 31, 2022 in accordance with Sec. 33, 34 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act], the following direct or indirect shares in the Company's capital reach or exceed 10% of the voting rights:

According to the voting rights notifications of February 13, 2020 received from PFC S.r.l., Vicenza, Italy, and Zignago Holding S.p.A., Fossalta di Portogruaro, Italy, these companies together hold 15.45% of the voting rights. According to the notification, there is an agreement between the companies resulting in the voting rights held by the companies being attributed to the respective other company. Specifically, PFC S.r.l. directly holds 5.77% of the voting rights in accordance with Sec. 33 WpHG, while Zignago Holding S.p.A directly holds 9.03% of the voting rights in accordance with Sec. 33 WpHG. In addition, PFC S.r.l. holds 0.27% of the voting rights, and Zignago Holding S.p.A. holds 0.38% of the voting rights via instruments pursuant to Sec. 38 (1) No. 2 WpHG. In total, the combined investment thus exceeds 15% of the voting rights. As of December 31, 2022, HUGO BOSS AG has not been notified of any other direct or indirect capital investments that reach or exceed 10% of the voting rights.

All **notifications on changes in the share of voting rights held** are available on the corporate website at **financialreleases.hugoboss.com**. In addition, the reportable shareholdings notified in fiscal year 2022 can be found in the annual financial statements of HUGO BOSS AG for fiscal year 2022.

Shares with special rights granting control authority

There are no shares with special rights granting control authority.

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

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

Appointment and dismissal of the Managing Board

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

Amendments to the Articles of Association

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

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

By resolution of the Annual Shareholders' Meeting of May 11, 2021, the Managing Board of HUGO BOSS AG may, with the Supervisory Board's consent, increase the share capital by up to EUR 17,600,000 on or before May 10, 2026, by issuing up to 17,600,000 new registered shares on a cash and/or non-cash basis once or repeatedly **(2021 authorized capital)**. In general, shareholders have a subscription right. However, the Managing Board is authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of shareholders up to a maximum of 10% of the share capital (a) to avoid fractional amounts, (b) in the case of a capital increase in exchange for contributions in kind, and (c) in the event that the issue price of new shares in the case of cash-based capital increases is not significantly below the quoted price of the shares already listed on the stock exchange at the time the issue price is finally determined, the time of which should be as close as possible to the time at which the shares are placed; the shares issued, including any shares issued or own shares sold under exclusion of subscription rights pursuant to Sec. 186 (3) Clause 4 AktG – applied directly or by analogy – may not exceed 10% of the share capital either at the time this authorization becomes effective or at the time when it is exercised.

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

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

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

Change of control regulations

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

Compensation agreements

The service agreements of the current members of the Managing Board do not contain a provision under which, in the event of a change of control (acquisition of more than 30% of the voting rights in HUGO BOSS AG), the contracting parties are granted an additional termination right under certain circumstances and, if the service agreement is in fact terminated, the member of the Managing Board must be compensated. > Compensation Report

CHAPTER 4 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2022

CONSOLIDATED INCOME STATEMENT (IN EUR THOUSAND)

	Notes	2022	2021
Sales	(1)	**3,651,378**	**2,786,110**
Cost of sales	(1)	(1,395,052)	(1,065,301)
Gross profit		**2,256,326**	**1,720,809**
In % of sales		61.8	61.8
Selling and marketing expenses	(2)	(1,538,506)	(1,190,623)
Administration expenses	(3)	(382,401)	(302,187)
Operating result (EBIT)		**335,419**	**228,000**
Net interest income/expenses		**(23,879)**	**(20,688)**
Interest and similar income		2,200	1,869
Interest and similar expenses		(26,079)	(22,557)
Other financial items		**(26,245)**	**(10,437)**
Financial result	(4)	**(50,123)**	**(31,125)**
Earnings before taxes		**285,295**	**196,874**
Income taxes	(5)	(63,438)	(52,749)
Net income		**221,858**	**144,125**
Attributable to:			
Equity holders of the parent company		209,495	137,339
Non-controlling interests		12,362	6,786
Earnings per share (EUR)[1]	(6)	**3.04**	**1.99**
Dividend per share (EUR)[2]	(16)	**1.00**	**0.70**

1 Basic and diluted earnings per share.
2 2022: Dividend proposal.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN EUR THOUSAND)

	2022	2021
Net income	**221,858**	**144,125**
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	11,571	8,635
Items that may be reclassified subsequently to profit or loss		
Currency differences	14,423	31,160
Gains/losses from cash flow hedges	3,668	(1,402)
Other comprehensive income, net of tax	**29,662**	**38,393**
Total comprehensive income	**251,520**	**182,518**
Attributable to:		
Equity holders of the parent company	238,538	174,337
Non-controlling interests	12,981	8,180
Total comprehensive income	**251,520**	**182,518**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN EUR THOUSAND)

Assets	Notes	**2022**	2021
Property, plant, and equipment	(8)	471,182	417,974
Intangible assets	(8)	176,619	163,632
Right-of-use assets	(9)	708,198	695,092
Deferred tax assets	(5)	150,636	160,163
Non-current financial assets	(11), (22)	26,474	19,570
Other non-current assets	(11)	1,706	1,125
Non-current assets		**1,534,815**	**1,457,556**
Inventories	(12)	973,560	605,554
Trade receivables	(13)	256,430	234,527
Current tax receivables	(5)	23,074	14,655
Current financial assets	(11), (22)	41,341	27,465
Other current assets	(11)	149,980	111,071
Cash and cash equivalents	(14)	147,403	284,694
Current assets		**1,591,787**	**1,277,966**
Total		**3,126,602**	**2,735,522**

Equity and liabilities			
Subscribed capital	(15)	70,400	70,400
Own shares	(15)	(42,363)	(42,363)
Other capital reserve		1,582	399
Retained earnings		1,022,142	849,603
Accumulated other comprehensive income		64,820	47,348
Equity attributable to equity holders of the parent company		**1,116,581**	**925,387**
Non-controlling interests		18,852	14,306
Group equity		**1,135,433**	**939,693**
Non-current provisions	(17), (18), (19)	91,895	101,846
Non-current financial liabilities	(20), (22)	88,894	103,445
Non-current lease liabilities	(9)	604,928	601,156
Deferred tax liabilities	(5)	10,337	10,643
Other non-current liabilities	(21)	1,703	896
Non-current liabilities		**797,756**	**817,986**
Current provisions	(17)	122,647	99,093
Current financial liabilities	(20), (22)	32,807	32,025
Current lease liabilities	(9)	199,290	193,429
Income tax payables	(5)	20,407	28,364
Trade and other payables		617,110	464,408
Other current liabilities	(21)	201,152	160,524
Current liabilities		**1,193,413**	**977,843**
Total		**3,126,602**	**2,735,522**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IN EUR THOUSAND)

				Retained earnings		Accumulated other comprehensive income		Group equity		
	Subscribed capital	Own shares	Other capital reserves	Legal reserves	Other reserves	Currency translation	Gains/losses from cash flow hedges	Total before non-controlling interests	Non-controlling interests	Group equity
Notes	(15)	(15)								
January 1, 2021	**70,400**	**(42,363)**	**399**	**6,641**	**699,750**	**20,957**	**(1,973)**	**753,811**	**6,126**	**759,937**
Net income					137,339			137,339	6,786	144,125
Other income					8,635	29,766	(1,402)	36,999	1,394	38,393
Comprehensive income					**145,974**	**29,766**	**(1,402)**	**174,337**	**8,180**	**182,518**
Dividend payment					(2,761)			(2,761)		(2,761)
December 31, 2021	**70,400**	**(42,363)**	**399**	**6,641**	**842,963**	**50,723**	**(3,375)**	**925,387**	**14,306**	**939,693**
January 1, 2022	**70,400**	**(42,363)**	**399**	**6,641**	**842,963**	**50,723**	**(3,375)**	**925,387**	**14,306**	**939,693**
Initial application of IAS 29					(216)			(216)		(216)
January 1, 2022	**70,400**	**(42,363)**	**399**	**6,641**	**842,747**	**50,723**	**(3,375)**	**925,172**	**14,306**	**939,478**
Net income					209,495			209,495	12,362	221,858
Other income					11,571	13,804	3,668	29,043	619	29,662
Comprehensive income					**221,066**	**13,804**	**3,668**	**238,538**	**12,981**	**251,520**
Dividend payment					(48,311)			(48,311)	(8,436)	(56,747)
Share based payments			1,182					1,182		1,182
December 31, 2022	**70,400**	**(42,363)**	**1,582**	**6,641**	**1,015,501**	**64,527**	**293**	**1,116,581**	**18,852**	**1,135,433**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2022

CONSOLIDATED STATEMENT OF CASH FLOWS (IN EUR THOUSAND)

	Notes	2022	2021
	(23)		
Net income		221,858	144,125
Depreciation/amortization	(8)	345,026	339,284
Gain/loss on the monetary positions under IAS 29		(730)	0
Unrealized net foreign exchange gain/loss		12,930	2,709
Other non-cash transactions		8,837	5,525
Income tax expense/income	(5)	63,438	52,749
Interest expenses/income	(4)	23,879	20,689
Change in inventories		(361,281)	35,273
Change in receivables and other assets		(83,509)	(73,565)
Change in trade payables and other liabilities		182,074	196,580
Result from disposal of non-current assets		(6,170)	(7,684)
Change in provisions for pensions	(19)	(4,543)	(3,093)
Change in other provisions		30,808	(3,305)
Income taxes paid		(75,357)	(51,180)
Cash flow from operating activities		**357,259**	**658,107**
Investments in property, plant, and equipment	(8)	(151,395)	(81,280)
Investments in intangible assets	(8)	(38,849)	(20,264)
Acquisition of subsidiaries and other business entities		0	(2,963)
Equity investments		(4,430)	0
Impact from change in basis of consolidation		0	58
Cash receipts from sales of property, plant, and equipment and intangible assets		186	5,437
Interest received		2,790	862
Cash flow from investing activities[1]		**(191,698)**	**(98,150)**
Dividends paid to equity holders of the parent company	(16)	(48,311)	(2,761)
Dividends paid to non-controlling interests		(8,436)	0
Repayment of current financial liabilities	(22)	(10,809)	(173,808)
Repayment of lease liabilities		(215,888)	(210,749)
Interest paid		(23,856)	(21,186)
Cash flow from financing activities[1]		**(307,300)**	**(408,504)**
Exchange-rate related changes in cash and cash equivalents		4,448	7,964
Change in cash and cash equivalents		**(137,291)**	**159,417**
Cash and cash equivalents at the beginning of the period		284,694	125,277
Cash and cash equivalents at the end of the period	(14)	**147,403**	**284,694**

1 Amounts shown differ from those reported in the previous year due to reclassifications of interest received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2022

General information

HUGO BOSS AG is a publicly listed stock corporation with registered offices in Dieselstrasse 12, 72555 Metzingen, Germany. The Company is filed in the commercial register of Stuttgart local court under HRB 360610.

The purpose of HUGO BOSS AG and its subsidiaries (together "HUGO BOSS" or "the Group") is the development, marketing, and distribution of high-end fashion and accessories in the premium segment of the global apparel industry.

The consolidated financial statements of HUGO BOSS AG as of December 31, 2022, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional regulations pursuant to Sec. 315e (1) HGB [Handelsgesetzbuch: German Commercial Code].

The consolidated financial statements and the combined management report of HUGO BOSS AG, Metzingen, were approved by the Managing Board for submission to the Supervisory Board by a decision on February 22, 2023.

Due to rounding and the presentation in EUR thousand, it is possible that the individual figures in the consolidated financial statements do not add up to the stated total.

Financial reporting

The first time application of the following new standards and amendments to the IASB's standards and interpretations for fiscal year 2022 do not have a material impact on the presentation of the Group's financial position and results of operations. This includes:

- Annual Improvement Cycle (2018–2020)
- Amendments to IAS 16: Property, plant, and equipment – Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendment to IFRS 3: Reference to the Conceptual Framework

The following new standards and interpretations and amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB), endorsed by the EU, and which are effective for financial years beginning after January 1, 2023, have not been applied in preparing these consolidated financial statements:

- IFRS 17: Insurance Contracts (IASB effective date: January 1, 2023)
- Amendment to IFRS 17: Initial application of IFRS 17 and IFRS 9 – Comparative Information (IASB effective date: January 1, 2023)
- Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (IASB effective date: January 1, 2023)
- Amendment to IAS 8: Definition of Accounting Estimates (IASB effective date: January 1, 2023)
- Amendment to IAS 1: Classification of Liabilities as Current or Non-current (IASB effective date: January 1, 2024)
- Amendment to IAS 1: Non-current Liabilities with Covenants (IASB effective date: January 1, 2024)
- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback (IASB effective date: January 1, 2024)

In addition, the IASB issued the amendment to IAS 12: Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (IASB effective date: January 1, 2023). The changes mentioned in this amendment have already been applied.

Consolidation principles

The basis of consolidation comprises HUGO BOSS AG and all subsidiaries, including structured entities, over which HUGO BOSS AG can exercise direct or indirect control. HUGO BOSS AG is deemed to exercise control if, as the parent company, it has power over the subsidiary on account of voting or other rights, is exposed to variable returns from its involvement in the subsidiary, and is able to use its power over the subsidiary to affect the amount of these returns. The subsidiary is deconsolidated as soon as the parent company relinquishes control over it.

Subsidiaries with an immaterial influence on the Group's net assets, financial position, and results of operations are not included in the consolidated financial statements. Influence is deemed immaterial if the aggregate sales, earnings and total assets make up less than 1% of the corresponding Group figures. This is reassessed at each reporting date. Non-consolidated subsidiaries are measured at fair value or, if this cannot be determined reliably, at cost, and reported under other non-current financial assets.

Structured entities that are controlled by the parent company are also consolidated. These are entities that have been structured in such way that they are controlled by the parent company regardless of who holds the voting or comparable rights. This is the case, for example, if the exercise of voting rights is confined to administrative tasks and the material activities are governed by contracts.

Joint ventures are consolidated using the equity method. Joint control is the contractually agreed sharing of control of an arrangement. It exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity-settled transactions.

Basis of consolidation

In the reporting period January 1 to December 31, 2022, the number of consolidated companies remained unchanged from the consolidated financial statements as of December 31, 2021 at 65.

In fiscal year 2022, HUGO BOSS Stiftung gGmbH was established and consolidated as a fully owned subsidiary effective October 31, 2022.

As a result of a labor law reform enacted in Mexico in April 2021, HUGO BOSS revised its corporate structure and liquidated HUGO BOSS Mexico Management Services S.A. de C.V., based in Mexico City, Mexico, and deconsolidated it as of December 31, 2022.

HUGO BOSS AG's shares in the company YOURDATA HB DIGITAL CAMPUS, Unipessoal Lda. based in Porto, Portugal increased to 30% in fiscal year 2022. The company, founded in 2021, is intended to strengthen the further expansion of digital activities as part of the Company's "CLAIM 5" strategy through analytical, technical, and executive competencies and to combine the Company's own digital knowledge with expert knowledge in the field of data processing. Based on the contractual agreements, HUGO BOSS AG has a contractual right to acquire the outstanding shares of the company at a future date over a period up until July 2026 at a price based on the achievement of relevant KPIs of the company. The fair value of the above-mentioned contractual right (call option) is nil and there are no financial liabilities to it as at December 31, 2022. Unchanged from 2021, YOURDATA HB DIGITAL CAMPUS is immaterial to the consolidated financial statements as of December 31, 2022 and is therefore not consolidated.

Business combinations

When a company obtains control of one or more businesses, this constitutes a business combination within the meaning of IFRS 3. All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed (including contingent liabilities) in a business combination are measured at their acquisition-date fair values. Non-controlling interests are measured at their proportionate share in the fair value of the identifiable assets and liabilities. Acquisition-related costs incurred are expensed.

Goodwill

Goodwill resulting from a business combination is the excess between the consideration transferred and the fair value of the non-controlling interest in the assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the acquiree, the difference is reassessed and then recognized in profit or loss.

After initial recognition, goodwill is carried at cost in the functional currency of the foreign acquiree less any accumulated impairment losses. Any goodwill recognized is tested for impairment annually and whenever there is an indication that the assets might be impaired.

Intercompany transactions

The effects of intercompany transactions are eliminated. Receivables and liabilities between the consolidated companies are offset against each other, intercompany gains and losses pertaining to intangible assets, property, plant, and equipment, and inventories are eliminated; intercompany income is offset against the corresponding intercompany expenses. Deferred taxes are recognized on temporary differences arising on consolidation in accordance with IAS 12.

Determination of the functional currency

The Group's reporting currency, the euro, is the functional currency of the parent company, HUGO BOSS AG. As a rule, the functional currency of the subsidiaries included in the consolidated financial statements is the corresponding local currency. For subsidiaries that conduct a significant portion of their sales and sourcing activities and their financing in a currency other than the corresponding local currency, the functional currency is the currency of the primary business environment. Accordingly, the euro is the functional currency of HUGO BOSS Textile Industry Ltd., Turkey, and HUGO BOSS International Markets AG, Switzerland, as these companies conduct most of their business in euros.

Foreign currency transactions and balances

In the separate financial statements, transactions in foreign currency are translated at the exchange rates valid at the dates of the transactions. Monetary items (cash and cash equivalents, receivables, and payables) denominated in foreign currencies are translated into the functional currency at closing rates. The resulting exchange rate gains and losses are recognized through profit and loss in other financial items.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the time the fair value was determined. Non-monetary items measured at historical acquisition are translated at the rate of the transaction date.

Hyperinflation

Turkey is classified as a hyperinflationary economy and therefore IAS 29 'Financial Reporting in Hyperinflationary Economies' applies to the Group's sales subsidiary in Turkey. Accordingly, the financial statements of HUGO BOSS Magazacilik Ltd. Sti., Izmir, Turkey, which has the Turkish lira as its functional currency have been restated for the change in general purchasing power retrospectively as of January 1, 2022. For translation into the Group currency (euro), all amounts are translated at the closing rate as of December 31, 2021. Pursuant to IAS 21 'The Effects of Changes in Foreign Exchange Rates' paragraph 42, the comparative amounts of the previous reporting period have not been restated.

Additionally, in order to reflect the changes in purchasing power at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, shareholders' equity, and comprehensive income at subsidiaries in hyperinflationary economies are restated in terms of a measuring unit applicable at the balance sheet date. These are indexed using a general price index in accordance with IAS 29. However, no restatement is required for non-monetary assets and liabilities carried at amounts current at the end of the balance sheet date, such as net realizable value or fair value, as well as for monetary items, as they represent money held, to be received, or to be paid. All items in the profit and loss statement have to be expressed in terms of the measuring unit applicable at the balance sheet date.

Non-monetary assets that have been restated following the guidance in IAS 29 continue to be subject to impairment assessment in accordance with guidance in the relevant IFRS standards.

The application of IAS 29 is immaterial to the Group's financial position and result of operations for fiscal year 2022.

The table below details the specific inputs used to apply IAS 29 for fiscal year 2022:

Input parameters	Turkey
Date of IAS 29 initial application	January 1, 2022
Consumer Price Index	Tüketici fiyat endeks rakamları
Index at December 31, 2022	1,128.45
Index at December 31, 2021	686.95
Adjustment Factor	1.6427

Furthermore, HUGO BOSS Textile Industry Ltd. in Turkey, comprising the Group´s production facility in Izmir, is not affected by IAS 29 as its fuctional currency is the euro and hence IAS 29 'Financial Reporting in Hyperinflationary Economies' does not apply.

Translation of the separate financial statements

The financial statements of the foreign Group companies whose functional currency is not the euro are translated into the Group reporting currency, the euro. Items are translated using the modified closing rate in accordance with IAS 21, under which assets, including goodwill, and liabilities are translated at closing rates, and income statement items are translated at the average monthly exchange rates for the reporting period. Differences from currency translation of income statements at average rates and statements of financial position at closing rates are reported without effect on profit or loss in other comprehensive income. The currency difference resulting from the translation of equity at historical rates is likewise posted to other comprehensive income. Currency differences recognized in other comprehensive income are reclassified to the income statement if the corresponding Group company is sold.

The most important exchange rates applied in the consolidated financial statements developed in relation to the euro as follows:

	Currency	Average rate		Closing rate	
	1 EUR =	2022	2021	2022	2021
Australia	AUD	1.5682	1.5797	1.5693	1.5615
China	CNY	7.3872	7.2012	7.3582	7.1947
Great Britain	GBP	0.8692	0.8494	0.8869	0.8403
Japan	JPY	142.7881	128.6455	140.6600	130.3800
Russia	RUB	69.8198	83.3883	79.2282	85.3004
Switzerland	CHF	0.9863	1.0411	0.9847	1.0331
Turkey	TRY	19.7164	16.5761	19.9349	15.0867
U.S.A.	USD	1.0582	1.1305	1.0666	1.1326

Accounting policies

The financial statements of HUGO BOSS AG and its German and foreign subsidiaries are prepared pursuant to uniform accounting policies in accordance with IFRS 10.

Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Income is measured at the fair value of the consideration received. Income is reported after deductions including discounts and other price deductions and net of VAT. The specific recognition criteria described below must also be met before income is recognized.

Sale of merchandise and goods

Income is recognized in accordance with IFRS 15. HUGO BOSS recognizes income from the sale of goods when control of the goods is transferred to the buyer. In the wholesale channel, this is the case as soon as delivery to the wholesale partner has been executed and all obligations affecting the acceptance of the goods by the wholesale partner have been settled. In the Group's brick-and-mortar retail business, the control passes to the customer upon payment for the goods. Sales are recognized when transactions with customers are completed. Sales via the Group´s own online channel are recognized upon delivery of the goods to the customer. The date of delivery is deemed to be the date on which the control of the merchandise and goods sold passes to the customer. The payment terms applied correspond to the payment terms customary in the industry per country.

Customers have the option to exchange goods for similar or other products or to return the goods for credit under certain conditions and in accordance with the contractual agreements. Amounts for expected returns are deferred from sales based on historical experience of return rates and periods through a liability for an obligation of return in accounts payable. The asset for the right of the return of goods by the customer is recognized in the amount of respective inventories, less handling costs and potential impairment.

Shop fit contributions to retailers are recognized in the income statement as sales deductions.

License and other income

License and other income are recognized in the period in which they are generated in accordance with the terms of the underlying agreements.

Interest income and expense

Interest is recognized pro rata temporis, taking into account the effective yield on the asset and if appropriate on liabilities.

Functional costs

Operating expenses are essentially allocated to the individual function based on the respective cost centers. Expenses incurred in connection with cross-functional activities or projects are spread among the function costs concerned using an adequate allocation principle.

Research and development costs

Research costs are expensed as incurred. Development costs are likewise expensed as incurred if they do not satisfy the criteria for recognition as internally generated intangible assets. Production-related development costs are generally included in the calculation of the cost of unfinished and finished goods. These essentially comprise the cost of technical product development in the third phase of the collection creation process.

Income taxes

The tax rates and tax laws used to calculate the income tax are those that are enacted or substantively enacted on the reporting date in the countries where the Group operates and generates taxable income.

Receivables and liabilities for current income taxes are recognized to the extent the amount already paid exceeds the amount due, or to the extent not yet paid in respect of current and prior periods.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are recognized for temporary differences between the tax bases of the separate entities and the carrying amounts in the consolidated financial statements in accordance with IFRS and for certain consolidation adjustments. The Company does not calculate deferred taxes on the initial recognition of goodwill as it is not permissible.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reporting, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets also include tax credits that result from the expected utilization of existing unused tax losses in subsequent years and the realization of which can be assumed with sufficient probability. Deferred tax assets and deferred tax liabilities are presented on a net basis to the extent that the deferred tax assets and deferred tax liabilities relate to the same taxable entity including an enforceable right to offset corresponding taxes. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse.

Income taxes are recorded in the income statement with the exception of those relating to items recognized directly in equity.

Property, plant, and equipment

Property, plant, and equipment that are used in business operations for longer than one year are measured at cost less accumulated depreciation. The cost of conversion includes all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. The underlying useful lives correspond to the expected useful lives within the Group. Property, plant, and equipment are generally depreciated using the straight-line method.

Buildings and leasehold improvements on third-party land are depreciated over the term of the underlying lease agreements or the lower useful lives.

The useful lives and depreciation methods for property, plant, and equipment and intangible assets are reviewed periodically to ensure that the depreciation method and period are consistent with the expected pattern of economic benefits from the respective assets.

Intangible assets

Intangible assets are recognized if it is probable that a future economic benefit from the use of the asset will flow to the company and the cost of the asset can be reliably determined. Acquired intangible assets and internally generated intangible assets are measured at cost.

If the capitalization requirements of IAS 38.57 "Intangible Assets" are met cumulatively, expenses in the development phase for internally generated intangible assets are capitalized at the time they arise. In subsequent periods, internally generated intangible assets and acquired intangible assets are measured at cost less accumulated amortization and impairment losses. Intangible assets with a finite useful life are systematically amortized using the straight-line method over their useful life.

Intangible assets include software and licenses, trademark, and reacquired rights. Intangible assets with an infinite useful life are tested for impairment once a year. If the carrying amount of the asset is no longer recoverable, an impairment loss is recognized.

Impairment of non-financial assets

Non-financial assets (property, plant, and equipment and right-of-use assets from leases including intangible assets and goodwill) are assessed at every reporting date as to whether there is an indication of impairment ("triggering events"). In the event of such indication, the recoverable amount of the asset is estimated. Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives and goodwill acquired in a business combination are tested for impairment annually. The recoverable amount is the higher of the fair value of the asset less costs of disposal and value in use. The value in use is the present value of the expected cash flows. The expected cash flows are discounted using the after-tax weighted average cost of capital that reflects the risks specific to the asset. In determining fair value less costs of disposal, external appraisals are taken into account, if available. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest identifiable group of assets that generates largely independent cash inflows to which the assets belongs (cash-generating unit – GCU) is determined.

If the carrying amount of the asset or CGU exceeds the corresponding recoverable amount, an impairment loss is immediately recognized through profit or loss. If a CGU is impaired, the carrying amount of any goodwill allocated to the unit is reduced first. Any remaining impairment loss reduces the other non-current assets of the CGU pro rata.

If, following an impairment loss recognized in prior periods, an asset or CGU has a higher recoverable amount, the impairment loss is reversed up to the maximum of the recoverable amount. The reversal is limited to the amortized carrying amount that would have been determined had no impairment loss been recognized in the past. The impairment loss is reversed through profit or loss. Reversals of impairment losses recognized on goodwill are not permitted.

Inventories

Raw materials and supplies as well as merchandise are generally measured at moving average cost. Work in progress and finished goods are measured at cost. The cost of conversion of finished goods includes direct material, direct labor, proportionate material and production overheads, and production-related amortization and depreciation insofar as this is a consequence of production. Also included are general administrative expenses, product development expenses, expenses for social facilities, expenses for voluntary social benefits and occupational pensions, to the extent that they are related to production and are incurred in the production period. Borrowing costs are expensed as incurred to the extent that the criteria for recognition in the carrying amount of an asset are not met.

Inventories are carried at the lower of cost or the estimated selling price on the ordinary course of the business less the estimated cost to make the sale.

Leases

In accordance with IFRS 16, there is a lease relationship if the lessor has contractually transferred the right to use an identified asset for a defined period in return for remuneration by the lessee.

Under IFRS 16, the lessee recognizes a lease liability in the amount of the present value of the future lease payments and a corresponding right-of-use asset in the statement of financial position. The lease payments comprise the total of all fixed lease payments less incentive payments for the conclusion of the contract, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees. Lease extension options are to be included if their exercise is reasonably certain. Contractually agreed payments for compensation in the event of early termination of the lease by the lessee must also be recognized if it cannot be assumed with reasonable certainty that the lease will be continued. The lease payments are discounted at the interest rate implicit in the lease agreement. If this interest rate cannot be readily determined, an incremental borrowing rate is used, which is adjusted for the country-specific risk and the lease term.

The right-of-use asset to be recognized in parallel is generally capitalized at the value of the lease liability. Lease payments already made and directly attributable costs must also be included. Payments received from the lessor in connection with the lease are to be deducted (including key money). Restoration obligations arising from leases must also be taken into account when measuring the right-of-use asset. A provision must be recognized for the obligation. The right-of-use asset is amortized on a straight-line basis over the term of the lease.

The depreciation of the capitalized right-of-use asset is recognized in the income statement in the respective functional areas and the interest expense from the compounding of the recognized lease liability is recognized in the financial result.

In the course of the COVID-19 pandemic, all rent concessions that met the requirements of the IASB amendment "COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases" were not treated as a lease modification but as a negative variable lease payment until June 30, 2022. In the second half of the year, rent adjustments were treated as lease modifications under IFRS 16.

Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities, to the extent that they are currently relevant to the HUGO BOSS Group, are classified into the following categories:

FVTPL (Fair value through profit or loss)	Financial assets and liabilities valued at fair value through profit or loss.
AC (Amortized cost)	Financial assets and liabilities that are to be valued at amortized cost through the effective interest method.
FVOCI (Fair value through other comprehensive income)	Financial assets valued at fair value through other comprehensive income.

Financial assets and liabilities are classified to the above categories upon initial recognition.

Financial assets

Financial assets are initially classified under IFRS 9 using a two-stage test, whereby the respective cash flow conditions and the business model for management of financial assets are examined. This test takes place at the financial asset's level.

Financial assets are initially recognized at fair value plus or minus, in the case of a financial asset not at fair value through profit and loss, directly attributable transaction costs relating to the acquisition.

All purchases and disposals of financial assets are recognized at their value at the settlement date, the day when the Group is obliged to purchase or sell the asset.

The fair values recognized in the statement of financial position are the market prices of the corresponding financial assets. If these are not available, fair value is determined using generally accepted valuation models by reference to current market parameters. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, or discounted cash flow analysis and other valuation models.

Cash and cash equivalents recognized in the statement of financial position comprise cash in hand, balances with banks, and other short-term deposits with an original term of less than three months; they are measured at amortized cost.

Trade receivables and other loans and receivables are subsequently measured at amortized cost (less any impairment losses) using the effective interest rate method. For the reporting period, expected impairments are taken into account. If there are further doubts about their recoverability, the trade receivables are recognized at the lower present value of the estimated future cash flows.

HUGO BOSS calculates and records an allowance under the expected loss model in IFRS 9 for all financial instruments that are not classified as FVTPL and except for trade receivables. The expected credit loss (ECL) is allocated using three stages:

Stage 1: Expected credit losses within the next twelve months.
It includes all contracts with no significant increase in credit risk since their initial recognition. The portion of the lifetime expected credit losses that represents expected credit losses resulting from default events on a financial instrument that are possible within the next twelve months after the reporting date is recognized.

Stage 2: Expected credit losses over the lifetime – not credit-impaired.
If a financial asset has a significant increase in credit risk since its initial recognition but is not yet credit-impaired, it is moved to stage 2 and measured at the lifetime expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Stage 3: Expected credit losses over the lifetime – credit-impaired.
If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss.

HUGO BOSS determines whether the credit risk on a financial instrument has increased significantly to consider reasonable and supportable information available in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. For this purpose credit default swap spreads of corporate bonds are used to calculate the average credit spreads for each country. These average credit spreads then serve as country-specific factors to scale the probability of default for different markets whereby the German market is used as a reference.

In its evaluation of whether the credit risk of a financial asset has changed, the Group utilizes all reasonable and reliable information that is available without excessive cost or expenses.

Financial assets at fair value through profit or loss (FVTPL) include financial assets with cash flows other than those of principle and interest on the principal amount outstanding. Furthermore, financial assets that are held in a business model other than "hold to collect" or "hold to collect and sell" are included here. In addition, derivatives including embedded derivatives separated from host contract, which are not classified as hedging instruments in hedge accounting according to IFRS 9 are classified as FVTPL. Gains or losses on these financial assets are recognized in profit and loss.

Financial assets at amortized cost (AC) are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest in the amount outstanding and which are held with the aim of collecting the contractual cash flows, such as trade receivables or cash and cash equivalents (business model "hold to collect"). After initial recognition, financial assets at amortized cost are subsequently carried at amortized cost using the effective-interest method less any loss allowances. Gains and losses are recognized in the consolidated statement of income when the loss allowance for financial assets at amortized cost is recognized.

HUGO BOSS classifies a receivable as in default when a debtor does not settle contractual payments that are more than 90 days overdue. When receivables are written off or derecognized, the Group continues to conduct recovery measures to collect the receivable due. In some cases, a financial instrument may nevertheless also be treated as in default, if internal or external information indicates that full collection of the outstanding payment is viewed as unlikely. Individual impairment rates between 1% and 100% are used in this case. A financial asset is written off entirely and derecognized when there is no reasonable expectation of recovery. All derecognitions have to be booked net and, at the same time, the corresponding amount of allowance needs to be adjusted.

Financial liabilities

Financial liabilities primarily include trade payables, liabilities to banks, lease liabilities, derivative financial liabilities, and other liabilities. They are measured at fair value on initial recognition. Directly attributable transaction costs are taken into account where appropriate.

Financial liabilities at amortized cost (AC) are subsequently measured at amortized cost using the effective interest method. HUGO BOSS enters into reverse-factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss (FVTPL) include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) that are not used as hedging instruments in hedge accounting are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting

At HUGO BOSS, derivative financial instruments are solely used for hedging financial risks that arise from its operating or financing activities or liquidity management. This mainly includes interest rate risks and currency risks.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. Derivatives are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, HUGO BOSS designates and documents the hedge relationship from the date a derivative contract is entered into as a cash flow hedge. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk, and the appropriate hedge ratio.

Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met while they are designated. If derivative financial instruments do not, or no longer, qualify for hedge accounting because the qualifying criteria for hedge accounting are not, or are no longer, met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

Grants from public authorities

Grants from public authorities are recognized when the Company meets the conditions associated with the grant with sufficient certainty and the benefits are granted. The grants must be recognized in the income statement in the period in which the Company recognizes the eligible expenses.

If expenses or losses have already been incurred or if the grants are used for immediate financial support, irrespective of specific expenses, the grants are recognized in the income statement in the period in which the corresponding claim exists.

Provisions

Provisions are recognized if a past event has led to a current legal or constructive obligation to third parties that is expected to lead to a future outflow of resources that can be estimated reliably. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions with a term of more than one year are discounted using a risk-free interest rate. Where the effect of the time value of money is material, the amount of the provision equals the present value of the expenditures expected to be required to settle the obligation.

Provisions for deconstruction obligations

Provisions for deconstruction obligations in the Group's own retail stores are recognized as liabilities at the present value of the best estimate of the amount required to settle the obligation. Corresponding assets are capitalized at the equivalent amount and included in the measurement of the corresponding right-of-use asset depreciated over the term of the lease agreement.

Provisions for pensions

The measurement of pension provisions relates to the Group's obligation to provide benefit-based and contribution-based plans. IAS 19 mandates the use of the projected unit credit method for the provision of benefit-based plans, which takes into account future adjustments to salaries and pensions. The year-end present value, determined using the projected unit credit method, was compared to the fair value of plan assets in the employer's pension liability insurance to the extent that offsetting is permissible (asset ceiling). Actuarial gains and losses are immediately posted in full to other comprehensive income. Actuarial gains and losses are not reclassified from other comprehensive income to consolidated net income in subsequent years. The same applies to all effects of the asset ceiling. Net interest determined by multiplying the net pension liability by the discount rate underlying the gross pension obligation (DBO) is reported in the financial result. The difference between the actual interest return on plan assets and the anticipated return on plan assets obtained using the discount rate is posted separately to other comprehensive income. The service cost is reported under the relevant functional costs. The contributions from contribution-based pension schemes are recognized as expenses in the income statement on maturity.

Share-based compensation programs

Share-based compensation programs are accounted for in accordance with IFRS 2.

The equity-settled share-based payments forming part of the Restricted Stock Units Program for eligible senior management staff are measured at the fair value of the equity instruments at grant date. The fair value at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. The impact of the revision of the original estimates, if any, is recognized through profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. The resulting expense is recorded within personnel expenses and corresponding adjustment to the other capital reserves.

Cash-settled share-based payments, forming part of the long-term incentive program (LTI) for members of the Managing Board and eligible senior management, are measured using an option price model of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized through profit and loss of the respective fiscal year. The resulting expense is recorded within personnel expenses and the liability recognized as a provision for personnel expenses.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized. They are disclosed in the notes to the financial statements, unless an outflow of resources embodying economic benefits is very unlikely. Contingent assets are likewise not recognized. They are disclosed in the notes to the financial statements if an inflow of economic benefits is probable.

Estimation uncertainties and judgments

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates, and assumptions that affect the reported amounts of income, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. These estimates and judgments are made to obtain a fair presentation of the Group's net assets, financial position, and results of operations. In addition the main judgments and estimates used are specified in the respective notes to the financial statements.

HUGO BOSS is subject to a variety of external risks, mainly in connection with macroeconomic, political, and social developments, as well as environmental and health aspects. Against the backdrop of current risks as inflation, global supply chain disruptions, and geopolitical risks, the Management monitors the current developments closely. In light of the high level of geopolitical and macroeconomic uncertainty, there is a particularly close dialog between the Managing Board, Group Controlling, the management of the central divisions, and the Group's subsidiaries. Corporate planning is regularly reviewed and updated throughout the year.

In light of the war in Ukraine, HUGO BOSS has temporarily suspended its own retail and online business in Russia since the beginning of March 2022, as well its advertising and marketing activities. Together with Ukraine, the market accounted for around 2% of Group sales in fiscal year 2022. The implications of the war in Ukraine continue to pose a noticeable risk for HUGO BOSS also in 2023. This first and foremost includes potential shortages and further price increases for energy, electricity, and raw materials, which could also result in interruptions of supply chains and energy supplies. In addition, a significant escalation or further expansion of the war beyond Ukraine would increase the risk of a noticeable global economic downturn and consequently have a significant impact on global consumer sentiment, with a potentially negative impact on the sales and earnings development of HUGO BOSS.

With regard to the Company's store network in Russia, the recoverable amount of individual CGUs of HUGO BOSS Rus LLC, Moscow was estimated by determining the expected cash flows using probability-weighted scenarios. Consequently, impairment charges were recognized in the amount of EUR 12 million as of December 31, 2022.

Additionally, in the context of the long-lasting pandemic-related restrictions in China caused by the prevailing zero-COVID policy, special challenges arose with regard to the following estimates and assumptions:

- Inventories were measured taking into account risk provisions appropriate to the current business environment. As part of the process, system-based analyses of movement rate, range of coverage, and net realizable value were applied in a uniform manner across the Group.
- The recoverability of trade receivables is assessed by valuing trade receivables that are not overdue using the expected default risk. In addition, the value of trade receivables is attributed on the basis of the estimated likelihood of default. The calculation of the potential receivable default risk is based on past, current, and future default risks. All subsidiaries of HUGO BOSS have to prepare an analysis of the aging structure of their trade receivables and to follow uniform rules, for example with regard to credit assessment or the handling of doubtful receivables.

Business combinations / acquisitions of other business units

Takeovers in fiscal year 2022

No business combinations or acquisitions of other business units were made in the fiscal year 2022.

Takeovers in fiscal year 2021

In 2021, HUGO BOSS Thailand Ltd. Bangkok, Thailand, was consolidated as a fully owned subsidiary. HUGO BOSS acquired three stores, one shop-in-shop, one factory outlet, and the related assets and inventories through HUGO BOSS Thailand Ltd. from a former franchise partner in Thailand effective June 1, 2021. The following overview shows the allocation of the purchase price to the net assets acquired and the resulting goodwill:

(in EUR thousand)	2021
Purchase consideration transferred	
Agreed cash purchase price	2,096
Assumption of liabilities	866
Total Fair Value	**2,962**
Fair value of the acquired assets and liabilities assumed	
Intangible assets	254
Property, plant, and equipment	176
Inventories	866
Total assets	**1,296**
Total liabilities	**0**
Goodwill	**1,666**

The goodwill relates to the Asia/Pacific segment. It is not expected that the goodwill will be used for tax purposes.

The additional consolidated sales generated due to the acquisition in fiscal year 2021 amounted to EUR 2,579 thousand. If the company had been consolidated as of January 1, 2021, the additional consolidated sales generated would have been EUR 4,788 thousand. The impact on the consolidated operating result was immaterial.

Notes to the Consolidated Income Statement

1 | Sales and cost of sales

Sales

(in EUR thousand)

	2022	2021
Brick-and-mortar retail	2,015,999	1,512,251
Brick-and-mortar wholesale	894,985	647,485
Digital	648,243	549,121
Licenses	92,151	77,253
Total	**3,651,378**	**2,786,110**

Further information on sales by region can be found in the segment reporting.

Cost of sales

(in EUR thousand)

	2022	2021
Total cost of sales	**1,395,052**	**1,065,301**
Cost of purchase	1,281,714	971,146
Thereof cost of materials	1,249,947	931,976
Cost of conversion	113,339	94,155

Cost of materials, as part of the cost of sales, include inbound freight and duty costs of EUR 324,587 thousand (2021: EUR 183,492 thousand).

2 | Selling and marketing expenses

(in EUR thousand)

	2022	2021
Expenses for own retail business, sales and marketing organization	1,122,823	900,141
Thereof brick-and-mortar retail expense	853,993	695,056
Marketing expenses	287,817	204,104
Thereof expenses	294,514	208,522
Thereof income from re-invoicing of marketing expense	(6,697)	(4,418)
Logistic expenses	127,866	86,378
Total	**1,538,506**	**1,190,623**
Thereof sundry taxes	3,383	2,956

Expenses for the Company's own retail business and the sales and marketing organization mainly comprise personnel expenses for wholesale and retail sales as well as amortization of the right-of-use assets in accordance with IFRS 16. In addition, this item includes sales-related commissions, outbound freight and duty charges, credit card fees, and impairment losses on assets amounting to EUR 17,505 thousand (2021: EUR 31,940 thousand). This item also includes losses from derecognition and impairment losses on trade receivables in the amount of EUR 2,315 thousand (2021: EUR 1,699 thousand). Furthermore, government grants of EUR 765 thousand for 2022 were received and recognized in profit or loss (2021: EUR 29,027 thousand). These mainly relate to global government support due to COVID-19 restrictions. The government grants are not subject to any further conditions.

Logistics expenses mainly include personnel expenses for warehouse logistics, expenses for a full-service agreement with the provider 3PL and right-of-use depreciation of lease objects.

3 | Administration expenses

(in EUR thousand)

	2022	2021
General administrative expenses	**301,718**	**244,925**
Research and development expenses	**80,683**	**57,262**
Thereof personnel expenses	57,028	41,171
Thereof depreciation and amortization	2,707	2,221
Thereof other operating expense	20,948	13,870
Total	**382,401**	**302,187**
Thereof sundry taxes	5,084	4,204

Administration expenses mainly comprise personnel expenses of the respective departments, maintenance costs, IT operating expenses, legal and consulting fees, and depreciation and amortization of right-of-use assets.

Research and development expenses primarily relate to the collection development.

Administration expenses include other income of EUR 15,526 thousand (2021: EUR 20,843 thousand). This includes reversal of provisions by EUR 3,656 thousand (2021: EUR 3,473 thousand). Furthermore, government grants of EUR 3,221 thousand for 2022 were received and recognized in profit or loss (2021: EUR 1,294 thousand). These mainly relate to global government support due to COVID-19 restrictions. The government grants are not subject to any further conditions.

4 | Financial result

(in EUR thousand)

	2022	2021
Interest and similar income	2,200	1,869
Interest and similar expenses	(26,079)	(22,557)
Net interest income/expenses	**(23,879)**	**(20,688)**
Exchange rate gains/losses from receivables and liabilities	(8,141)	(1,272)
Gains/losses from hedging transactions	(17,401)	(3,442)
Other financial expenses/income	(703)	(5,723)
Other financial items	**(26,245)**	**(10,437)**
Financial result	**(50,123)**	**(31,125)**

Interest income includes income from bank deposits amounting to EUR 1,750 thousand (2021: EUR 1,136 thousand) and other interest income of EUR 450 thousand (2021: EUR 733 thousand).

Interest expenses include expenses from financial liabilities in the amount of EUR 5,883 thousand (2021: EUR 3,677 thousand) and other interest expenses in the amount of EUR 20,196 thousand (2021: EUR 18,880 thousand). These items mainly comprise interest expenses from lease payments discounted at the incremental borrowing rate of EUR 17,973 thousand (2021: EUR 17,457 thousand). In addition to interest on loans, this also includes the net interest amount for pension provisions, interest on non-financial liabilities (such as tax liabilities from tax audits), and interest expenses from the valuation at present value of other non-current provisions in the amount of EUR 2,223 thousand (2021: EUR 1,423 thousand).

The exchange rate gains and losses from receivables and liabilities comprise exchange rate gains of EUR 72,233 thousand (2021: EUR 25,281 thousand) as well as exchange rate losses of EUR 80,374 thousand (2021: EUR 26,553 thousand). The result from hedging transactions contains the effects from the fair value measurement and derecognition of foreign exchange forwards and swaps.

5 | Income taxes

(in EUR thousand)

	2022	2021
Current taxes	61,148	42,313
Deferred taxes	2,290	10,436
Total	**63,438**	**52,749**

Income taxes include corporate income tax plus the solidarity surcharge and trade tax of the German Group companies together with the comparable income taxes of foreign Group companies.

At HUGO BOSS AG, the domestic income tax rate comes to 29.5% (2021: 29.5%). The tax rates abroad range between 0% and 34%.

Current income taxes for fiscal year 2022 include non-current expenses of EUR 1,182 thousand (2021: EUR 1,768 thousand), non-current benefit of EUR 8,443 thousand (2021: EUR 1,296 thousand), and deductible withholding tax of EUR 3,944 thousand (2021: EUR 3,200 thousand).

The following table presents a reconciliation of the expected income tax expense that would theoretically be incurred if the current domestic income tax rate of 29.5% (2021: 29.5%) were applied at Group level to the current income tax expense reported by the Group. The domestic income tax rate applied takes into account a corporate income tax rate (including solidarity surcharge) of 15.8% (2021: 15.8%) and a trade tax rate of 13.7% (2021: 13.7%).

(in EUR thousand)

	2022	2021
Earnings before taxes	**285,295**	**196,874**
Anticipated income tax	84,305	58,214
Tax effect of permanent items	4,827	1,744
Tax rate-related deviation	(15,275)	(9,124)
Thereof effects of changes in tax rates	1	705
Thereof adjustment of tax amount to diverging local tax rate	(15,276)	(9,829)
Tax refund/tax arrears	(3,317)	3,672
Deferred tax effects from prior years	(485)	614
Valuation allowance on deferred tax assets	(2,535)	(1,579)
Tax effects from distributable profit of subsidiaries	(2,610)	(549)
Other deviations	(1,472)	(243)
Income tax expenditure reported	**63,438**	**52,749**
Income tax burden	22%	27%

The tax effect of permanent items relates to a reduction in the income tax burden for tax-free income of EUR 1,058 thousand (2021: EUR 768 thousand), offset by tax effects of non-deductible business expenses of EUR 5,885 thousand (2021: EUR 2,512 thousand). Tax rate-related deviations are caused by the global distribution of profits and diverging local tax rates in the different countries. In fiscal year 2022, revaluations were recognized for deferred tax assets expected to be realized in the foreseeable future, resulting in a tax benefit of EUR 2,535 thousand (2021: tax benefit of EUR 1,579 thousand).

Other comprehensive income includes deferred tax expense of EUR 5,976 thousand (2021: EUR 2,538 thousand expense). As in the prior year, deferred tax expense in fiscal year 2022 is based on the recognition of actuarial gains and losses from pension provisions in equity.

Deferred tax assets and liabilities are presented on a net basis if they pertain to the same taxable entity and the same taxation authority. Deferred taxes in the consolidated statement of financial position are related to the following items:

(in EUR thousand)

	2022		2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Provisions and other liabilities	29,285	(3,954)	31,304	(2,899)
Unused tax losses	27,064	0	37,774	0
Inventory measurement	55,312	(2,935)	46,233	(5,070)
Recognition and measurement of non-current assets	42,314	(33,760)	46,255	(30,402)
Receivables measurement	5,770	(161)	4,057	(169)
Financial liabilities and financial assets	17,011	(523)	19,491	(6)
Retained earnings of subsidiaries	0	(1,115)	0	(3,572)
Other differences in recognition and measurement	12,256	(6,265)	9,937	(3,413)
Net amount	**189,012**	**(48,713)**	**195,051**	**(45,531)**
Netting	(38,376)	38,376	(34,888)	34,888
Total	**150,636**	**(10,337)**	**160,163**	**(10,643)**

Of the deferred tax assets, EUR 73,177 thousand (2021: EUR 82,928 thousand) are non-current; at the same time EUR 39,133 thousand (2021: EUR 34,494 thousand) of the deferred tax liabilities are non-current.

Deferred taxes on IFRS 16 balance sheet items are reported on a net basis. The deferred tax asset on lease liabilities is EUR 168,855 thousand (2021: EUR 163,305 thousand) and the deferred tax liability on right-of-use assets is EUR 147,163 thousand (2021: EUR 142,273 thousand), resulting in a net deferred tax asset of EUR 21,692 thousand (2021: EUR 21,032 thousand), which is reported within financial liabilities and financial assets in the table above.

Distributable profits at foreign subsidiaries are to be paid out in the coming years, partly to Germany. The tax expense attributable to the distribution to Germany of EUR 865 thousand (2021: EUR 939 thousand) was recognized as a deferred tax liability. In addition, deferred taxes were recognized for distributable profits from subsidiaries paid out to other subsidiaries to the extent withholding tax is payable on future dividends. For these withholding tax charges, a deferred tax liability of EUR 250 thousand (2021: EUR 2,633 thousand) was recognized.

Deferred tax liabilities due to differences between the respective net assets and taxable carrying amount of shares in subsidiaries amounting to EUR 352,423 thousand (2021: EUR 146,183 thousand) were not recognized, as the profits are currently intended to be permanently reinvested. If the profits were to be distributed in Germany, 5% would be subject to taxation in Germany or possibly trigger withholding tax in other countries. Distributions therefore generally result in additional tax expense.

Deferred tax assets on losses carried forward and deductible temporary differences are recognized to the extent taxable temporary differences exist or there are sufficient taxable profits in respect of the same tax authority and taxable entity in subsequent years. The recoverability assessment is based on detailed planning of operational results for all units of the Group, which is prepared annually in the Group-wide budget planning process and approved by the Supervisory Board. As of the reporting date, deferred tax assets amounting to EUR 38,702 thousand (2021: EUR 105,702 thousand) were accounted for at Group companies with losses in the reporting period or a prior period.

Unused income tax losses pertain to domestic and foreign Group companies and break down as follows:

(in EUR thousand)	2022	2021
Expiry within		
1 year	2,838	0
2 years	121	3,677
3 years	2,413	202
4 years	2,427	1,789
5 years	25,117	3,757
After 5 years	6,673	45,324
Unlimited carryforward	136,148	163,481
Total	**175,737**	**218,230**

As in prior fiscal years, a corresponding deferred tax asset of EUR 27,064 thousand was recognized on unused tax losses as of December 31, 2022 (2021: EUR 37,774 thousand). In fiscal year 2022, no deferred taxes were recognized for losses carried forward of EUR 64,465 thousand (2021: EUR 67,548 thousand). Of this, EUR 2,766 thousand (2021: EUR 3,677 thousand) expires in 2023, EUR 0 thousand (2021: EUR 202 thousand) in 2024, EUR 898 thousand (2021: EUR 246 thousand) in 2025, EUR 0 thousand (2021: EUR 2,282 thousand) in 2026, EUR 0 thousand in 2027, and EUR 4,735 thousand (2021: EUR 9,867 thousand) in more than five years, while EUR 56,066 thousand (2021: EUR 51,274 thousand) can be carried forward indefinitely.

Judgments that deferred tax assets are recognized on unused tax losses were made to the extent it is probable taxable profits will be available in the future against which the unused tax losses can be utilized. The probability of the future usability is assessed taking into account various factors, such as future taxable results in the planning periods, past results, and measures already taken to increase profitability, as well as available tax planning strategies. HUGO BOSS applies a forecast period of five years for this purpose. Actual figures may differ from the estimates.

The income tax receivables relate mainly to tax advance payments and reimbursement claims. These are based on reasonable estimates to the extent reimbursement by the financial administration office is judged to be largely probable on the basis of relevant case law. This assessment also takes into account the estimates of local external experts.

The external tax audit at HUGO BOSS AG for the 2012–2015 assessment periods was completed in 2021 and the respective tax assessments were issued. Amended tax returns were also submitted for the subsequent period 2016-2020. The assessments based on the submitted tax returns for the subsequent period have been made. Accordingly, the provisions in connection with the 2012-2015 external tax audit and the subsequent period 2016-2020 were adjusted.

6 | Earnings per share

There were no shares outstanding that could have diluted earnings per share as of December 31, 2022, or December 31, 2021.

(in EUR thousand)

	2022	2021
Net income attributable to equity holders of the parent company	209,495	137,339
Average number of shares outstanding[1]	69,016,167	69,016,167
Earnings per share (EPS) in EUR[2]	3.04	1.99

1 Excluding own shares.
2 Basic and diluted earnings per share.

7 | Additional disclosures to the consolidated income statement

Personnel expenses

(in EUR thousand)

	2022	2021
Cost of sales	89,530	76,004
Selling and marketing expenses	470,985	359,587
Administration expenses	233,100	191,857
Total	**793,615**	**627,448**

(in EUR thousand)

	2022	2021
Wages and salaries	679,781	529,035
Social security	110,272	89,933
Expenses and income for retirement and other employee benefits	3,563	8,480
Total	**793,615**	**627,448**

Employees

The average headcount for the year was as follows:

	2022	2021
Industrial employees	5,228	4,340
Commercial and administrative employees	12,572	11,290
Total	**17,800**	**15,630**

Ordinary depreciation

(in EUR thousand)

	2022	2021
Cost of sales	5,407	5,162
Selling and marketing expenses	280,591	263,035
Administration expenses	41,523	39,146
Total	**327,522**	**307,343**

Impairments/Write-ups

(in EUR thousand)

	2022	2021
Brick-and-mortar retail	14,005	17,980
Intangible assets incl. goodwill	(224)	3,908
Right-of-use assets	3,724	10,052
Total	**17,504**	**31,940**

Notes to the Consolidated Statement of Financial Position

8 | Intangible assets and property, plant, and equipment

(in EUR thousand)

2022	**Gross value Jan. 1**	Change in the basis of consolidation	Currency differences	Additions	Disposals	Transfers	**Gross value Dec. 31**	**Accumulated amortization, depreciation and impairment Jan. 1**	Change in the basis of consolidation	Currency differences	Depreciation	Impairment	Write-up	Disposals	Transfers	**Accumulated amortization, depreciation and impairment Dec. 31**	**Net value Dec. 31**
Software, licenses and other rights	**283,526**	0	515	38,850	(6,582)	(753)	**315,556**	**190,843**	0	441	25,908	0	(224)	(6,134)	(331)	**210,503**	**105,053**
Brand rights	**14,992**	0	0	0	0	0	**14,992**	**0**	0	0	0	0	0	0	0	**0**	**14,992**
Goodwill	**66,034**	0	633	0	0	0	**66,667**	**10,077**	0	16	0	0	0	0	0	**10,093**	**56,574**
Intangible assets	**364,552**	**0**	**1,148**	**38,850**	**(6,582)**	**(753)**	**397,215**	**200,920**	**0**	**457**	**25,908**	**0**	**(224)**	**(6,134)**	**(331)**	**220,596**	**176,619**
Lands and buildings	**293,747**	0	499	3,721	(1,752)	3,264	**299,479**	**105,919**	0	225	9,793	118	(479)	(1,751)	0	**113,825**	**185,654**
Technical equipment and machinery	**121,108**	0	204	5,862	(2,842)	407	**124,739**	**78,975**	0	194	7,312	0	0	(2,760)	0	**83,721**	**41,018**
Other equipment, operating and office equipment	**892,415**	0	11,256	124,711	(55,396)	1,514	**974,500**	**717,046**	0	10,426	71,693	28,492	(14,125)	(54,783)	(1,633)	**757,116**	**217,384**
Construction in progress	**12,644**	0	(110)	18,492	(7)	(3,894)	**27,125**	**0**	0	0	0	0	0	0	0	**0**	**27,125**
Property, plant, and equipment	**1,319,913**	**0**	**11,849**	**152,786**	**(59,997)**	**1,291**	**1,425,843**	**901,940**	**0**	**10,845**	**88,798**	**28,610**	**(14,605)**	**(59,294)**	**(1,633)**	**954,661**	**471,182**
Total	**1,684,465**	**0**	**12,997**	**191,636**	**(66,579)**	**538**	**1,823,058**	**1,102,860**	**0**	**11,302**	**114,706**	**28,610**	**(14,829)**	**(65,428)**	**(1,964)**	**1,175,257**	**647,801**
2021																	
Software, licenses and other rights	**304,634**	256	2,664	19,004	(43,174)	142	**283,526**	**204,981**	0	1,828	23,938	120	0	(40,024)	0	**190,843**	**92,683**
Brand rights	**14,992**	0	0	0	0	0	**14,992**	**0**	0	0	0	0	0	0	0	**0**	**14,992**
Goodwill	**61,714**	1,680	2,038	602	0	0	**66,034**	**6,087**	0	189	13	3,788	0	0	0	**10,077**	**55,957**
Intangible assets	**381,340**	**1,936**	**4,702**	**19,606**	**(43,174)**	**142**	**364,552**	**211,068**	**0**	**2,017**	**23,951**	**3,908**	**0**	**(40,024)**	**0**	**200,920**	**163,632**
Lands and buildings	**258,576**	42,909	(254)	1,424	(8,932)	24	**293,747**	**86,827**	16,162	(330)	9,210	1,054	(187)	(6,817)	0	**105,919**	**187,828**
Technical equipment and machinery	**119,907**	0	259	2,232	(2,264)	974	**121,108**	**73,938**	0	237	7,032	0	0	(2,232)	0	**78,975**	**42,133**
Other equipment, operating and office equipment[1]	**861,195**	0	31,257	71,592	(75,644)	4,015	**892,415**	**685,297**	0	25,058	63,692	20,195	(3,082)	(74,114)	0	**717,046**	**175,369**
Construction in progress	**10,401**	0	198	7,226	(25)	(5,156)	**12,644**	**3**	0	0	0	0	0	(3)	0	**0**	**12,644**
Property, plant, and equipment	**1,250,079**	**42,909**	**31,460**	**82,474**	**(86,865)**	**(143)**	**1,319,913**	**846,065**	**16,162**	**24,965**	**79,934**	**21,249**	**(3,269)**	**(83,166)**	**0**	**901,940**	**417,974**
Total	**1,631,419**	**44,845**	**36,162**	**102,080**	**(130,039)**	**(1)**	**1,684,465**	**1,057,133**	**16,162**	**26,982**	**103,885**	**25,157**	**(3,269)**	**(123,190)**	**0**	**1,102,860**	**581,606**

Software, licenses, and other rights

The item "Software, licenses, and other rights" mainly contains software and software licenses as well as intangible assets identified in the course of purchase price allocations. The amortization for these items is recognized in administrative expenses.

For the Group-wide ERP system consisting of the industry solutions SAP AFS and SAP Retail, intangible assets with acquisition costs of EUR 52,726 thousand (2021: EUR 53,873 thousand) were capitalized, of which EUR 47,752 thousand (2021: EUR 46,656 thousand) had already been amortized as of the reporting date. The remaining amortization period is 2.0 years (2021: 2.8 years). In addition to the software described, other software licenses are included in the amount of EUR 82,010 thousand (2021: EUR 79,510 thousand), the remaining amortization period of which is 3.6 years (2021: 3.8 years). The average useful life of software and licenses is in between 3 and 7 years.

Brand rights

The reported brand rights amounting to EUR 14,992 thousand (2021: EUR 14,992 thousand), which are primarily attributable to the brand rights acquired for the use of the brand names BOSS, HUGO and HUGO BOSS in the United States and Italy, are classified as assets with infinite useful lives. The infinite useful life stems from the estimate of an indefinite use of the registered brand name.

Property, plant, and equipment

Land charges in connection with land and buildings amount to EUR 90,089 thousand (2021: EUR 103,225 thousand).

Impairment losses of EUR 28,610 thousand (2021: EUR 21,249 thousand) and write-ups of EUR 14,605 thousand (2021: EUR 3,269 thousand) were recognized under property, plant, and equipment, which mainly relate to equipment for individual own retail stores.

In terms of property, plant, and equipment, buildings are generally amortized over a useful life of 30 years, technical facilities and machines over a useful life of 5 to 19 years, and other facilities and operating and office equipment over 2 to 15 years.

Purchase obligations

There are purchase obligations for investments amounting to EUR 2,296 thousand (2021: EUR 1,955 thousand). Of this amount, EUR 2,228 thousand (2021: EUR 1,877 thousand) is attributable to property, plant, and equipment and EUR 68 thousand to intangible assets (2021: EUR 78 thousand). The obligations as of December 31, 2022, are due for settlement within one year.

9 | Leases

HUGO BOSS has entered into a substantial number of leases for the rental of retail stores and office and warehouse space. As a rule, the lease agreements have a term between 1 and 30 years, with some of the agreements including purchase and renewal options. The Group exercises judgments to the effect that, in addition to the basic rental period, extension options are included when the extension has already been finally negotiated with the landlord and the contract has been duly signed by both parties. Reasonable certainty is therefore only given once the contract has been signed. For leases of low-value assets and for short-term lease liabilities, the option of immediate expense recognition was exercised. Similarly, leases with variable rents for which no minimum rent is contractually fixed are expensed immediately. Accordingly, there are no right-of-use assets and lease liabilities recognized for these types of leases.

The implications of the Company's leases on the balance sheet, the income statement, and the consolidated statement of cash flows as at December 31, 2022, are presented below:

Leases in the balance sheet

Additions, depreciation, and changes in the right-of-use assets of lease agreements are divided between the assets underlying the leases as at December 31, 2022, as follows:

(in EUR thousand)

	Stores	Warehouse	Offices and others	**Total**
Carrying amount as of January 1, 2022	**583,868**	**39,894**	**71,330**	**695,092**
Changes in the basis of consolidation	0	0	0	0
Additions	191,875	13,817	23,008	228,700
Depreciation	(184,823)	(10,183)	(17,809)	(212,815)
Impairment	(13,433)	0	0	(13,433)
Write up	9,709	0	0	9,709
Disposal	(752)	(1,616)	(267)	(2,635)
Transfers	115	(2,616)	0	(2,501)
FX differences	5,108	349	624	6,081
Carrying amount as of December 31, 2022	**591,667**	**39,645**	**76,886**	**708,198**
Carrying amount as of January 1, 2021	**644,410**	**30,044**	**73,515**	**747,969**
Changes in consolidated group	0	0	0	0
Additions	123,456	16,989	12,573	153,018
Depreciation	(178,902)	(8,129)	(16,428)	(203,459)
Impairment	(10,600)	0	0	(10,600)
Write up	547	0	0	547
Disposal	(17,711)	(73)	(930)	(18,714)
Transfers	0	0	0	0
FX differences	22,668	1,063	2,600	26,331
Carrying amount as of December 31, 2021	**583,868**	**39,894**	**71,330**	**695,092**

Maturity analysis of lease liabilities

The following table shows the breakdown of lease liabilities according to their maturities:

(in EUR thousand)	2022
Due within one year	215,247
Due between one and five years	482,253
Due after five years	165,061
Total (undiscounted)	**862,561**
Interests	(58,343)
Total	**804,218**

Leases in the income statement

(in EUR thousand)	2022	2021
IFRS 16 relevant expenses	**(230,217)**	**(226,666)**
Depreciation right-of-use assets	(212,815)	(203,459)
Impairment/write ups of right-of-use assets	(3,724)	(10,052)
Net income from disposal of right-of-use assets	5,207	6,271
Interest expenses for lease liabilities	(17,973)	(17,457)
Income/expenses from foreign exchange differences on lease liabilities	(912)	(1,969)
Non-IFRS 16 relevant expenses	**(250,548)**	**(212,429)**
Expenses from variable lease payments	(174,737)	(144,383)
Expenses for short-term leases	(5,102)	(5,659)
Expenses for leases of low-value assets	(4,725)	(4,512)
Income from subleases	505	2,029
Lease expenses for software	(23,481)	(17,709)
Other expenses (service costs)	(43,008)	(42,195)
Total expenses from lease agreements	**(480,765)**	**(439,095)**

Cash outflows from lease liabilities amounted to EUR 484,408 thousand in 2022 (2021: EUR 440,636 thousand), of which EUR 215,888 thousand relates to the repayment of lease liabilities (2021: EUR 210,749 thousand).

In the course of the COVID-19 pandemic, all rent concessions that met the requirements of the IASB amendments "COVID-19-Related Rent Concessions – Amendments to IFRS 16 Leases" were not treated as a lease modification but as a negative variable lease payment until June 30, 2022. The amount recognized through profit and loss to reflect rent concessions as a result of the COVID-19 pandemic was EUR 4,408 thousand for fiscal year 2022 (2021: EUR 18,178 thousand). In the second half of the year, rent adjustments were treated as lease modifications under IFRS 16.

As of the reporting date, there was also EUR 2,424 thousand accrued rent payments (2021: EUR 21,871 thousand).

Material future non-recognized lease payments with maturities

The following future lease payments are not included in the valuation of lease liabilities as a result of IFRS 16:

(in EUR thousand)

	Due 2023	Due 2024–2027	Due after 2027	Total
Variable lease payments	206,119	866,532	696,461	1,769,111
Payments from uncertain termination options	619	14,493	12,669	27,780
Payments from uncertain extension options	11,139	155,167	141,383	307,688
Total lease payments	**217,876**	**1,036,191**	**850,513**	**2,104,580**

In addition, payments from short-term leases, leases for software, and for low-value assets are expected, although these are immaterial from the perspective of HUGO BOSS.

The determination of future off-balance sheet lease payments is based on management assumptions regarding the term of the leases and the amount of the lease payment. In determining future lease payments, HUGO BOSS assumes the remaining term of the original lease plus the one-time exercise of renewal options, which are not yet sufficiently certain based on current knowledge. The future variable lease payments are derived on the basis of the sales planned for directly operated stores (DOS) and outlets bottom-up for 2023 and projected using a like-for-like growth rate. Future payments from uncertain renewal options take into account all contracts with renewal options existing as of December 31, 2022, and are based on the assumption of constant future rental payments.

10 | Impairment testing

An impairment test must be performed for all assets within the scope of IAS 36 if there are triggering events for impairment at the reporting date. For intangible assets with indefinite useful lives and goodwill, an annual impairment test is performed irrespective of the existence of such indications. Climate related impacts are considered internalizing external factors. However, the impact of climate-related matters is not material to the financial statements of HUGO BOSS.

Systematically depreciated property, plant, and equipment and amortized right-of-use assets at the level of the Group’s own retail stores

At HUGO BOSS, the Group’s own retail stores (directly operated stores, DOS) have been identified as CGUs, i.e., as the smallest group of assets that can generate independent cash inflows.

The depreciated assets of the DOS, including the right-of-use assets from leasing contracts, are subjected to impairment testing, if there are indicators or changes in the planning assumptions resulting into carrying amount exceeding the recoverable amount of the assets. After preparing the annual budget planning, HUGO BOSS carries out a triggering-event test at the respective DOS level. In the event of a shortfall in defined sales and profitability ratios compared with the latest budget, the non-current assets of the respective DOS are subjected to impairment testing.

The recoverable amount of the DOS is determined by calculating the value in use on the basis of discounted cash flow calculations. The planned cash flows for the DOS from the budget planning adopted by the Managing Board and approved by the Supervisory Board of HUGO BOSS AG were used to determine the value in use as of the reporting date. Furthermore, the gross profit margin of the upstream units as well as the corporate assets at the level of the subsidiary and at the level of the DOS are taken into account. The forecast period is determined on the basis of the individual remaining term of the lease as the leading asset. Following the first planning year derived from the approved budget planning, country- and CGU-specific revenue and cost developments are used as a basis for the remaining useful life. The growth rates used are based on the expected nominal retail growth in each respective market for the corresponding planning year. For all DOS, growth rates range from low single-digit to high single-digit percentages. At the end of the remaining useful life, it is assumed that the respective DOS will be wound up with a sale of the operating assets at carrying amount. In determining the value in use of the DOS, the cash flows were discounted at a weighted average cost of capital after tax between 8.8% and 33.3% (2021: between 6.8% and 23.1%). A maturity-equivalent risk-free interest rate of 2.0% (2021: –0.6%) and a market risk premium of 7.0% (2021: 7.5%) were applied. The calculated pre-tax interest rates are between 10.0% and 43.7% (2021: 9.7% and 30.1%). If an impairment loss is recognized, it is allocated proportionately to the non-current assets of the CGU. However, no asset may be written down below its respective fair value. For this purpose, the fair values of the right-of-use assets are determined separately. Information from actual lease extensions or new leases for comparable own retail stores is used to derive the market rent and thus the fair value. If no internal data is available for comparable properties, the market rent is derived using estimates from external real estate specialists for properties in comparable locations. If the conditions at which the lease was concluded correspond to the current market conditions derived from actual lease agreements or the estimates of external real estate specialists, it is assumed that the right-of-use asset is recoverable. If the fair value exceeds the calculated value in use of the corresponding CGU, the impairment loss resulting from the calculation of the value in use of the CGU is allocated to the other non-current assets of the CGU.

Impairment tests carried out resulted in gross impairment losses on non-current assets amounting to EUR 42,043 thousand (2021: EUR 31,968 thousand) in the past fiscal year, which were recognized in profit or loss under "selling and marketing expenses." Of this amount, EUR 28,610 thousand related to property, plant, and equipment and EUR 13,433 thousand to right-of-use assets. The impairment losses are attributable to all regions.

As part of an impairment analysis, an additional triggering-event test is used to determine whether there are indications that stores that had been impaired in the past were able to improve their earnings situation to such extent that a reversal was necessary. Reversal of impairment losses amounting to EUR 24,538 thousand (2021: EUR 3,816 thousand) were recognized in selling and marketing expenses for the fiscal year 2022. Of this amount, EUR 14,605 thousand related to property, plant, and equipment, EUR 224 thousand to other intangible assets and EUR 9,709 thousand to right-of-use assets. The impairment reversals are attributable to all regions.

Overall, this related to net impairment losses of EUR 17,505 thousand in fiscal year 2022 (2021: EUR 28,152 thousand).

Goodwill and intangible assets with infinite useful life

The impairment assessment is based on detailed earnings, balance sheet, and investment plans for the next fiscal year for all Group units, which have been adopted by the Management as part of the Company-wide budget planning process taking into account the current business situation and approved by the Supervisory Board. For periods beyond the budget planning, an annual growth rate is determined and applied to forecast future cash flows in the detailed planning period of a further four years. The growth rates used are based on external sources of information. The planning of capital expenditures and current net operating assets is based on budget planning data and updated on assumptions and estimates made by management. The cost of capital after taxes are determined using a WACC model for the HUGO BOSS Group, which is used to discount all cash flow forecasts in local currency, includes both standard market and country-specific risk premiums (country risk premium) and a premium for currency risk (inflation risk premium). The cost of capital after taxes used as of December 31, 2022 is based on a risk-free interest rate of 2.0% (2021: 0.1%) and a market risk premium of 7.0% (2021: 7.5%).

The following table shows the carrying amounts and the main assumptions used to determine the value in use or fair value less costs of disposal for the goodwill and intangible assets with indefinite useful lives allocated to the respective groups of CGUs. Goodwill arising on the acquisition of mono-brand stores from former franchise partners in previous fiscal years is allocated to the respective sales units (group of CGUs). Production units are regarded as corporate assets. Corporate assets are included in the impairment test of the sales units. Intangible assets with indefinite useful lives are aggregated at country level. The impairment test for trademark rights for the use of brand names in the U.S. market and Italy is performed at country level.

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	Intangible assets with indefinite useful life	Weigthed pre-tax WACC	Long-term growth rate
2022				
Sales unit France	1,759	0	12.4%	2.0%
Sales unit Italy	399	1,377	13.6%	2.0%
Sales unit UK	3,200	0	11.1%	2.0%
Sales unit Dubai	11,461	0	10.5%	3.3%
Sales unit Mainland China	9,513	0	12..8%	2.3%
Sales unit Macau (China)	6,669	0	12.2%	1.9%
Sales unit South Korea	7,025	0	11.8%	2.0%
Sales unit Thailand	1,726	0	11.8%	1.8%
Sales unit USA & Canada	3,213	13,615	11.8%	2.0%
Other sales & corporate units	11,609			
Total	**56,574**	**14,992**	**10.5%–13.6%**	**1.9%–3.3%**

(in EUR thousand)

	Carrying amount		Assumptions	
	Goodwill	Intangible assets with indefinite useful life	Weigthed pre-tax WACC	Long-term growth rate
2021				
Sales unit France	1.758	0	11.0%	3.0%
Sales unit Italy	436	1.377	11.9%	3.0%
Sales unit UK	3,214	0	11.2%	3.0%
Sales unit Dubai	11.135	0	9.2%	3.0%
Sales unit Mainland China	9.825	0	15.1%	3.0%
Sales unit Macau (China)	6.282	0	11.1%	3.0%
Sales unit South Korea	7.200	0	11.2%	3.0%
Sales unit Thailand	1,689	0	12.7%	3.0%
Sales unit USA & Canada	3.456	13.615	10.9%	3.0%
Other sales & corporate units	10,962			
Total	**55.957**	**14.992**	**9.2%–15.1%**	**3.0%**

The recoverable amount of each group of CGUs is determined by value in use using cash flow projections based on the medium-term financial plans approved by the Managing Board and the Supervisory Board. Restructuring measures to which the Group has not yet committed to and investments not related to current operations that increase the profitability of the tested group of CGUs are not taken into account. Following the detailed planning phase, country-specific sales growth rates are used, which are based on nominal retail growth.

No impairment loss for goodwill was recognized in fiscal year 2022. In the previous year, the goodwill of the sales unit in Australia in the Asia/Pacific segment was impaired of EUR 3,788 thousand, which was recognized in profit or loss under "selling and marketing expenses."

For trademarks with indefinite useful lives, in addition to determining the value in use at the level of the respective CGU, the recoverable amount is determined in a second step on the basis of the fair value less costs of disposal at level 3 of the measurement hierarchy under IFRS 13. This is based on a sales forecast for the respective market adopted by management as part of the budget process and approved by the Supervisory Board. In addition, country-specific sales growth rates are used. Following the five-year detailed planning period, the planned sales are extrapolated using a growth rate corresponding to the long-term nominal retail growth of the respective markets.

In fiscal years 2022 and 2021, no impairment loss was incurred for the trademark rights with indefinite useful lives.

Key assumptions used to calculate the value in use and fair value less costs of disposal

The following key assumptions, estimation uncertainties, and judgments by Management underlie the calculation of the value in use and fair value less costs of disposal for the aforementioned assets:

- EBIT
- Sustainable nominal retail growth
- Market rent levels
- Discount rates
- Expected useful life of DOS

Estimation of growth rates – Growth rates are generally derived from published industry-related market research based on country-specific nominal retail growth. These growth rates were implemented in the calculation of the value in use, particularly, after the detailed planning phase from 2023 onwards, and in the perpetual annuity.

Estimation of market rent values – Both internal and external lease data for comparable properties are used to derive the fair value of the rights-of-use.

Discount rates – The discount rates reflect current market assessments of the risks specific to each CGU. This takes into account the interest effect and the risks specific to the assets.

Useful life of DOS – The forecast period is based on the average remaining terms of the lease agreements, which are determined and reviewed on an annual basis.

Sensitivity to changes in assumptions

As of December 31, 2022, scenarios for critical measurement parameters such as the discount rate used and the growth rates underlying forecast cash flows were determined to verify the values in use. With regard to the growth rates, Management considered an acceleration (adjustment of +5%) as well as deceleration (adjustment of −5%) of the Group's sales performance in the 2022 business year to be possible. An acceleration/increase in growth rates of 5% would result in reversal of impairment losses for property, plant, and equipment and right-of-use assets in the amount of EUR 4,212 thousand. A slowdown/reduction in growth rates of 5% would result in additional impairments of EUR 6,049 thousand.

With regard to the market rent level, Management assumes that an adjustment of the market conditions both downward and upward by 5% in each case is conceivable. In the event of a reduction in the average market rental level by 5%, an additional impairment loss on right-of-use amounting to EUR 3,604 thousand would be recognized. In the event of a 5% increase in the market rental level, a reversal of impairment losses on right-of-use assets of EUR 147 thousand would be recognized.

In order to review the determined values in use of goodwill, Management of HUGO BOSS considers a declaration of the sales performance in 2023 as well as an average relative increase of the discount rate by 10% each to be possible. Furthermore, for the groups of CGUs to which goodwill is allocated, a declaration of 15% in the relative sales growth to extrapolate the cash flow forecasts following the detailed planning period is considered possible.

If the discount rate were increased by 10%, the values in use of all goodwill would exceed the respective carrying amounts, which are not completely impaired, as was already the case in the previous year.

If the sales development in 2023 were to decrease by 10%, the values in use of all goodwill would exceed the respective carrying amounts.

If the growth rate of sales were to be reduced by 15% in order to extrapolate the cash flow forecasts following the detailed planning period, the value in use of all goodwill would exceed the carrying amount, as was already the case in the previous year.

11 | Financial and other assets

(in EUR thousand)

	2022			2021		
		Thereof current	**Thereof non-current**		Thereof current	Thereof non-current
Financial assets	67,814	41,341	26,474	47,035	27,465	19,570
Thereof equity investments	4,430	0	4,430	0	0	0
Tax refund claims and prepayments	44,534	44,534	0	17,739	17,739	0
Other assets	107,151	105,445	1,706	94,457	93,332	1,125
Total	**219,499**	**191,320**	**28,180**	**159,231**	**138,536**	**20,695**

Financial assets include positive market values of currency hedges amounting to EUR 622 thousand (2021: EUR 1,295 thousand) as well as rent deposits for the Group's own retail stores of EUR 14,479 thousand (2021: EUR 13,383 thousand). Financial assets also include receivables from credit card companies amounting to EUR 32,827 thousand (2021: EUR 18,811 thousand).

The tax refund claims and tax prepayments are mostly VAT receivables.

Other assets mainly include prepayments for service agreements in the amount of EUR 43,355 thousand (2021: EUR 26,759 thousand), reimbursement claims from returns in the amount of EUR 27,824 thousand (2021: EUR 24,216 thousand), and receivables from supplier arrangements in the amount of EUR 1,304 thousand (2021: EUR 442 thousand).

In fiscal year 2022, HUGO BOSS has entered into a long-term strategic partnership with HeiQ AeoniQ LLC, a fully owned subsidiary of Swiss innovator HeiQ Plc, with an equity investment amounting to EUR 4,430 thousand.

12 | Inventories

(in EUR thousand)

	2022	2021
Finished goods and merchandise	893,489	563,773
Raw materials and supplies	70,411	35,472
Work in progress	9,659	6,309
Total	**973,560**	**605,554**

The carrying amount of inventories recorded at net realizable value is EUR 121,304 thousand (2021: EUR 108,367 thousand). Impairment reversals on inventories resulted in net income of EUR 4,268 thousand (2021: EUR 2,026 thousand). This is included in the cost of sales.

13 | Trade receivables

(in EUR thousand)

	2022	2021
Trade receivables, gross	**272,658**	**250,289**
Accumulated allowance	(16,228)	(15,762)
Trade receivables, net	**256,430**	**234,527**

As at December 31, 2022, the aging analysis of trade receivables is as follows:

(in EUR thousand)

	2022	2021
Trade receivables, net	**256,430**	**234,527**
Thereof not overdue	**202,353**	**180,225**
Thereof overdue	**47,987**	**47,970**
≤30 days	35,231	33,603
31 to 60 days	8,079	10,193
61 to 90 days	4,677	4,174
91 to 120 days	0	0
121 to 180 days	0	0
181 to 360 days	0	0
>360 days	0	0
Thereof: impaired	**6,090**	**6,333**

Trade receivables are non-interest-bearing and are generally due between 30 and 90 days. The change of allowances have developed as follows:

(in EUR thousand)

	2022	2021
Allowances as of January 1	**15,762**	**17,798**
Additions	6,609	6,799
Use	(432)	(2,006)
Release	(5,764)	(7,253)
Currency differences	54	423
Allowances as of December 31	**16,228**	**15,762**

In fiscal year 2022, an expected credit loss was recognized. In accordance with IFRS 9 this amounted to EUR 3,195 thousand as at December 31, 2022 (2021: EUR 2,225 thousand). For this purpose trade receivables that are not due of EUR 150,550 thousand (2021: 141,415) served as the calculation basis.

Any expenses and income from allowances on trade receivables are reported under selling and marketing expenses.

In the event of a deterioration of the financial position of wholesale customers and concession partners, the amounts actually derecognized can exceed the bad debt allowances already recognized, which can have an adverse impact on the results of operations.

Pursuant to the general terms and conditions for sales, ownership of the goods supplied is transferred to wholesale partners upon complete payment of all receivables. No collateral has been provided in the Group for individual receivables. Receivables from wholesale customers in respect of whose assets insolvency proceedings have been initiated are completely impaired.

As of December 31, 2022, receivables written off in the amount of EUR 2,509 thousand (2021: EUR 2,744 thousand) were still subject to recovery measures.

The maximum credit risk from trade receivables corresponding to their gross value is EUR 272,658 thousand (2021: EUR 250,289 thousand) as of the reporting date.

14 | Cash and cash equivalents

(in EUR thousand)

	2022	2021
Balances with banks and other cash items	134,458	275,540
Cheques	2,132	1,170
Cash on hand	10,812	7,984
Total	**147,403**	**284,694**

15 | Equity

Equity is made up of subscribed capital, own shares, capital reserve, other capital reserves, retained earnings, and accumulated other comprehensive income. Retained earnings contain profits that were generated in the past by entities included in the consolidated financial statements and effects from the revaluation of pension provisions. Accumulated other comprehensive income contains the differences arising from translation outside profit and loss of the foreign currencies used for the financial statements of foreign subsidiaries as well as the effects of the measurement outside profit and loss of cash flow hedges after tax.

Subscribed capital

The fully paid-in share capital of HUGO BOSS AG remains unchanged at EUR 70,400 thousand as of December 31, 2022 and consists of 70,400,000 no-par value registered ordinary shares. The arithmetical nominal value per share is EUR 1.00.

Authorized capital

By resolution of the Annual Shareholders' Meeting of May 11, 2021, the Managing Board of HUGO BOSS AG may, with the consent of the Supervisory Board, increase the share capital by up to EUR 17,600 thousand on or before May 10, 2026 by issuing up to 17,600,000 new registered shares on a cash and/or non-cash basis once or repeatedly (authorized capital 2021). The shareholders are generally entitled to a subscription right. However, the Managing Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in full or in part in the cases specified in Article 4 paragraph 4 of the Articles of Association.

Conditional capital

By resolution of the Annual Shareholders' Meeting of May 11, 2021, the Managing Board was authorized until May 10, 2026, with the consent of the Supervisory Board, to issue bearer or registered convertible bonds and/or bonds with warrants, profit participation rights, and/or participating bonds (or combinations of these instruments) with or without maturity restrictions in a total nominal amount of up to EUR 750,000 thousand, once or several times, also simultaneously in different tranches.

In this context, the share capital was conditionally increased by up to EUR 17,600 thousand by issuing up to 17,600,000 new registered no-par value shares (conditional capital 2021). The conditional capital increase will only be carried out to the extent that the holders or creditors make use of conversion/option rights from the bonds or fulfil conversion/option obligations or shares are tendered and no other forms of fulfillment are used for servicing. The Managing Board did not make use of the authorization in fiscal year 2022.

Capital management

In light of the anticipated strong top- and bottom-line growth, HUGO BOSS is confident it will continue generating significant free cash flow. This is to be supported by improved management of trade net working capital and the efficient use of capital expenditure. The majority of expected accumulated free cash flow will either be reinvested into the Company or distributed to shareholders via regular dividend payments. In doing so, HUGO BOSS is pursuing a profit-based dividend policy aimed at allowing shareholders to participate appropriately in the Group's earnings development. The Company's payout ratio until 2025 is projected to be in a range of between 30% and 50% of net income attributable to shareholders (2022: 33%). In line with the Company's vision of being the leading premium tech-driven fashion platform worldwide, it is also considering strategic investments in the areas of product and brand, sales, and digital expertise. In the event of excess liquidity, HUGO BOSS also considers special dividends and share buybacks as viable alternatives to return cash to our shareholders. The balance sheet structure is analyzed at least once a year to determine its efficiency and ability to support future growth and to simultaneously provide sufficient safety in the event that the Company's business performance falls short of expectations.

HUGO BOSS has at its disposal a revolving syndicated loan of EUR 600,000 thousand, providing additional financial flexibility for the successful execution of "CLAIM 5". The proceeds of the facility can be used for general corporate purposes. Concluded in November 2021, it has a term of three years including two options for extending the term by one year each and an option to increase the credit volume by up to EUR 300,000 thousand. The first extension option has already been exercised successfully. The credit facility contains a standard covenant requiring the maintenance of financial leverage, defined as the ratio of net financial liabilities (including lease liabilities in accordance with IFRS 16) to EBITDA. As of December 31, 2022, financial leverage totaled 1.1, thus well below the maximum permissible level (December 31, 2021: 1.1). The applicable interest rates of the loan are also linked to the fulfillment of defined ESG criteria. At the end of fiscal year 2022, the syndicated loan was utilized for guarantees issued amounting to EUR 21,874 thousand and for the supplier financing program amounting to EUR 60,000 thousand (December 31, 2021: EUR 18,066 thousand for guarantees, EUR 62,781 thousand for the supplier financing program).

(in EUR thousand)

	2022	2021
Liabilities due to banks incl. lease liabilities	914,097	912,312
Cash and cash equivalents	(147,403)	(284,694)
Net financial liabilities	**766,694**	**627,618**
Operating profit (EBITDA)	**680,444**	**567,777**
Total leverage	**1.13**	**1.11**

Own shares

The number of own shares amounts to 1,383,833 (2021: 1,383,833). The overall percentage amounts to 2.0% of subscribed capital (2021: 2.0%).

At the Annual Shareholders' Meeting on May 27, 2020, a resolution was passed authorizing the Managing Board to acquire the Company's own shares up to a total of 10% of the current share capital until May 26, 2025.

16 | Dividend

In view of the strong operational and financial performance in 2022, the very solid financial position, and Management's confidence in the further successful execution of "CLAIM 5," the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 9, 2023, a dividend of EUR 1.00 per share for fiscal year 2022 (2021: EUR 0.70), corresponding to an increase of 43% year over year. The proposal is equivalent to a payout ratio of 33% of the Group's net income attributable to shareholders in fiscal year 2022. Assuming that the shareholders approve the proposal, the dividend will be paid out on May 12, 2023. Based on the number of shares outstanding at the end of 2022, the amount distributed will total EUR 69,016 thousand (2021: EUR 48,311 thousand).

In 2022, a dividend of EUR 48,311 thousand was paid out for shares outstanding for the fiscal year 2021 (in 2021 for 2020: EUR 2,761 thousand). This corresponds to EUR 0.70 per share for 2021 (2020: legal minimum dividend of EUR 0.04 per share).

17 | Provisions

(in EUR thousand)

	2022	2021
Provisions for pensions	27,738	46,316
Other non-current provisions	64,157	55,530
Non-current provisions	**91,895**	**101,846**
Current provisions	**122,647**	**99,093**
Total	**214,542**	**200,939**

Other provisions of EUR 186,804 thousand (2021: EUR 154,623 thousand) comprise current provisions of EUR 122,647 thousand (2021: EUR 99,093 thousand) and other non-current provisions of EUR 64,157 thousand (2021: EUR 55,530 thousand). These mainly include non-current provisions for personnel expenses in connection with the long-term incentive program (LTI). Further explanations regarding LTI are provided in Chapter 18 – Share-based payment. The risk-free interest rates used to discount other non-current provisions range between 0.3% and 4.5% (2021: between 0.29% and 4.5%) depending on the term and currency in question. In fiscal year 2022, other provisions developed as follows:

(in EUR thousand)

	Balance on Jan. 1, 2022	Changes in currency and the consolidated group	Compounding	Addition	Use	Release	Balance on Dec. 31, 2022
Provisions for personnel expenses	90,137	255	21	90,521	(57,880)	(7,864)	115,190
Provisions for deconstruction obligations	22,907	(236)	651	6,276	(3,234)	(483)	25,881
Costs of litigation, pending legal disputes	11,813	113	0	10,188	(4,386)	(5,379)	12,349
Provisions for restructuring	1,255	(3)	0	4,721	(471)	(589)	4,913
Other provisions	28,511	315	0	12,171	(9,936)	(2,590)	28,471
Total	**154,623**	**444**	**672**	**123,877**	**(75,907)**	**(16,905)**	**186,804**

Provisions for personnel expenses

The provisions for personnel expenses mainly concern the provisions for short- and medium-term profit sharing and bonuses, severance payment claims, phased retirement arrangements, and overtime.

It is expected that EUR 39,049 thousand (2021: EUR 34,025 thousand) of the personnel provisions will be paid out after more than twelve months.

Provisions for deconstruction obligations

Non-current provisions for deconstruction obligations relate to the Group's own retail stores, warehouses, and office space used by the Group companies. They are recognized on the basis of the expected settlement amounts and the rental period agreed upon. Estimates are made in terms of the cost as well as the actual timing of the utilization.

Provisions for costs of litigation and pending legal disputes

The provisions for costs of litigation and pending legal disputes include various, individually immaterial ongoing litigations as well as litigation costs for the protection of brand right. These provisions are classified as current.

Miscellaneous other provisions

Based on reasonable estimates, provisions are recognized for the potential ramifications of legal issues. Such an assessment also takes into account the estimation of local, external experts such as lawyers and tax advisors. Any deviations between the original estimates and the actual outcome can impact the Group's net assets, financial position, and results of operations in the given period.

18 | Share-based payment

Equity-settled share-based payment

As part of the Restricted Stock Units Plan (RSUP) introduced by HUGO BOSS, eligible senior management staff are granted options to purchase ordinary shares of HUGO BOSS. Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options are exercisable at a price equal to the quoted market price of the HUGO BOSS's shares on the grant date. The vesting period is three years. Options are forfeited if the employee leaves the Group before the options vest.

The number of share options outstanding as of December 31, 2022 is 153,500. The aggregate of the estimated fair values of the options granted totals EUR 7,264 thousand. The following inputs for the binomial model were made on July 1, 2022:

	2022
Share price at grant date (July 1, 2022)	EUR 50.36
Expected volatility	40%
Expected life	3 years
Risk free rate	0.81%
Expected dividend yields	2%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the past four years. The expected life used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. In the event of changes in the group of eligible senior management staff, the fair values are reviewed.

The Group recognized total personnel expenses of EUR 1,182 thousand related to equity-settled share-based payment transactions in 2022.

Cash-settled share-based payment

A large part of the long-term provisions for personnel expenses consists of the Long-Term Incentive Program (LTI) implemented at the beginning of fiscal year 2016. The LTI serves as a long-term share-based compensation component for the Managing Board and eligible senior management staff of HUGO BOSS. As of December 31, 2022, there are four tranches in the LTI:

- 2019–2022 LTI-Tranche (issued on January 1, 2019)
- 2020–2023 LTI-Tranche (issued on January 1, 2020)
- 2021–2024 LTI-Tranche (issued on January 1, 2021)
- 2022–2025 LTI-Tranche (issued on January 1, 2022)

Each plan has a total duration of four years, which is split into a performance term of three years and a qualifying period of one year. The plan participant receives an individual number of virtual shares, the so-called "performance shares" (initial grant) at the beginning of the performance term, calculated as follows:

Individual LTI budget in Euro / average HUGO BOSS share price during the three months before the beginning of the performance term.

The number of virtual shares issued as of December 31, 2022, and the remaining terms of each plan are as follows:

LTI Tranche	Number of virtual shares (Initial Grant)	Remaining terms
2019–2022	108,852	0 years
2020–2023	168,584	1 year
2021–2024	413,667	2 years
2022–2025	232,663	3 years

The final entitlement of the participants in the plan depends on the following components:

(1) Individual number of performance shares (initial grant).

(2) Target achievement of predefined targets components: relative total shareholder return (RTSR); return on capital employed (ROCE); degree of employee satisfaction; score in the annual Dow Jones Sustainability Index (DJSI) assessment.

(3) Average HUGO BOSS share price over the last three months of the qualifying period.

A detailed explanation of the individual target components can be found in the Compensation Report as part of this Annual Report.

The final entitlement is paid out in cash no later than six weeks after the resolution has been passed by the Management of HUGO BOSS regarding the confirmation of the annual financial statement for the corresponding fiscal years 2022, 2023, 2024, and 2025, respectively. Accordingly, the LTI tranche 2019–2022 will be paid out in the fiscal year 2023.

The Long-Term Incentive Program is to be classified as share-based, cash-settled compensation and is therefore accounted for pursuant to the standards of IFRS 2. The expected entitlement of the plan participant is the basis for the calculation of a long-term personnel provision recognized on a pro-rata basis over the term of the respective plans and re-evaluated on each reporting date. The amount of the entitlement and the provision are evaluated using a Monte Carlo simulation, considering the following components:

(1) Expected degree of attainment of individual target components listed above

(2) Fair value per share option / performance shares (expected HUGO BOSS share price at the end of the period)

The fair value of the performance shares is calculated by an external expert using an option pricing model.

The fair values for the three plans as of December 31, 2022, compared to the previous year, are as follows:

LTI Tranche	Fair values per share option 2022	Fair values per share option 2021
2019–2022	EUR 40.55	EUR 42.38
2020–2023	EUR 75.99	between EUR 67.17 and 67.51
2021–2024	EUR 53.53	EUR 55.62
2022–2025	EUR 65.98	n/a

The fair value measurement for the respective plans is based on the following parameters:

	2022	2021
HUGO BOSS share price at reporting date in EUR	54.16	52.44
Expected dividend return in %	2.00	2.00
Expected volatility in %	38.06	35.00
Risk free interest rate in % (LTI tranche 2019–2022)	n/a	(0.76)
Risk free interest rate in % (LTI tranche 2020–2023)	2.23	(0.74)
Risk free interest rate in % (LTI tranche 2021–2024)	2.38	(0.70)
Risk free interest rate in % (LTI tranche 2022–2025)	2.34	n/a

As of December 31, 2022, four tranches totaling EUR 28,866 thousand (2021: EUR 23,168 thousand) were recognized as provisions. Therefore, a total expenses for cash-settled share-based payment pursuant to IFRS 2 of EUR 5,698 thousand (2021: EUR 16,985 thousand) was recognized in personnel expenses in fiscal year 2022.

CEO Investment Opportunity

Prior to Daniel Grieder assuming his duties, a so-called CEO Investment Opportunity was agreed between Daniel Grieder and the Marzotto family, the aim of which is to provide an incentive for a substantial and sustainable increase in the share-price of HUGO BOSS. Classified as compensation by a third party, the CEO Investment Opportunity is explicitly not part of the compensation system in accordance with Sec. 87a AktG. Therefore, it is not to be included in the maximum compensation. No personell expenses were and will be recognized.

The Supervisory Board discussed the CEO Investment Opportunity agreement at a plenary meeting and noted it with approval in a resolution. There are no conflicts of interest arising from the CEO Investment Opportunity, which is tied to the share price performance of HUGO BOSS. All shareholders in the Company benefit from a sustainable increase in the share price.

The CEO Investment Opportunity was implemented by setting up an investment vehicle titled ZPG HOLDING S.àr.l. ("ZPG"). ZPG bought 625.000 HUGO BOSS shares in mid-2021 for an average share price of EUR 46.40 and will continue to hold these shares until the occurrence of a so-called liquidity event. In this context, Daniel Grieder invested a total amount of EUR 1.5 million in ordinary shares in ZPG, with the rest of the investment provided by PFC S.r.l. and Zignago Holding S.P.A., each controlled by the Marzotto family, and a third-party bank financing. PFC S.r.l. and Zignago Holding S.P.A. hold the remainder of ordinary shares and certain preference shares, with limited economic rights ranking senior to the ordinary shares.

Liquidity events are the exercise of a call option by ZPG, the exercise of a put option by Daniel Grieder, or ZPG selling the HUGO BOSS shares to a third party. The call option may be exercised by ZPG either in the event that Daniel Grieder leaves HUGO BOSS or in a period of 120 days following the ordinary expiration of his employment contract with HUGO BOSS. If the call option is exercised based on a reason for which Daniel Grieder is responsible (e.g., termination by Daniel Grieder not based on good cause), he will receive the lower of either the fair market value of his ZPG shares or the amount of his initial investment. If the call option is exercised without Daniel Grieder having given cause for it (e.g., termination by HUGO BOSS not based on good cause), he will receive the fair market value of his ZPG shares.

The put option may be exercised by Daniel Grieder once the average HUGO BOSS share price during a period of 120 days exceeds specific thresholds. The minimum share price required for exercising the put option is EUR 75.10, representing an increase of 62% compared to the average purchase price of HUGO BOSS shares (EUR 46.40). The consideration both, in the event of exercising the put option or in case ZPG sells its HUGO BOSS shares to a third party, is the fair market value of the ZPG shares held by Daniel Grieder.

The fair market value of the ZPG shares held by Daniel Grieder is linked to the difference between the average purchase price of HUGO BOSS shares (EUR 46.40) and the average share price of HUGO BOSS shares during the 120 days prior to the liquidity event. If the average share price of HUGO BOSS during the 120 days prior to the liquidity event ranges between EUR 46.40 and EUR 75.00, Daniel Grieder will receive back the contributed amount of EUR 1.5 million. If the average share price during the 120 days prior to the liquidity event is less than EUR 46.40, the amount will be correspondingly lower. By contrast, if the average share price during the 120 days prior to the liquidity event is EUR 75.10 or higher, the fair market value of the ZPG shares held by Daniel Grieder increases depending on the share price performance of HUGO BOSS.

For example, an average share price of EUR 75.10 would result in a fair market value of EUR 7.1 million, an average share price of EUR 100.00 in a fair market value of EUR 14.8 million, and an average share price of EUR 126.00 in a fair market value of EUR 23.6 million.

19 | Provisions for pensions and similar obligations

Provisions for pensions are recognized for obligations from future and current post-employment benefits to eligible current and former employees. The benefits agreed under the pension plans depend for the most part on the length of service of the eligible employee. In general, company pension plans are classified into two types of plans: defined contribution plans and defined benefit plans. At HUGO BOSS, most of the plans are defined benefit plans. In the past year, the main defined benefit plans were granted in Germany and Switzerland. The characteristics of these plans are described in the following.

Defined benefit plans

Germany
Since the fiscal year 2014, there have only been direct pension obligations in Germany. A distinction is also made between general and individually agreed benefits. Under the general benefits granted, each employee who joined the Company prior to July 1, 2012, is entitled to benefits from Company pension plans. Employees who first receive benefits under the plan upon reaching the age of 50 or who have temporary employment agreements are excluded. Benefits comprise a post-employment benefit in the form of an old-age pension, an early-retirement benefit, a disability benefit, or a surviving dependents' benefit in the form of a dependent child benefit.

Individually agreed benefits are only granted to active and former members of the Managing Board. Benefits can take the form of a post-employment benefit as an old-age pension or disability annuity and take the form of a surviving dependents' benefit as a surviving spouse or dependent child benefit. All active members of the Managing Board have received pension commitments that are regulated in individual contracts and the amounts of which are measured as a percentage of the contractually agreed pensionable income depending on their duration of membership of the Managing Board. The basis for determining the pensionable income is defined as the base salary under the employment contract. For Managing Board members this takes the form of a defined benefit. The Group pays an annual pension contribution into a reinsurance contract for the life of the Managing Board member. This corresponds to 40% of the pensionable compensation, which is calculated on the basis of the basic salary in accordance with the employment contract. This form of pension commitment will also be used for future appointments to the Managing Board.

In addition, HUGO BOSS offers the Managing Board and executives the opportunity to acquire additional pension benefits through salary conversions ("deferred compensation agreements"). This additional pension can be granted in the form of retirement benefits, optionally in the form of occupational disability benefits and/or surviving dependents' benefits and/or in the form of a lump-sum payment in the event of death. The pension benefits are paid as a monthly pension, whereby surviving dependents' benefits can also be granted as a lump sum.

In Germany, the Company pension plan for individually agreed benefits and deferred compensation agreements is funded by plan assets for which there is an employer's pension liability insurance, which is a qualifying insurance policy within the meaning of IAS 19.8 in conjunction with IAS 19.113 et seq. The assets concerned can be classified as non-marketable assets. Employer's pension liability insurance has not been taken out for general benefits granted.

Switzerland

In Switzerland, employee pension plans must be allocated to a pension fund that is separate from the employer. BVG ["*Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge*": Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans] imposes minimum benefits. HUGO BOSS uses a collective foundation to provide for its employees against the economic consequences of old age, disability and death. Under this model, the foundation assets are the plan assets. The board of trustees of the collective foundation is responsible for the investment policy; at present the majority of plan assets are invested in fixed interest securities such as sovereign bonds. The supreme governing body of the collective foundation comprises an equal number of employer and employee representatives. The plans are financed by employer and employee contributions, which are defined as a percentage of the insured wage. The old-age pension is calculated as the retirement assets accumulated upon reaching a pensionable age multiplied by the conversion rates specified in the fund regulations. Employees can opt to receive their pension benefits as a lump-sum payment from the retirement assets. The benefit payments under the Swiss plans encompass old-age pensions, disability benefits, and surviving dependents' benefits. The collective foundation can change its financing system (contributions and future benefits) at any time. In addition, the collective foundation can terminate the affiliation agreement with HUGO BOSS; in such an event, the latter would have to join another welfare fund. Depending on the conditions of the affiliation agreement and the current partial liquidation rules, a deficit and the risks of increasing life expectancy (current pensions) can be transferred.

The pension obligations breakdown is as follows:

(in EUR thousand)

	Present value of the defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2022	2021	**2022**	2021	**2022**	2021
Germany	84,888	110,302	83,035	94,535	1,853	15,767
Switzerland	56,453	65,869	46,471	44,927	9,982	20,942
Others[1]	15,903	9,607	0	0	15,903	9,607
Total	**157,244**	**185,778**	**129,506**	**139,462**	**27,738**	**46,316**

1 Additional defined benefit plans are in place in Turkey, Italy, France, Mexico and Austria.

The amount of the pension obligations was determined using actuarial methods in accordance with IAS 19 "Employee Benefits".

The fair value of plan assets includes only assets held through reinsurance policies in Germany and assets held exclusively by insurance companies in Switzerland.

In fiscal year 2022, the funding status of benefit obligations pursuant to IAS 19 was as follows:

(in EUR thousand)

	2022	2021
Change in present value of benefit obligation		
Present value of benefit obligation on January 1	185,778	193,612
Currency differences	1,977	493
Service cost	5,516	5,495
Interest expense	2,523	1,917
Payments from settlements	(1)	(12)
Remeasurement of the carrying amount		
Actuarial gains/losses due to changes in financial assumptions	(40,799)	(6,530)
Actuarial gains/losses due to changes in demographic assumptions	0	(3,773)
Actuarial gains/losses due to experience adjustments	4,505	(9,317)
Benefits paid	(5,697)	(3,609)
Contribution by participants of the plan	5,017	4,000
Past service cost	(1,575)	3,502
Present value of benefit obligation on December 31	**157,244**	**185,778**
Changes in plan assets		
Fair value of plan assets on January 1	139,462	139,270
Currency differences	2,207	1,855
Expected return on plan assets	1,479	1,135
Expected return on plan assets (without interest income)	(19,051)	(8,491)
Payments from settlements	0	0
Benefits paid	(4,295)	(2,702)
Contribution by the employer	4,687	4,395
Contribution by participants of the plan	5,017	4,000
Fair value of plan assets on December 31	**129,506**	**139,462**
Funding status of the benefits funded by plan assets	**27,738**	**46,316**

As of December 31, 2022, EUR 83,035 thousand (2021: EUR 108,044 thousand) of the present value of the defined benefit obligation is financed through employer's pension liability insurance and EUR 56,453 thousand (2021: EUR 65,869 thousand) through foundation assets; while the remaining EUR 17,756 thousand (2021: EUR 11,865 thousand) was unfunded.

Actuarial assumptions underlying the calculation of the present value of the pension obligations as of December 31, 2022

Discretion is exercised to the extent that the expense from benefit-based plans is determined based on actuarial calculations. This involves making assumptions about discount rates, future wage and salary increases, mortality rates, and future pension increases. The discount rates used are based on the market yields of high-quality, fixed-interest corporate bonds.

The following premises were defined:

Actuarial assumptions	2022	2021
Discount rate		
Germany	4.20%	1.40%
Switzerland	2.25%	0.35%
Future pension increases		
Germany	2.50%	1.75%
Switzerland	0.00%	0.00%
Future salary increases		
Germany	3.00%	2.50%
Switzerland	3.00%	2.00%

Pension benefits in Germany are determined on the basis of biometric principles in accordance with the 2018 G mortality tables of Prof. Dr. Klaus Heubeck. The BVG 2020 mortality tables are used to measure the obligations of Swiss companies.

Sensitivity analysis of key actuarial assumptions

HUGO BOSS is exposed to special risks in connection with the aforementioned defined benefit plans. The funding status of pension obligations is influenced by both changes in the present value of the defined benefit obligations and changes in the fair value of plan assets. These are determined using actuarial methods that make assumptions concerning discount rates, future pension increases, future wage and salary increases, and mortality rates. Future deviations between actual conditions and the underlying assumptions can lead to an increase or a decrease in the present value of the defined benefit obligations or the fair value of plan assets.

In addition, future amendments to the accounting standards governing the accounting treatment of pension obligations can affect the pertinent items of net assets, financial position, and results of operations.

A change in the key actuarial parameters according to the scenarios presented below has the effects presented in the table below on the present value of the pension obligations as of December 31, 2022.

When conducting the sensitivity analysis, each parameter was altered ceteris paribus and not in combination with changes in other assumptions, thus excluding interdependencies between parameters. In addition, only ranges of values deemed to be reasonably plausible up to the date of preparing the next set of consolidated financial statements were selected.

(in EUR thousand)

Change in present value of the pension obligations	2022	2021
Discount rate December 31		
Increase of 75 basis points	(13,085)	(18,969)
Decline of 75 basis points	15,108	23,111
Future pension increases December 31		
Increase of 25 basis points	3,580	5,567
Decline of 25 basis points	(2,326)	(3,561)
Future salary increases December 31		
Increase of 50 basis points	1,138	983
Decline of 50 basis points	(1,013)	(985)
Life expectancy December 31		
Increase of 10 percent	(3,699)	(6,062)
Decline of 10 percent	4,003	6,071

Breakdown of the pension expenses in the period

The pension expenses of the period is composed of the following items:

(in EUR thousand)

	2022	2021
Current service costs	5,516	5,495
Past service costs	(1,575)	3,502
Net interest costs	1,044	781
Recognized pension expenses in the comprehensive statement of income	**4,985**	**9,778**
Expense from plan assets (without interest effects)	19,051	8,491
Recognized actuarial (gains)/losses	(36,294)	(19,620)
Recognized remeasurement of the carrying amount in the comprehensive statement of income	**(17,243)**	**(11,129)**

The net interest expense is calculated by multiplying the net pension obligation by the discount rate underlying the measurement of the defined benefit obligation (DBO).

In case of deferred compensation commitments, current service cost is only incurred in the year of deferral. An increase in the service rendered does not increase the benefits granted.

For fiscal year 2022, the Group expects employer contributions to plan assets of EUR 4,754 thousand (2021: EUR 4,638 thousand).

Duration

The duration of the benefit-based plans on December 31, 2022, is 14 years for Germany (2021: 17 years) and 15 years for Switzerland (2021: 19 years).

Defined contribution plans

Employer contributions to contribution-based plans totaled EUR 24,530 thousand in the past fiscal year (2021: EUR 21,033 thousand) and are reported under personnel expenses. The main contribution-based plan of HUGO BOSS is in Germany. They receive the contributions to statutory pension insurance and the employer's contribution to employer-funded direct insurance in Germany.

20 | Financial liabilities

All interest-bearing and non-interest-bearing obligations as of the respective reporting date are reported under financial liabilities. They break down as follows:

(in EUR thousand)

	2022	With remaining term up to 1 year	2021	With remaining term up to 1 year
Financial liabilities due to banks	109,880	21,348	117,727	14,525
Lease liabilities	804,218	199,290	794,585	193,429
Other financial liabilities	11,821	11,459	17,743	17,500
Thereof: non IFRS 16 relevant rental contracts for own retail	9,594	9,594	13,416	13,416
Total	**925,918**	**232,097**	**930,055**	**225,454**

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 1,866 thousand (2021: EUR 4,327 thousand).

The following tables show the terms and conditions of financial liabilities:

	2022		2021	
Remaining term	**Weighted average interest rate**	**Carrying amount in EUR thous.**	Weighted average interest rate	Carrying amount in EUR thous.
Liabilities due to banks				
Up to 1 year	5.59%	21,348	3.16%	14,525
1 to 5 years	5.17%	88,532	4.92%	103,201
More than 5 years	0.00%	0	0.00%	0
Other financial liabilities				
Up to 1 year	0.05%	11,459	0.10%	17,500
1 to 5 years	5.77%	361	5.77%	243
More than 5 years	0.00%	0	0.00%	0

HUGO BOSS has at its disposal a revolving syndicated loan of EUR 600,000 thousand, providing additional financial flexibility for the successful execution of "CLAIM 5". The proceeds of the facility can be used for general corporate purposes. Concluded in November 2021, it has a term of three years, including two options for extending the term by one year each and an option to increase the credit volume by up to EUR 300,000 thousand. The first extension option has already been exercised successfully.

At the end of fiscal year 2022, the syndicated loan was utilized for guarantees issued amounting to EUR 21,874 thousand and for the supplier financing program amounting to EUR 60,000 thousand (December 31, 2021: EUR 18,066 thousand for guarantees, EUR 62,781 thousand the supplier financing program).

The following table shows the contractually agreed undiscounted cash flows for non-derivative financial liabilities and for derivative financial instruments with a negative fair value:

(in EUR thousand)

2022			**Expected cash flows**		
Non-derivative financial liabilities	**Carrying amount**	**Total cash flows**	**<1 year**	**1–5 years**	**>5 years**
Financial liabilities due to banks	109,880	88,198	29,503	58,696	0
Lease liabilities	804,218	862,561	215,247	482,253	165,061
Other financial liabilities	9,955	9,955	9,594	361	0
Derivative financial liabilities					
Undesignated derivatives	1,866	1,866	1,866	0	0
Derivatives subject to hedge accounting	0	0	0	0	0
Total	**925,918**	**962,580**	**256,209**	**541,310**	**165,061**
2021					
Non-derivative financial liabilities					
Financial liabilities due to banks	117,727	131,742	31,148	100,594	0
Lease liabilities	794,585	841,497	205,354	471,782	164,361
Other financial liabilities	13,416	13,416	13,416	0	0
Derivative financial liabilities					
Undesignated derivatives	952	952	709	243	0
Derivatives subject to hedge accounting	3,375	3,375	3,375	0	0
Total	**930,055**	**990,982**	**254,002**	**572,619**	**164,361**

21 | Other liabilities

(in EUR thousand)

	2022			2021		
	Total	**Current**	**Non-current**	Total	Current	Non-current
Other liabilities	202,855	201,152	1,703	161,420	160,524	896
Thereof indirect taxes	78,052	78,052	0	63,809	63,809	0
Thereof social security, accrued vacation, wages and salaries	36,810	36,810	0	27,485	27,485	0
Thereof right of return	48,177	48,177	0	37,814	37,814	0

The obligations arising from rights of return are calculated on the basis of historical return rates.

22 | Additional disclosures on financial instruments

Carrying amounts and fair values by category of financial instruments

(in EUR thousand)

		2022		2021	
Assets	**IFRS 9 category**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	AC	147,403	147,403	284,694	284,694
Trade receivables	AC	256,430	256,430	234,527	234,527
Financial assets		67,814	67,814	47,036	47,036
Thereof:					
Equity investments	FVTPL	4,430	4,430	0	0
Undesignated derivatives	FVTPL	329	329	1,295	1,295
Derivatives subject to hedge accounting	Hedge Accounting	293	293	0	0
Other financial assets	AC	62,762	62,762	45,741	45,741
Liabilities					
Financial liabilities due to banks	AC	109,880	112,620	117,727	120,015
Trade and other payables	AC	617,110	617,110	464,408	464,408
thereof Reverse Factoring	AC	99,096	99,096	62,857	62,857
Lease liabilities	n.a.	804,218	804,218	794,585	794,585
Other financial liabilities		11,821	11,821	17,743	17,743
Thereof:					
Undesignated derivatives	FVTPL	1,866	1,866	952	952
Derivatives subject to hedge accounting	Hedge Accounting	0	0	3,375	3,375
Other financial liabilities	AC	9,955	9,955	13,416	13,416

In 2021, HUGO BOSS implemented a "Supplier-Financing-Program" to support its suppliers. Under this program, outstanding trade payables are already settled with the supplier before maturity by a credit institution. Within the program, the original liability of the supplier remains unaffected on the basis of an unchanged acknowledgement of debt and is shown as a trade payable. In this context, HUGO BOSS pays the full invoice amount when due according to the invoice. The credit institution pays the invoice amount to the supplier less a discount. Since the reverse-factoring agreements do not provide the Group with an additional financing option and the amount to be paid does not change, HUGO BOSS is of the opinion that the liabilities from trade payables under the reverse-factoring program should not be reclassified as financial liabilities. It is a judgment of HUGO BOSS to include the amounts from the reverse-factoring program in working capital. The total reverse-factoring volume as of the reporting date amounts to EUR 120,000 thousand (2021: EUR 75,000 thousand).

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, other financial assets, trade payables, and other current financial liabilities are close to their carrying amounts mainly due to the short-term maturities of these instruments.

The fair value of loans from banks and other financial liabilities, obligations under finance leases, and other non-current financial liabilities is calculated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

As of December 31, 2022, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The credit risk of the counterparty did not lead to any significant effects.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As at December 31, 2022, all financial instruments measured at fair value in the category FVTPL and derivatives designated to a hedge relationship were assigned to level 2. In fiscal year 2022, there were no transfers between level 1 and level 2 or from level 3. The financial instruments measured at fair value comprised forward exchange contracts, currency swaps, and interest derivatives. The assets amounted to EUR 622 thousand (2021: EUR 1,295 thousand) and liabilities to EUR 1,866 thousand (2021: EUR 4,327 thousand). The fair value of financial instruments carried at amortized cost in the statement of financial position was also determined using a level 2 method. The fair value of the assets and liabilities allocated to level 2 are measured using input parameters from active markets.

During the fiscal year 2022 no circumstances occurred which would have caused the application of non-recurring fair value measurements.

Net result by measurement category

(in EUR thousand)

	Interest income and expenses	Changes in fair value	Currency translation	Bad debt losses	Disposal of financial instruments	2022	2021
Derivatives (FVTPL)	0	(32,143)	0	0	15,203	(16,940)	(3,046)
Financial Assets Measured at Amortized Cost (AC)	2,200	0	(5,056)	(2,315)	0	(5,171)	(833)
Financial Liabilities Measured at Amortized Cost (AC)	(5,883)	0	(2,173)	0	0	(8,056)	(1,977)

Interest on financial instruments is reported in the interest result (cf. notes to the consolidated income statement, Note 4).

The bad debt allowances recognized on trade receivables allocable to the AC category are reported under selling and marketing expenses.

Exchange gains and losses from the translation of foreign currency receivables and liabilities as well as fair value changes and effects of disposals of exchange rate hedges are reported in the other financial result.

Changes in liabilities from financial activity

(in EUR thousand)

	Gross value Jan. 1	Cash flows	From Con-solidation	Changes in portfolio	Change in the maturity	Currency translation effects	Gross value Dec. 31
2022							
Liabilities arising from financing activities							
Short-term financial liabilities due to banks	14,524	(6,748)	0	0	13,639	(68)	21,347
Long-term financial liabilities due to banks	103,202	0	0	0	(13,639)	(1,030)	88,532
Lease liabilities	794,585	(215,888)	0	225,170	0	351	804,218
Total	**912,311**	**(222,636)**	**0**	**225,170**	**0**	**(747)**	**914,097**

(in EUR thousand)

	Gross value Jan. 1	Cash flows	From Con-solidation	Changes in portfolio	Change in the maturity	Currency translation effects	Gross value Dec. 31
2021							
Liabilities arising from financing activities							
Short-term financial liabilities due to banks	71,128	(177,027)	1,257	0	119,124	42	14,524
Long-term financial liabilities due to banks	195,471	0	26,915	0	(119,124)	(60)	103,202
Lease liabilities	862,277	(210,749)	0	111,915	0	31,142	794,585
Total	**1,128,876**	**(387,776)**	**28,172**	**111,915**	**0**	**31,124**	**912,311**

Offsetting of financial instruments

(in EUR thousand)

	Gross amounts recognized assets	Gross amounts offset liabilities	Net asset amounts disclosed in statement of fin. pos.	Liabilities not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
2022						
Trade receivables	272,930	(16,500)	256,430	0	0	256,430
Other financial assets	67,814	0	67,814	(95)	0	67,719
Thereof derivates	622	0	622	(95)	0	527
Total	**340,744**	**(16,500)**	**324,244**	**(95)**	**0**	**324,149**
2021						
Trade receivables	245,865	(11,338)	234,527	0	0	234,527
Other financial assets	47,036	0	47,036	(763)	0	46,273
Thereof derivates	1,295	0	1,295	(763)	0	532
Total	**292,901**	**(11,338)**	**281,563**	**(763)**	**0**	**280,800**

(in EUR thousand)

	Gross amounts recognized liabilities	Gross amounts offset assets	Net liabilities amounts disclosed in statement of fin. pos.	Assets not offset in the statement of fin. pos.	Cash deposits received not offset in the statement of fin. pos.	Net amounts
2022						
Trade payables	656,953	(39,843)	617,110	0	0	617,110
Other financial liabilities	11,821	0	11,821	(95)	0	11,726
Thereof derivates	1,866	0	1,866	(95)	0	1,771
Total	**670,640**	**(39,843)**	**628,931**	**(95)**	**0**	**628,836**
2021						
Trade payables	500,547	(36,139)	464,408	0	0	464,408
Other financial liabilities	17,743	0	17,743	(763)	0	16,980
Thereof derivates	4,327	0	4,327	(763)	0	3,564
Total	**518,290**	**(36,139)**	**482,151**	**(763)**	**0**	**481,388**

The liabilities of EUR 16,500 thousand (2021: EUR 11,338 thousand) offset against trade receivables as of the reporting date are outstanding credit notes to customers. The assets offset against trade payables are receivables in the form of supplier credit notes. These amounted to EUR 39,843 thousand (2021: EUR 36,139 thousand).

Standard master agreements for financial future contracts are in place between HUGO BOSS and its counterparties governing the offsetting of derivatives. These prescribe that derivative assets and derivative liabilities with the same counterparty can be combined into a single offsetting receivable.

Hedging policy and financial derivatives

The following presentation shows the nominal amounts and the fair value of derivative financial instruments:

(in EUR thousand)

	2022		2021	
	Nominal values	**Fair values**	Nominal values[1]	Fair values[1]
Assets				
Currency hedging contracts	61,422	622	126,117	1,295
Liabilities				
Currency hedging contracts	345,267	1,769	257,027	3,770
Interest hedging contracts	4,721	97	5,675	557
Total	**411,410**	**2,487**	**388,818**	**5,622**

1 Due to a change in presentation the values shown differ from the reported figures in the previous year.

The nominal values are the amount hedged by the corresponding hedge. The fair values of derivative financial instruments are recognized as other financial assets or as other financial liabilities. They do not necessarily correspond to the amounts that will be generated in the future under normal market conditions.

Of the reported fair value from derivative financial instruments, an amount of EUR (1,537) thousand (2021: EUR 343 thousand) stems from financial assets and liabilities that were classified as held for trading.

The positive effects from the fair value measurement of currency hedges of EUR 293 thousand were recognized in other comprehensive income as of December 31, 2022 (2021: losses of EUR 3,375 thousand). Of the amount recognized in other comprehensive income, losses of EUR 3,631 thousand were reclassified to operating earnings in the fiscal year 2022 (2021: losses of EUR 2,398 thousand).

Interest and currency risk hedges

To hedge against interest and currency risks, HUGO BOSS occasionally enters into hedging transactions to mitigate risk.

The Group has own production facilities in Izmir, Turkey (HUGO BOSS Textile Industry Ltd.), among other locations. The functional currency of this subsidiary is the euro. However, certain local payments (including wages, salaries, social security contributions, and transport costs) are made in Turkish lira. This results in a transaction risk, both from the local and the Group perspective, due to the fluctuating exchange rate between the Euro and the Turkish lira.

The hedging strategy aims to limit transaction risks from future cash flows. These are hedged using forward exchange contracts and are then linked with an effective hedging relationship as cash flow hedges as per IFRS 9 (hedge accounting).

HUGO BOSS has implemented a rolling hedging strategy for cash flow hedges in which the target hedge ratio of up to 50% of the underlying exposure is built up over time. This rolling hedging allows HUGO BOSS to participate in market opportunities and, at the same time, can smooth the hedged rate. In addition, the ability to react to changes in forecast exposures is improved.

The maturities of the derivative financial instruments generally correspond with those of the hedged item. In addition, only the cross-currency basis spread (CCBS) contained in the hedging instrument was evaluated on the reporting date, and classified as immaterial. As this results in the underlying risk of the currency forward contract being identical to the hedged risk (the exchange rate risk between EUR and TRY), HUGO BOSS sets a hedging ratio of 1:1 for the hedging relationship indicated above.

As already noted above, the risk of the hedging instrument also corresponds with the hedged risk. As a result, HUGO BOSS prospectively assumes an economic relationship between the hedged item and the hedging instrument. This is reviewed on a regular basis, but no less often than every reporting date.

In principle, differences between planned and actual due dates for cash flows can cause some partial inefficiency. Furthermore, inefficiency may occur in the calculation of the difference in value between the hedging transaction and the hedged item, since the currency basis or forward points are not excluded when designating the hedging instruments.

HUGO BOSS holds the following forward exchange contracts for hedging future cash flow as of the reporting date:

	2023				
Maturity	**Jan.–Mar.**	**Apr.–Jun.**	**Jul.–Sept.**	**Oct.–Dec.**	**Total**
Nominal amount in TRY thousand	108,250	61,875	62,875	63,000	**296,000**
Average hedged rate	20.168	20.806	22.099	23.848	**21.400**

Based on historical experience, HUGO BOSS anticipates all hedged items currently designated as cash flow hedges to accrue as of the reporting date.

Hedging instruments that the Company has designated in hedging relationships have the following impact on the balance sheet as of December 31, 2022:

(in EUR thousand)

	2022	2021
Balance sheet item	Derivatives subject to hedge accounting	Derivatives subject to hedge accounting
Carrying amount assets	293	–
Carrying amount liabilities	–	(3,375)
Change in fair value of hedging instruments held as of the reporting date	293	(3,375)
Nominal volume	13,830	11,917

The hedging relationships shown above have the following impact on the income statement or other comprehensive income (OCI):

(in EUR thousand)

	2022	2021
Change in fair value of the underlying transaction	(293)	3,375
Cash flow hedge reserve from existing hedges	293	(3,375)
Amount reclassified from OCI due to maturity of underlying transaction	(3,631)	(2,398)

As of the reporting date, EUR 4,721 thousand (2021: EUR 5,675 thousand) in variable interest financial liabilities without designation were secured as a hedging relationship.

For additional information and a detailed description of other financial risks, please refer to the Risk and Opportunities Report of this Annual Report.

Other notes

23 | Notes to the statement of cash flows

The statement of cash flows shows the change in cash and cash equivalents over the reporting period using cash transactions. In accordance with IAS 7, the sources and applications of cash flows are categorized according to whether they relate to operating, investing, or financing activities. The cash inflows and outflows from operating activities are calculated indirectly on the basis of the Group's net profit for the period. By contrast, cash flows from investing and financing activities are directly derived from the cash inflows and outflows. The changes in the items of the statement of financial position presented in the statement of cash flows cannot be derived directly from the statement of financial position on account of exchange rate translations.

A more detailed description of cash flows reported in the consolidated statement of cash flows is available in the chapter "Cash and cash equivalents".

Non-cash expenses and income concern, in particular, unrealized exchange rate gains and losses, fair value changes of derivative financial instruments recognized in profit or loss, and non-cash changes in financial liabilities.

24 | Segment reporting

The Managing Board of HUGO BOSS AG manages the Company by geographic areas. The Group companies are responsible for the distribution of all HUGO BOSS products that are not sold as licensed products by third parties in their respective sales territories. The Managing Directors of the subsidiaries report to the regional directors in charge, who in turn report to the Managing Board of HUGO BOSS AG. This organizational structure enables the direct implementation of Group objectives while taking into account specific market conditions.

Accordingly, the operating segments are organized into the three regions Europe: including Middle East and Africa (EMEA), Americas, and Asia/Pacific, in addition to the license division. The distribution companies of HUGO BOSS are assigned to the corresponding region, while the complete licenses business of HUGO BOSS with third parties is allocated to the license division.

The Managing Board of HUGO BOSS AG is the chief operating decision maker of HUGO BOSS.

Management of the regional business units is aligned to the value added contribution at Group level.

The most important performance indicator used by the Managing Board to make decisions about resources to be allocated to segments is EBIT. The segment result is thus defined as EBIT of the sales units plus the gross margin of the sourcing units and intra-group royalties.

Group financing (including interest income and expenses) and income taxes are managed on a Group-wide basis and are not allocated to operating segments.

Management of the operating figures inventories and trade receivables is assigned to the sales territories. These items are regularly reported to the Managing Board. Consequently, segment assets only contain trade receivables and inventories.

Liabilities are not part of internal management reporting. The segment liabilities are therefore not disclosed.

The accounting rules applied in the segment information are in line with the accounting rules of HUGO BOSS as described in the accounting policies.

The Managing Board regularly reviews certain effects recognized in the statement of comprehensive income, including in particular amortization, depreciation, and impairment losses.

Capital expenditure from property, plant and equipment and intangible assets is also regularly reported to the Managing Board as part of internal reporting, making it a component of segment reporting.

All expenses and assets that cannot be directly allocated to the sales territories or the license segment are reported in the reconciliations below under corporate units / consolidation. All Group-wide central functions are pooled in the corporate units. The remaining expenses of the sourcing, production, and R&D units make up an operating cost center. No operating income is allocated to the corporate units.

(in EUR thousand)

	EMEA	Americas	Asia/Pacific	Licenses	Total operating segments
2022					
Sales	**2,302,864**	**789,176**	**467,187**	**92,151**	**3,651,378**
Segment profit	**547,982**	**123,235**	**73,986**	**76,846**	**822,049**
In % of sales	23.8	15.6	15.8	83.4	22.5
Segment assets	321,422	330,454	188,944	24,364	865,184
Capital expenditure	62,217	26,850	33,284	11	122,362
Impairments	(25,149)	6,602	1,045	0	(17,502)
Thereof property, plant, and equipment	(22,876)	(4,050)	(1,681)	0	(28,607)
Thereof intangible assets	(1)	0	0	0	(1)
Thereof rights-of-use assets	(12,518)	(74)	(842)	0	(13,433)
Thereof write-up	10,246	10,726	3,567	0	24,540
Depreciation/amortization	(154,471)	(54,397)	(64,705)	0	(273,573)
2021					
Sales	**1,742,458**	**543,425**	**422,974**	**77,253**	**2,786,110**
Segment profit	**346,782**	**61,336**	**73,728**	**62,637**	**544,483**
In % of sales	19.9	11.3	17.4	81.1	19.5
Segment assets	260,476	150,621	177,760	26,073	614,930
Capital expenditure	31,277	13,839	31,413	9	76,538
Impairments	(16,670)	(5,814)	(9,456)	0	(31,940)
Thereof property, plant, and equipment	(10,234)	(4,372)	(6,640)	0	(21,246)
Thereof intangible assets	(6)	(140)	(3,788)	0	(3,934)
Thereof rights-of-use assets	(8,531)	(1,852)	(193)	0	(10,576)
Thereof write-up	2,101	550	1,165	0	3,816
Depreciation/amortization	(142,154)	(46,461)	(68,840)	0	(257,455)

Reconciliation

The reconciliation of segment figures to Group figures is presented below.

Sales

(in EUR thousand)

	2022	2021
Sales – operating segments	**3,651,378**	**2,786,110**
Corporate units	0	0
Consolidation	0	0
Total	**3,651,378**	**2,786,110**

Operating income

(in EUR thousand)

	2022	2021
Segment profit (EBIT) – operating segments	**822,049**	**544,483**
Corporate units	(484,816)	(316,369)
Consolidation	(1,815)	(115)
Operating income (EBIT) operating segments	**335,419**	**228,000**
Net interest income/expenses	(23,879)	(20,688)
Other financial items	(26,245)	(10,437)
Earnings before taxes HUGO BOSS	**285,295**	**196,874**

Segment assets

(in EUR thousand)

	2022	2021
Segment assets – operating segments	**865,184**	**614,930**
Corporate units	364,806	225,151
Consolidation	0	0
Current tax receivables	23,074	14,655
Current financial assets	41,341	27,465
Other current assets	149,980	111,071
Cash and cash equivalents	147,403	284,694
Current assets HUGO BOSS	**1,591,787**	**1,277,966**
Non-current assets	1,534,815	1,457,556
Total assets HUGO BOSS	**3,126,602**	**2,735,522**

Capital expenditure

(in EUR thousand)

	2022	2021
Capital expenditure – operating segments	**122,362**	**76,538**
Corporate units	69,273	27,959
Consolidation	0	0
Total	**191,635**	**104,497**

Impairments/Write-ups

(in EUR thousand)

	2022	2021
Impairments/Write-ups – operating segments	**17,502**	**31,940**
Corporate units	2	0
Consolidation	0	0
Total	**17,504**	**31,940**

Depreciation/amortization

(in EUR thousand)

	2022	2021
Depreciation/amortization – operating segments	**273,573**	**257,455**
Corporate units	53,949	49,888
Consolidation	0	0
Total	**327,522**	**307,343**

Geographic information

(in EUR thousand)

	Third party sales		Non-current assets[1]	
	2022	2021	2022	2021
Germany	476,644	365,521	427,136	411,582
Other EMEA markets	1,918,371	1,454,190	556,850	530,957
U.S.A.	528,239	382,145	169,439	151,508
Other North and Latin American markets	260,938	161,280	39,642	31,019
China	216,878	258,328	56,962	54,358
Other Asian markets	250,308	164,646	112,107	98,398
Total	**3,651,378**	**2,786,110**	**1,362,136**	**1,277,822**

1 Non-current assets are allocated to the country in which the company´s registered office is located , irrespective of the segment structure.

25 | Related-party disclosures

In the reporting period from January 1 to December 31, 2022, the following transactions requiring disclosure were conducted with related parties:

Non-consolidated companies

In the fiscal year 2022, transactions relating to received services were conducted with the non-consolidated company YOURDATA HB DIGITAL CAMPUS. A total of EUR 23,500 thousand in payments was made in fiscal year 2022. As of the reporting date, there are no outstanding receivables from or liabilities to YOURDATA HB DIGITAL CAMPUS. The transactions took place under standard market conditions.

Related parties

Related parties comprise members of the Managing Board and Supervisory Board. The total compensation amounts to EUR 16,673.

Compensation of the Managing Board

The total compensation of the Managing Board amounts to EUR 12,483 thousand (2021: EUR 16,221 thousand). Expenses for short-term benefits totaled EUR 7,676 thousand in 2022 (2021: EUR 9,344 thousand). A service cost of EUR 1,120 thousand (2021: EUR 1,563 thousand) was incurred for company pension plans in 2022. For share-based compensation, the expense in 2022 amounted to EUR 3,687 thousand (2021: EUR 5,294 thousand).

The total compensation of the members of the Managing Board pursuant to Sec. 314 (1) no. 6 a) of the German Commercial Code (HGB) amounted to EUR 11,429 thousand in fiscal year 2022 (2021: EUR 14,554 thousand). Of this amount, EUR 2,966 thousand related to basic compensation including fringe benefits (2021: EUR 3,888 thousand). Special compensation of EUR 100 thousand (2021: EUR 700 thousand) was granted in the fiscal year. An amount of EUR 4,144 thousand (2021: EUR 4,176 thousand) is attributable to the "Short Term Incentive" (STI) agreed for fiscal year 2022. An amount of EUR 4,219 thousand is attributable to the "Long Term Incentive" (LTI) 2022–2025, resulting from 80,655 subscription rights granted in 2022.

In addition, no loans were granted to members of the Managing Board in fiscal year 2022, nor were any contingent liabilities entered into in favor of these persons. Members of the Managing Board make purchases at HUGO BOSS at reduced prices as part of their fringe benefits in kind granted as part of their salary and for their personal needs.

Former members of the Managing Board and their surviving dependents received total remuneration of EUR 5,694 thousand in 2022 (2021: EUR 2,260 thousand). This includes compensation due to termination of employment in the amount of EUR 5,270 thousand (2021: EUR 1,861 thousand).

Pension obligations for former members of the Managing Board of and their surviving dependents amount to EUR 40,893 thousand (2021: EUR 50,152 thousand). The corresponding plan assets in the form of reinsurance amount to EUR 37,874 thousand (2021: EUR 34,915 thousand).

Compensation of the Supervisory Board

The Supervisory Board received compensation for its activities in 2021 amounting to EUR 1,790 thousand. For fiscal year 2022, total short-term compensation amounts to EUR 1,790 thousand.

Other related-party disclosures

Members of the Managing Board and Supervisory Board together held around 1.5% (2021: slightly more than 1%) of the shares issued by HUGO BOSS AG at the end of fiscal year 2022.

26 | Subsequent events

Between the end of fiscal year 2022 and the preparation of this report on February 22, 2023, there were no material macroeconomic, socio political, industry-related, or Company-specific changes that the Management expects to have a significant impact on the Group's earnings, net assets, or financial position.

27 | Corporate Governance Code

Most recently in February 2023, the Managing Board and Supervisory Board of HUGO BOSS AG issued the declaration of compliance prescribed by Sec. 161 AktG. It is available for shareholders on the Company's website (**group.hugoboss.com**).

28 | Group auditor fees

(in EUR thousand)

	Deloitte network	thereof: Deloitte GmbH Wirtschaftsprüfungs-gesellschaft
2022		
Audit services	2,449	535
Other assurance services	95	89
Tax advisory services	9	0
Other services	115	0
Total	**2,668**	**624**

2021	Ernst & Young network	Ernst & Young GmbH Wirtschafts-prüfungsgesellschaft
Audit services	2,129	645
Other assurance services	393	108
Tax advisory services	123	0
Other services	0	0
Total	**2,645**	**753**

In fiscal year 2022, after a comprehensive selection process by the Supervisory Board, the Annual General Meeting elected Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the new auditors for the annual and consolidated financial statements 2022.

Services provided by Group auditors, beyond those related to the financial statement audit, mainly include the audit of the compensation report and the audit to obtain limited assurance on the summarized non-financial statement as well as selected disclosures in the sustainability report. The tax advisory services presented in 2022 relate to services provided in 2021 in subsidiaries abroad. Other services include consulting services relating to digital communications.

Managing Board

Member of the Managing Board	Responsibility
Daniel Grieder (Herrliberg, Switzerland/Metzingen, Germany) Spokesperson of the Managing Board Member of the Managing Board since June 1, 2021	Creative Direction, Business Unit BOSS Menswear, Business Unit BOSS Womenswear, Business Unit HUGO, Business Unit Footwear, Accessories, Bodywear & Hosiery (incl. Global Licenses), Global Marketing, Group Strategy & Corporate Development, Corporate Communications, and Human Resources
Yves Müller (Hamburg/Metzingen, Germany) Member of the Managing Board since December 1, 2017	Controlling, Group Finance & Tax, Internal Audit, Investor Relations, IT (incl. Information Security), Legal, Compliance & Data Protection, Business Operations, Product Development, Global Sourcing & Production, Logistics, and Construction & Procurement
Oliver Timm (Meerbusch/Metzingen, Germany) Member of the Managing Board since January 1, 2021	Global Sales Development, Global Retail & Wholesale, Global E-Commerce & Metaverse, Franchise & Travel Retail, Customer Relationship Management (CRM), Global Merchandise Management, and Global Retail Management
Dr. Heiko Schäfer (Hamburg/Metzingen, Germany) Member of the Managing Board until May 31, 2022	Operations, Own Manufacturing, Product Development and Sourcing, Sustainability and Quality Management, Global Logistics
Ingo Wilts (Amsterdam, Netherlands/Metzingen, Germany) Member of the Managing Board until February 28, 2022	Creative Management and Project Lead Rebranding

Supervisory Board

Shareholder representatives	Employee representatives
Hermann Waldemer (Blitzingen, Switzerland) Management Consultant, Chairman of the Supervisory Board (from May 2020) Member since 2015	**Sinan Piskin** (Metzingen, Germany) Administrative Employee / Chairman of the Works Council, HUGO BOSS AG, Metzingen, Germany Deputy Chairman of the Supervisory Board Member since 2008
Iris Epple-Righi (Munich, Germany) Management Consultant, Member since 2020	**Katharina Herzog** (Reutlingen, Germany) Senior Vice President Group Finance & Tax, HUGO BOSS AG, Metzingen, Germany Member since 2020
Gaetano Marzotto (Milan Italy) Chairman of the Supervisory Board Gruppo Santa Margherita S.p.A. Fossalta di Portogruaro, Italy Member since 2010	**Anita Kessel** (Metzingen, Germany) Administrative Employee HUGO BOSS AG, Metzingen, Germany Member since 2015
Luca Marzotto (Venice, Italy) Chief Executive Officer Zignago Holding S.p.A., Fossalta di Portogruaro, Italy Member since 2010	**Tanja Silvana Nitschke** (Inzigkofen, Germany) President of the local German Metalworkers´ Union (IG Metall) Reutlingen-Tuebingen, Reutlingen, Germany Member since 2015
Christina Rosenberg (Munich, Germany) Management Consultant innotail, Munich, Germany Member since 2020	**Martin Sambeth** (Tiefenbronn, Germany) Vice President and Treasurer of the local German Metalworkers´ Union (IG Metall) Karlsruhe, Karlsruhe, Germany Member since 2016
Robin J. Stalker (Oberreichenbach, Germany) Chartered Accountant, Member since 2020	**Bernd Simbeck** (Metzingen, Germany) Administrative Employee HUGO BOSS AG, Metzingen, Germany, Member since 2021 (previously already from 2010 until 2015)

Additional disclosures on the members of the Supervisory Board and the Managing Board

The members of the Company's Supervisory Board are also members of a supervisory board at the following companies[1]:

Iris Epple-Righi	Global-e Online Ltd.	Petah-Tikva, Israel
	Sennheiser electronic GmbH & Co. KG	Wedemark, Germany
Daniel Grieder	Riether AG	Winterthur, Switzerland
Katharina Herzog	HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands
	HUGO BOSS International B.V.	Amsterdam, Netherlands
Gaetano Marzotto	Style Capital SGR S.p.A.[2]	Milan, Italy
	Golmar Italia S.p.A.	Turin, Italy
	Golmar Holding S.p.A.	Turin, Italy
	Zignago Holding S.p.A.	Fossalta di Portogruaro, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
Luca Marzotto	Dimora 01	Milano, Italy
	Florence S.r.l.	Milano, Italy
	Forte Forte S.r.l.	Sarcedo, Italy
	Isotex Engineering S.r.l.	Trissino, Italy
	ITACA EQUITY Holding S.p.A.	Milano, Italy
	Multitecno S.r.l.	Fossalta di Portogruaro, Italy
	MySecretCase S.r.l.	Milano, Italy
	Santex Rimar Group S.r.l.	Trissino, Italy
	Smit S.r.l.	Trissino, Italy
	Solwa S.r.l.	Trissino, Italy
	Sperotto Rimar S.r.l.	Trissino, Italy
	Vetri Speciali S.p.A.	Trento, Italy
	Zignago Vetro S.p.A.	Fossalta di Portogruaro, Italy
Christina Rosenberg	Josef Tretter GmbH & Co. KG	Munich, Germany
	Villeroy & Boch AG	Mettlach, Germany
Robin J. Stalker	Commerzbank AG	Frankfurt, Germany
	Schaeffler AG	Herzogenaurach, Germany
	Schmitz Cargobull AG[2]	Horstmar, Germany

1 The members are not on executive or supervisory boards at other companies.
2 Member holds position of Chairman or Vice Chairman.

Members of the Managing Board

One member of the Managing Board of HUGO BOSS AG hold a mandate on supervisory boards or comparable supervisory bodies of companies not belonging to the HUGO BOSS Group during the reporting period. In the reporting period, members of the Managing Board held mandates on supervisory boards or comparable other supervisory bodies of Group companies for the purpose of Group management and monitoring.

Publication

The annual and consolidated financial statements of HUGO BOSS AG are published in the German Register of Companies and on the website of HUGO BOSS.

Metzingen, February 22, 2023

HUGO BOSS AG

The Managing Board

Daniel Grieder
Yves Müller
Oliver Timm

Shareholdings of HUGO BOSS AG

Unless stated otherwise, the interest in capital amounts to 100%.

(in EUR thousand)

Company[1]	Registered office	Equity 2022
HUGO BOSS Holding Netherlands B.V.	Amsterdam, Netherlands	647,506
HUGO BOSS International B.V.	Amsterdam, Netherlands	554,451
HUGO BOSS Internationale Beteiligungs-GmbH[2, 5, 9]	Metzingen, Germany	524,800
HUGO BOSS USA, Inc.[4]	New York, NY, USA	194,842
HUGO BOSS UK Limited	London, Great Britain	97,403
HUGO BOSS China Retail Co. Ltd.	Shanghai, China	76,884
Lotus (Shenzhen) Commerce Ltd. Shenzhen, China	Shenzhen, China	61,730
HUGO BOSS Benelux B.V.	Amsterdam, Netherlands	47,301
HUGO BOSS Benelux B.V. y CIA S.C	Madrid, Spain	45,296
HUGO BOSS France SAS	Paris, France	43,321
HUGO BOSS Canada, Inc.	Toronto, Canada	36,211
HUGO BOSS AL FUTTAIM UAE TRADING L.L.C.[6]	Dubai, UAE	35,508
HUGO BOSS Lotus Hong Kong Ltd.	Hong Kong, China	34,999
HUGO BOSS Mexico S.A. de C.V.[2]	Mexico City, Mexico	32,970
HUGO BOSS Trade Mark Management GmbH & Co. KG[2, 9]	Metzingen, Germany	32,948
HUGO BOSS Textile Industry Ltd.[2]	Izmir, Turkey	30,091
HUGO BOSS do Brasil Ltda.	São Paulo, Brazil	21,694
HUGO BOSS International Markets AG	Zug, Switzerland	18,577
HUGO BOSS Ticino S.A.	Coldrerio, Switzerland	17,141
HUGO BOSS (Schweiz) AG	Zug, Switzerland	13,102
HUGO BOSS Portugal & Companhia	Lisbon, Portugal	12,667
HUGO BOSS Holdings Pty. Ltd.	Preston, Australia	12,363
HUGO BOSS Middle East FZ-LLC	Dubai, UAE	11,750
HUGO BOSS Magazacilik Ltd. Sti.	Izmir, Turkey	9,928
HUGO BOSS Shoes & Accessories Italia S.p.A.	Morrovalle, Italy	9,809
HUGO BOSS Italia S.p.A.	Milan, Italy	9,613
HUGO BOSS Australia Pty. Ltd.	Preston, Australia	9,513
HUGO BOSS Scandinavia AB	Stockholm, Sweden	8,564
HUGO BOSS Ireland Limited	Dublin, Ireland	5,543
HUGO BOSS Nordic ApS	Copenhagen, Denmark	5,468
Lotus Concept Trading (Macau) Co. Ltd.	Macau, China	5,416
HUGO BOSS Belgium BVBA	Diegem, Belgium	5,279
HUGO BOSS Hellas LLC	Athens, Greece	5,243
HUGO BOSS Guangdong Trading Co. Ltd.	Guangzhou, China	4,885
HUGO BOSS Korea Ltd.	Seoul, South Korea	4,107
HUGO BOSS Vermögensverwaltungs GmbH & Co. KG[2]	Metzingen, Germany	3,926
HUGO BOSS South East Asia PTE. LTD.	Singapore	3,530
HUGO BOSS Rus LLC[2]	Moscow, Russia	3,415

(in EUR thousand)

Company[1]	Registered office	Equity 2022
HUGO BOSS Hong Kong Ltd.	Hong Kong, China	3,403
HUGO BOSS Thailand Ltd	Bangkok, Thailand	2,792
HUGO BOSS Finland OY	Helsinki, Finland	2,559
Salam Stores HUGO BOSS WLL[7]	Doha, Qatar	2,119
HUGO BOSS Malaysia SDN. BHD.	Kuala Lumpur, Malaysia	1,600
HUGO BOSS Shoes & Accessories Poland Sp. z o.o.	Radom, Poland	1,382
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG[2, 9]	Metzingen, Germany	1,179
HUGO BOSS Holding Sourcing S.A.	Coldrerio, Switzerland	1,157
ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG[2, 3, 8, 9]	Grünwald, Germany	403
HUGO BOSS Estonia OÜ	Tallinn, Estonia	201
HUGO BOSS Dienstleistungs GmbH[2]	Metzingen, Germany	128
YOURDATA HB DIGITAL CAMPUS, Unipessoal, Lda.[10]	Porto, Portugal	58
HUGO BOSS Stiftung gGmbH	Metzingen, Germany	49
HUGO BOSS Trade Mark Management Verwaltungs-GmbH[9]	Metzingen, Germany	44
HUGO BOSS Beteiligungsgesellschaft mbH[2, 5, 9]	Metzingen, Germany	(85)
HUGO BOSS Latvia SIA.	Riga, Latvia	(201)
GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH[9]	Metzingen, Germany	(499)
GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG	Grünwald, Germany	(550)
HUGO BOSS New Zealand Ltd.	Auckland, New Zealand	(2,284)
HUGO BOSS Belgium Retail BVBA	Diegem, Belgium	(4,277)
HUGO BOSS Benelux Retail B.V.	Amsterdam, Netherlands	(13,736)
HUGO BOSS Japan K.K.	Tokyo, Japan	(21,936)

1 The figures correspond to the financial statements after possible profit transfer, for subsidiaries according to innerconsolidated IFRS financial statements.
2 Directly affiliated to HUGO BOSS AG.
3 Investments with an equity share of 94%.
4 Subgroup financial statement.
5 Companies with a profit transfer agreement with HUGO BOSS AG.
6 Investments with an equity share of 49%.
7 Investments with an equity share of 70%.
8 Investments with a 94% share in capital and 15% of voting rights.
9 Subsidiaries that exercise the exemption of Sec. 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].
10 Investments with an equity share of 30%.

CHAPTER 5
ADDITIONAL INFORMATION

ADDITIONAL DISCLOSURES ON THE EU TAXONOMY

The following tables, disclosed in accordance with Annex I and Annex II of the Delegated Regulation on Article 8 of the EU Taxonomy, are part of the combined non-financial statement as part of the combined management report, providing information on the taxonomy-eligible and taxonomy-aligned proportions of sales, CapEx and OpEx.

EU TAXONOMY – DISCLOSURE REGARDING SALES FOR FISCAL YEAR 2022

				Substantial contribution criteria[1]		DNSH criteria ("Does Not Significantly Harm")									
Economic activities	**Codes[2]**	**Absolute turnover[3]**	**Proportion of turnover[3]**	Climate change mitigation	Climate change adaptation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	**Minimum safeguards[4]**	**Taxonomy-aligned proportion of turnover 2022[3]**	**Taxonomy-aligned proportion of turnover 2021[5]**	**Category (enabling activity)[6]**	**Category (transitional activity)[7]**
		EUR million	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities															
A.1 Environmentally sustainable activities (Taxonomy-aligned)															
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0									0	n.a.		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)															
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0									0	n.a.		
Total (A.1 + A.2)		0	0									0	n.a.		
B. Taxonomy-non-eligible activities															
Turnover of Taxonomy-non-eligible activities (B)		3,651	100												
Total (A + B)		**3,651**	**100**												

1 The reporting requirements in 2022 cover the two climate-related targets (1) and (2). No reporting requirements for the environmental targets (3) to (6).
2 Activity description according to Annex I and II of the delegated acts on climate-related targets.
3 No taxonomy-eligible or -aligned sales in fiscal year 2022, as no binding taxonomy criteria for the two climate-related targets are yet available for companies in the global apparel market and their primary economic activities.
4 Compliance with the social minimum safeguards specified by the Taxonomy Regulation.
5 No reporting requirements for fiscal year 2021.
6 According to the Taxonomy Regulation, activities that directly enable other activities to make a significant contribution to one or more of the environmental targets.
7 According to the Taxonomy Regulation, activities that support the transition to a climate-neutral economy.

EU TAXONOMY – DISCLOSURE REGARDING CAPEX FOR FISCAL YEAR 2022

				Substantial contribution criteria[1]		DNSH criteria ("Does Not Significantly Harm")									
Economic activities	**Codes[2]**	**Absolute CapEx[3]**	**Proportion of CapEx[3]**	Climate change mitigation	Climate change adaptation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	**Minimum safeguards[4]**	**Taxonomy-aligned proportion of CapEx 2022[3]**	**Taxonomy-aligned proportion of CapEx 2021[5]**	**Category (enabling activity)[6]**	**Category (transitional activity)[7]**
		EUR million	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities															
A.1 Environmentally sustainable activities (Taxonomy-aligned)															
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0									0	n.a.	–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)															
Construction of new buildings	7.1	3	1												
Acquisition and ownership of buildings	7.7	3	1												
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		7	2									0	n.a.	–	–
Total (A.1 + A.2)		7	2									0	n.a.	–	–
B. Taxonomy-non-eligible activities															
CapEx of Taxonomy-non-eligible activities (B)		413	98												
Total (A + B)		**419**	**100**												

1 The reporting requirements in 2022 cover the two climate-related targets (1) and (2). No reporting requirements for the environmental targets (3) to (6).
2 Activity description according to Annex I and II of the delegated acts on climate-related targets.
3 Capital expenditure (CapEx) to be considered under the Taxonomy Regulation comprise additions to property, plant and equipment and intangible assets, including additions to rights of use assets of long-term leases.
4 Compliance with the social minimum safeguards specified by the Taxonomy Regulation.
5 No reporting requirements for fiscal year 2021.
6 According to the Taxonomy Regulation, activities that directly enable other activities to make a significant contribution to one or more of the environmental targets.
7 According to the Taxonomy Regulation, activities that support the transition to a climate-neutral economy.

EU TAXONOMY – DISCLOSURE REGARDING OPEX FOR FISCAL YEAR 2022

				Substantial contribution criteria[1]		DNSH criteria ("Does Not Significantly Harm")										
Economic activities	**Codes[2]**	**Absolute OpEx[3]**	**Proportion of OpEx[3]**	Climate change mitigation	Climate change adaptation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	**Minimum safeguards[4]**	**Taxonomy-aligned proportion of OpEx 2022[3]**	**Taxonomy-aligned proportion of OpEx 2021[5]**	**Category (enabling activity)[6]**	**Category (transitional activity)[7]**
		EUR million	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities															
A.1 Environmentally sustainable activities (Taxonomy-aligned)															
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0									0	n.a.		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)															
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0									0	n.a.		
Total (A.1 + A.2)		0	0									0	n.a.		
B. Taxonomy-non-eligible activities															
OpEx of Taxonomy-non-eligible activities (B)		116	100												
Total (A + B)		**116**	**100**												

1 The reporting requirements in 2022 cover the two climate-related targets (1) and (2). No reporting requirements for the environmental targets (3) to (6).
2 Activity description according to Annex I and II of the delegated acts on climate-related targets.
3 In accordance with the specifications set out in Annex I of the delegated acts on Article 8 of the EU taxonomy, HUGO BOSS will, as in the previous year, refrain from presenting its taxonomy-eligible and -aligned operating expenses (OpEx) for fiscal year 2022 due to immateriality.
4 Compliance with the social minimum safeguards specified by the Taxonomy Regulation.
5 No reporting requirements for fiscal year 2021.
6 According to the Taxonomy Regulation, activities that directly enable other activities to make a significant contribution to one or more of the environmental targets.
7 According to the Taxonomy Regulation, activities that support the transition to a climate-neutral economy.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report, which is combined with the management report of HUGO BOSS AG, includes a fair review of the development and performance of the business and the position of the HUGO BOSS Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Metzingen, February 22, 2023

HUGO BOSS AG
The Managing Board

Daniel Grieder
Yves Müller
Oliver Timm

INDEPENDENT AUDITOR'S REPORT

To HUGO BOSS AG, Metzingen/Germany

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of HUGO BOSS AG, Metzingen/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report for the parent and the group of HUGO BOSS AG, Metzingen/Germany, for the financial year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the combined non-financial statement in accordance with Sec. 289b to 289e and 315b and 315c HGB as well as the combined corporate governance statement in accordance with Sec. 289f and 315d HGB, on which is referred to in the chapter "Legal Disclosures" of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the combined non-financial statement as well as the combined corporate governance statement in accordance with Section 289f and 315d HGB on which is referred to in chapter "Legal disclosures" of the combined management report.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Accounting of rental agreements and leases
2. Recoverability of non-current assets allocated to the Group's directly operated stores
3. Recognition and valuation of deferred tax assets

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor's response

1) Accounting of rental agreements and leases

a) the consolidated financial statements include right-of-use for leasing objects of mEUR 708.2 and respective current and non-current lease liabilities of mEUR 804.2, which corresponds to approx. 22.7% and 25.7% of the consolidated statement of financial position total, respectively. In particular, these result from closed rental and leasing agreements for HUGO BOSS Group's directly operated stores. The composition of the contract portfolio is subject to significant annual changes due to contract amendments, contract terminations, expiring contracts and new contracts. Against this background, there is an increased risk of misstatements in the accounting with regard to the completeness of the recognition of contracts and their presentation in the consolidated financial statements. For this reason, we considered the accounting treatment of rental agreements and leases to be a key audit matter.

The disclosures on accounting for rental and lease agreements are included in the chapters "Accounting and valuation principles" and "Leases" in the notes to the consolidated financial statements.

b) During our audit, we obtained an understanding of the processes set up for approving, recording and validating contracts. In doing so, we assessed the design and implementation as well as the effectiveness of selected accounting-related internal controls to ensure the complete recognition and correct calculation of the value of the right-of-use and lease liabilities. We also randomly assessed new contracts and contract amendments in the financial year 2022 with regard to their treatment under IFRS 16 and compared the relevant data in the rental and lease agreements with the data used in the valuation. The arithmetical correctness of the value calculation with regard to the right-of-use, the lease liabilities, and the depreciation, amortization, and interest expenses was also reviewed. In order to assess the completeness of the leases recognized in the balance sheet, we tested the appropriate treatment in accordance with IFRS 16 on a sample basis in addition to performing interviews.

We also examined the completeness and adequacy of the disclosures required by IFRS 16 in the notes to the consolidated financial statements.

2) Recoverability of non-current assets allocated to the Group's directly operated stores

a) The material share of the non-current assets of HUGO BOSS Group relates to assets assigned to the Group's directly operated stores (hereafter referred to as: "DOS") and is disclosed under the right-of-use assets on leased objects and to assets disclosed under property, plant and equipment. These are subject to impairment tests as at the balance sheet date if there are any indications of impairment. The Group's directly operated stores were determined as cash-generating units. As part of the impairment test, the future cash inflows determined on the basis of the planning adopted by the executive directors and approved by the supervisory board are derived using a discounted cash flow method. The planning is carried forward using industry- and country-specific growth rates. In this context, expectations about future market developments and country-specific assumptions are also taken into account. Discounting is based on the weighted cost of capital of the respective cash-generating unit.

The result of this valuation is highly dependent on the executive directors' assessment of future cash inflows, specific growth rates and the weighted cost of capital used for discounting, and is therefore subject to uncertainties and discretion. Against this background, we classified the recoverability of the non-current assets allocated to the Group's directly operated stores as a key audit matter within the scope of our audit.

The information on the determination, recognition and measurement of the assets allocated to DOS is included in the sections "Accounting and valuation methods" and "Impairment tests" within the notes to the consolidated financial statements.

b) As part of our audit, we obtained an understanding of the processes and controls in place and tested the appropriateness and implementation of the processes established by the Company and the effectiveness of selected related controls. We assessed the valuation model, in particular its methodological and mathematical accuracy, with the involvement of our internal valuation specialists. To assess the quality and reliability of the corporate planning, we compared the planning for selected fiscal years with the actual results achieved and analyzed significant deviations in individual cases (planning accuracy). Furthermore, during our audit we assessed the extent to which the valuation could be influenced by subjectivity, complexity or other inherent risk factors. We verified whether the data sources used in the calculation and the planned future cash flows form an appropriate basis, in particular by comparing them with the planning adopted by the executive directors and approved by the supervisory board, and by questioning those responsible about the key assumptions and premises of this planning. In addition, we critically examined the planning and checked its plausibility, taking into account macroeconomic and sector-specific market expectations. As a significant portion of the respective value in use results from forecast cash flows for the period after the detailed planning period of basically one year, we critically assessed in particular the sustainable retail growth rate applied for this phase by comparing it with internal and external data. We assessed the derivation of the discount rates and their individual components with the involvement of our internal valuation specialists, in particular by questioning the appropriateness of the peer group, comparing the market data used with external evidence and verifying the mathematical accuracy of the model.

We also examined the completeness and accuracy of the disclosures in the notes to the consolidated financial statements required by IAS 36.

3) Recognition and valuation of deferred tax assets

a) Deferred tax assets are disclosed in the consolidated financial statements after offsetting with deferred tax liabilities in a total amount of mEUR 150.6. On the one hand, these are due to deductible temporary differences between the local tax base values and the book values in the consolidated statement of financial position, whereby, based on the Group's planning, these are expected to reverse in the following years. Furthermore, this item consists of deferred tax assets recognized on tax loss carryforwards of mEUR 27.1 to the extent that they are expected to be offset against future taxable profits. The result of the calculation of deferred tax assets depends to a large extent on the executive directors' estimate of future tax-effective income and expenses and assumptions about the timing of reversal effects from temporary differences and is therefore subject to considerable uncertainty and discretion. For this reason, we considered the recognition and measurement of deferred tax assets to be a key audit matter.

The disclosures on the recognition and measurement of deferred tax assets are included in the sections "Accounting and valuation principles" and "Income taxes".

b) As there is an increased risk of misstatements in the financial statements in the case of estimated values and due to the complexity of tax regulations and legislation, we consulted our internal tax experts to review the appropriateness of the valuation methods and examined with them during the audit the extent to which these can be influenced by subjectivity, complexity or other inherent risk factors. We satisfied ourselves of the appropriateness of the future tax-effective income and expenses forecast for the calculation by, among other things, comparing the underlying tax planning with the current planned values from the planning adopted by the executive directors and approved by the supervisory board.

   Due to the fact that the measurement of deferred tax assets also depends on macroeconomic conditions that are beyond the Group's control, we performed additional sensitivity analyses for the planned tax results. With regard to the planning, we questioned the approach to deferred taxes and the underlying assumptions made by the executive directors by assessing the future tax earnings situation of the individual companies on the basis of the planning and evaluated the appropriateness of the planning bases used.

Other information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board,
- the non-financial statement included the combined management report,
- the combined corporate governance statement on which is referred to in chapter "Legal Disclosures" of the combined management report and additionally included in the section "Corporate Governance and Corporate Governance Statement" of the annual report,
- the compensation report pursuant to Section 162 AktG,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Sec. 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report except for the chapter "Legal Disclosures",
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement on the German Corporate Governance Code in accordance with Sec. 161 AktG, which makes part of the combined corporate governance and for the remuneration report included in the chapter "Corporate Governance" of the annual report. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory Requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 70d7c92ca8ceafc08b6903f080363f4960e50647a8b8ba71a66d77dbeb23d0a2 meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.

- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the general meeting on May 24, 2022. We were engaged by the supervisory board on August 11, 2022. We have been the group auditor of HUGO BOSS AG, Metzingen/Germany since the financial year 2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Marco Koch.

Stuttgart/Germany, March 2, 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Reitmayr	Marco Koch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE COMPENSATION REPORT IN ACCORDANCE WITH SECTION 162 (3) AKTG

To HUGO BOSS AG, Metzingen/Germany

Audit Opinion

We conducted a formal audit of the compensation report of HUGO BOSS AG, Metzingen/Germany, for the financial year from January 1 to December 31, 2022, to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the compensation report. In accordance with Section 162 (3) AktG, we have not audited the content of the compensation report.

In our opinion, the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying compensation report. Our audit opinion does not cover the content of the compensation report.

Basis for the Audit Opinion

We conducted our audit of the compensation report in accordance with Section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Compensation Report pursuant to Section 162 (3) AktG (IDW AuS 870 (08.2021)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our report. Our audit firm has applied the IDW Standard on Quality Assurance: Requirements for Quality Assurance in the Audit Firm (IDW QS 1). We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

Responsibilities of the Executive Board and the Supervisory Board

The executive board and the supervisory board are responsible for the preparation of the compensation report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a compensation report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the compensation report, and to express an opinion on this in a report.

We planned and conducted our audit in such a way to be able to determine whether the compensation report is formally complete by comparing the disclosures made in the compensation report with the disclosures required under Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have neither audited the correctness of the content of the disclosures, nor the completeness of the content of the individual disclosures, nor the adequate presentation of the compensation report.

Stuttgart/Germany, March 7, 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Reitmayr	Marco Koch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

LIMITED ASSURANCE REPORT OF THE INDEPENDENT PRACTITIONER REGARDING THE COMBINED NON-FINANCIAL STATEMENT

To HUGO BOSS AG, Metzingen/Germany

Our Engagement

We have performed a limited assurance engagement on the consolidated non-financial statement of HUGO BOSS AG, Düsseldorf/Germany, (hereafter referred to as "the Company"), which is combined with the non-financial statement of the Company and included in the group management report, which is combined with the management report, for the financial year from January 1, 2022 to December 31, 2022 (hereafter referred to as "non-financial reporting").

Our engagement did not cover the external sources of documentation and websites of the Company referenced in the Company's non-financial reporting.

Responsibilities of the Executive Directors

The executive directors of HUGO BOSS AG are responsible for the preparation of the non-financial reporting in accordance with Sections 289c to 289e German Commercial Code (HGB) and Section 315c in conjunction with Sections 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with their own interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "EU Taxonomy" of the non-financial reporting.

These responsibilities of the executive directors include the selection and application of appropriate methods regarding the non-financial reporting and the use of assumptions and estimates for individual non-financial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial reporting that is free from material misstatement, whether due to fraud (fraudulent non-financial reporting) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in the section "EU Taxonomy" of the non-financial re-porting. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, evaluating the legal conformity is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial reporting are subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and Quality Assurance of the Audit Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our audit firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the IDW Quality Assurance Standard "Quality Assurance Requirements in Audit Practices" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) – and therefore maintains a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner

Our responsibility is to express a conclusion on the non-financial reporting based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial reporting of the Company, with the exception of the external sources of documentation or websites of the Company referenced therein, has not been prepared, in all material respects, in accordance with Sections 289c to 289e HGB and Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the non-financial reporting.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which we performed between August 2022 and February 2023, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the sustainability organization, and of the involvement of stakeholders
- Inquiries of the executive directors and relevant personnel who have been involved in the preparation of the consolidated non-financial statement, about the preparation process, about the system of internal control relating to this process, as well as about disclosures in the non-financial reporting
- Identification of probable risks of material misstatements in the non-financial reporting
- Analytical evaluation of selected disclosures contained in the non-financial reporting
- Squaring of selected disclosures with the corresponding data in the consolidated financial statements and annual financial statements as well as in the combined management report
- Assessment of the presentation of the non-financial reporting
- Evaluation of the process used to identify taxonomy-eligible and taxonomy-aligned economic activities and of the corresponding disclosures in the non-financial reporting

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

Practitioner's Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement as a whole of HUGO BOSS AG for the financial year from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with Sections 289c to 289e HGB and Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the non-financial reporting.

We do not express a practitioner's conclusion on the external sources of documentation or websites of the Company referenced in the non-financial reporting.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of January 1, 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Stuttgart/Germany, March 2, 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Reitmayr	Sebastian Dingel
Wirtschaftsprüfer	Partner
(German Public Auditor)	

GENERAL INFORMATION

The performance of HUGO BOSS is best reflected in the consolidated financial statements. Like many other companies, HUGO BOSS has refrained from including the figures from the separate financial statements of the parent company HUGO BOSS AG in this report for the sake of clarity of presentation. These statements, which continue to be prepared in accordance with the German Commercial Code (HGB), are published on the Company's website at **group.hugoboss.com**.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect management's current views with respect to future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should," and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks or uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. HUGO BOSS does not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

TEN-YEAR-OVERVIEW

	2022	2021	2020[1]	2019[2]	2018	2017	2016	2015	2014	2013
Sales (in EUR million)	3,651	2,786	1,946	2,884	2,796	2,733	2,693	2,809	2,572	2,432
Sales by brand[3]										
BOSS Menswear	2,868	2,181	1,530	2,488	2,422	2,336	2,313	2,522	2,328	2,205
BOSS Womenswear	239	192	131							
HUGO	545	413	285	396	374	397	380	287	243	227
Sales by segments										
EMEA	2,303	1,742	1,231	1,803	1,736	1,681	1,660	1,683	1,566	1,457
Americas	789	543	308	560	574	577	582	671	587	570
Asia/Pacific	467	423	343	438	410	396	382	393	361	347
Licenses	92	77	64	84	76	79	69	62	58	58
Sales by distribution channel[3]										
Brick-and-mortar retail[4]	2,016	1,512	1,057	1,869	1,768	1,732	1,677	1,689	1,471	1,314
Brick-and-mortar wholesale[5]	895	647	472	931	952	922	947	1,058	1,043	1,060
Digital	648	549	352	–	–	–	–	–	–	–
Licenses	92	77	64	84	76	79	69	62	58	58
Results of operations (in EUR million)										
Gross profit	2,256	1,721	1,187	1,875	1,823	1,808	1,777	1,853	1,699	1,580
Gross margin in %	61.8	61.8	61.0	65.0	65.2	66.2	66.0	66.0	66.1	64.9
EBIT	335	228	(236)[6]	344	347	341	263	448	449	456
EBIT margin in %	9.2	8.2	(12.1)[7]	11.9	12.4	12.5	9.8	15.9	17.4	18.7
EBITDA	680	568	230	707	476	499	433	590	572	561
Net income attributable to equity holders of the parent company	209	137	(220)[8]	205	236	231	194	319	333	329
Net assets and liability structure as of December 31 (in EUR million)										
Trade net working capital	613	376	491	528	537	459	524	528	503	432
Non-current assets	1,535	1,458	1,516	1,713	686	662	752	765	660	612
Equity	1,135	940	760	1,002	981	915	888	956	844	740
Equity ratio in %	36	34	30	35	53	53	49	53	51	49
Total assets	3,127	2,736	2,570	2,877	1,858	1,720	1,799	1,800	1,662	1,501
Financial position and dividend (in EUR million)										
Free cash flow	166	560	164	457	170	294	220	208	268	230
Net financial liabilities (as of December 31)	767	628	1,004	1,040	22	7	113	82	36	57
Capital expenditure	191	104	80	192	155	128	157	220	135	185
Depreciation/amortization	345	339	465[9]	362	129	158	169	142	123	105
Total leverage (as of December 31)[10]	1.1	1.1	(6.7)	0.2	0.0	0.0	0.2	0.1	0.1	0.1
Amount distributed[11]	69	48	3	3	186	183	179	250	250	231
Additional key figures										
Employees (as of December 31)[12]	16,930	14,041	13,795	14,633	14,685	13,985	13,798	13,764	12,990	12,496
Personnel expenses (in EUR million)	794	627	570	640	629	604	605	563	514	483
Number of Group´s own retail points of sale	1,316	1,228	1,157	1,113	1,092	1,139	1,124	1,113	1,041	1,010
Shares (in EUR)										
Earnings per share	3.04	1.99	(3.18)[13]	2.97	3.42	3.35	2.80	4.63	4.83	4.77
Dividend per share[11]	1.00	0.70	0.04	0.04	2.70	2.65	2.60	3.62	3.62	3.34
Last share price (as of December 31)	54.16	53.50	27.29	43.26	53.92	70.94	58.13	76.60	101.70	103.50
Number of shares (as of December 31)	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000	70,400,000

1 In 2020, HUGO BOSS recorded non-cash impairment charges related to the negative impact of COVID-19 on the Group's retail business in the amount of EUR 110 million.
2 The application of IFRS 16 in fiscal year 2019 partially limits the comparability of some performance indicators towards the prior-year figures. Additional information on the first-time application of IFRS 16 are presented in the Annual Report 2019.
3 Starting 2020, presentation has been aligned to the 2025 targets set out in the "CLAIM 5" strategy.
4 Until fiscal year 2019, own retail sales were reported including the Company's own online sales.
5 Until fiscal year 2019, wholesale sales were reported including online sales generated in wholesale.
6 2020: Excluding non-cash impairment charges, EBIT amounted to minus EUR 126 million.
7 2020: Excluding non-cash impairment charges, EBIT margin amounted to (6.5)%.
8 2020: Excluding non-cash impairment charges, net income amounted to minus EUR 131 million.
9 2020: Excluding non-cash impairment charges, depreciation and amortization amounted to EUR 355 million.
10 2021: Net financial liabilities/EBITDA including the impact of IFRS 16; Until 2020: Net financial liabilities/EBITDA excluding the impact of IFRS 16.
11 2022: Dividend proposal; 2020/2019: legal minimum dividend of EUR 0.04 per share in the wake of the COVID-19 pandemic.
12 Full-time equivalent (FTE).
13 2020: Excluding non-cash impairment charges, EPS amounted to minus EUR 1.90

CONTACTS

Investor Relations
Phone +49 7123 94–80903
Email investor-relations@hugoboss.com

Christian Stöhr
Vice President Investor Relations
Phone +49 7123 94–87563
Email christian_stoehr@hugoboss.com

Carolin Westermann
Vice President Global Corporate Communications
Phone +49 7123 94–86321
Email carolin_westermann@hugoboss.com

LEGAL NOTICE

HUGO BOSS AG
Dieselstrasse 12
72555 Metzingen
Germany

Phone +49 7123 94–0
www.hugoboss.com

Release date
Thursday, March 9, 2023

Conception and Design
nexxar GmbH, Vienna
www.nexxar.com

Photos of the Managing Board
Andreas Pohlmann

FINANCIAL CALENDER 2023

May 4, 2023	First Quarter Results 2023
May 9, 2023	Virtual Annual Shareholders' Meeting
August 2, 2023	Second Quarter Results 2023 & First Half Year Report 2023
November 2, 2023	Third Quarter Results 2023