HELLO FUTURE

# ANNUAL REPORT 2023

HUGO BOSS


#BEYOURBOSS #BEYO
OUROWNBOSS #BEYOUROW
#BEYOURBOSS
#BEYOURBOSS
#BEYOURBOSS #BEYOU
#BEYOURBOSS #BE


#HUGOYOURWAY#HUGOYO
YOURWAY #HUGOYOURWAY
#HUGOYOURWAY#HUGOY
OURWAY#HUGOYOURWAY
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YOURWAY#HUGOYOURWAY#

# 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**

## OUR MOTTO

# HELLO FUTURE

... describes our strong commitment to drive long-term, sustainable, and profitable growth for HUGO BOSS.

Further successfully executing our "CLAIM 5" strategy remains key. This includes our strong focus on innovation, digitalization, and sustainability.

WATCH VIDEOS



# FISCAL YEAR 2023

# AT A GLANCE

**4.2**
EUR BILLION
GROUP SALES

**410**
EUR MILLION
EBIT

**96**
EUR MILLION
FREE CASH FLOW

**1.35**
EUR PER SHARE
DIVIDEND PROPOSAL

KEY FIGURES COMPARISON

DISCOVER OUR

# 2023 HIGHLIGHTS

MORE HIGHLIGHTS

WE ACHIEVED STRONG PROGRESS ALONG OUR "CLAIM 5" STRATEGY.

GROUP STRATEGY

## +25%

SHARE PRICE PERFORMANCE 2023

OUR SHARE

WE STRIVE FOR A PLANET FREE OF WASTE AND POLLUTION

SUSTAINABILITY



## VISION MEETS INNOVATION

# STORIES

EXPLORE ONLINE


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LEARN MORE

**OUR DIGITAL ANNUAL REPORT**

Our annual report is also available online offering many interactive features.
**www.annualreport-2023.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,

2023 was another year of remarkable success for HUGO BOSS. The second full year of rigorous execution of our “CLAIM 5” growth strategy brought us tremendous achievements across all business areas and strongly supported the momentum of our two brands BOSS and HUGO throughout the year. This enabled us to significantly outperform the global premium apparel market, gain further market share, and achieve record sales of EUR 4.2 billion in fiscal year 2023. Despite further investments in our business, we also recorded a strong operating profit of EUR 410 million. Consequently, we successfully achieved our full-year sales and earnings targets, which we had raised twice during the course of the year.

2023 also marked another major milestone along our growth journey. Thanks to the successful execution of "CLAIM 5," we exceeded our initial 2025 revenue target of EUR 4 billion two years ahead of plan. Back in June, we therefore provided an update on "CLAIM 5" and increased our mid-term financial ambition. We strongly believe in the great potential of BOSS and HUGO, and now aim to generate revenues of EUR 5 billion and an EBIT margin of at least 12%. This will bring us closer to becoming one of the top 100 global brands.

**«FUELED BY OUR STRONG BRAND MOMENTUM, WE SUCCESSFULLY CONTINUED OUR GROWTH TRAJECTORY IN 2023.»**

With "CLAIM 5," we put consumers at the center of everything we do. Our efforts to turn them into true fans of our brands are clearly paying off: Following our successful branding refresh, we continued to drive the relevance of BOSS and HUGO with spectacular campaigns and unique fashion events. Our latest Spring/Summer 2024 campaigns further build on this success, featuring supermodels Gisele Bündchen and Adwoa Aboah, along with popular BOSS ambassadors Lee Minho and Matteo Berrettini. And with our numerous digital brand initiatives, we are now clearly setting the tone on social media.

Nowhere do our brands come to life more than through our products. Today, we are fully living up to our 24/7 lifestyle promise. In this context, we continue to leverage our BOSS brand lines for Menswear, including the newly established, exclusive Camel line. Building on this, we also introduced BOSS Orange and BOSS Camel to Womenswear in 2023. Last but certainly not least, we expanded our offering at HUGO with the successful launch of HUGO Blue, placing a strong focus on denimwear. To further drive newness, we also co-created inspiring capsules with important partners such as Porsche, the American football league NFL, iconic supermodel Naomi Campbell, and TikTok superstar Bella Poarch.

Unleashing the full potential of digitalization is, and remains, the driving force to realize our vision of becoming the leading premium tech-driven fashion platform worldwide. In 2023, we further advanced our claim "Lead in Digital," by digitalizing key business activities and maintaining a strong focus on leveraging the power of data. Our HUGO BOSS Digital Campus, physically inaugurated last summer, is at the heart of our digital journey. It enables significant progress in better understanding consumers' needs, strengthening customer loyalty, and providing customized content. Our Digital Campus therefore also plays a key role in further enhancing the digital experience across all touchpoints.

Talking of touchpoints: In 2023, we took customer experience to the next level and introduced new and innovative formats. We are not only modernizing and further optimizing our store network, but also offering exciting pop-ups and hospitality experiences. As part of the reopening of our BOSS store in Dubai Mall, for example, we celebrated an impressive takeover of the iconic AURA Skypool. And at our refreshed BOSS store on London's Regent Street, we opened our first in-store BOSS Bar. Beyond that, we rolled out our latest store concepts, turning our physical touchpoints into places of emotion and digital experiences. Around 200 of our stores are already shining in new splendor, such as our new BOSS stores in Milan, Guangzhou, and idyllic Ascona. And finally, we also continued to make progress in strengthening our position in physical wholesale, gaining further visibility and market shares in key European and U.S. department stores.

Also from an operational perspective, 2023 was an exceptional year. As part of our strategic claim "Organize for Growth," we have made first important progress in implementing our supply chain's Digital TWIN and also significantly stepped up investments into our global logistics capacities. A crucial aspect in this context is the expansion of one of our key logistics centers in Germany, with a strong focus on digitalization and automation. At the same time, we are also expanding and enhancing our beautiful headquarters. With a new, modern building and the upgrade of our hospitality services, we are creating a best-in-class working experience for our more than 3,000 employees at the Metzingen site, as our people and teams are essential for the ongoing success of HUGO BOSS.

"CLAIM 5" also contains a strong commitment to sustainability. As part of our new sustainability strategy, "For a bold and better future," we want to address the biggest challenges within our industry: among others, we are intensifying our efforts by pushing zero emissions, fighting microplastics, and increasing circularity. We are fully convinced that sustainability and innovation work hand in hand, and I am excited that BOSS successfully launched its inaugural products made from AeoniQ in 2023, the world's first circular yarn. Examples like this illustrate our commitment to driving change in the fashion industry and show how we want to contribute to creating a planet free of waste and pollution. In this context, we are particularly proud that our numerous sustainability initiatives continue to be recognized externally. In 2023, we were included for the seventh consecutive year in the renowned Dow Jones Sustainability Index World, with the second-best score in our industry.

**«WE WILL CONTINUE TO RIGOROUSLY EXECUTE 'CLAIM 5' WITH ALL OUR POWER AND ALL OUR PASSION.»**

Dear readers, 2023 was without doubt an extremely successful year for HUGO BOSS. The strong business performance and increased relevance of our brands proves that "CLAIM 5" is the right strategy for HUGO BOSS, implemented at the right time. Building on our regained brand momentum, we are fully committed to making further progress along our "CLAIM 5" journey, as we continue to see tremendous growth opportunities for the years to come. The further successful execution remains our top priority, and we are dedicated to engaging with consumers through exciting marketing initiatives, an exceptional product range, and best-in-class experiences. And of course, we also want you, dear shareholders, to benefit from our success with a strong 25% share price increase in 2023 and a proposed dividend of EUR 1.35 per share.

While we are convinced of the future growth opportunities of HUGO BOSS, we must not forget the macroeconomic and geopolitical challenges that our industry continues to face: elevated levels of inflation and interest rates, weakening global consumer sentiment, and mounting geopolitical tensions, to just name a few. Against this backdrop, we remain particularly vigilant while, at the same time, continuing to push ahead with our strategy execution. We are confident that our brands have all it takes to continue outperforming our industry and gaining further market shares in 2024. Overall, we expect Group sales to increase within a range of 3% to 6%, and operating profit to grow between 5% and 15% to a level of around EUR 430 million to EUR 475 million.

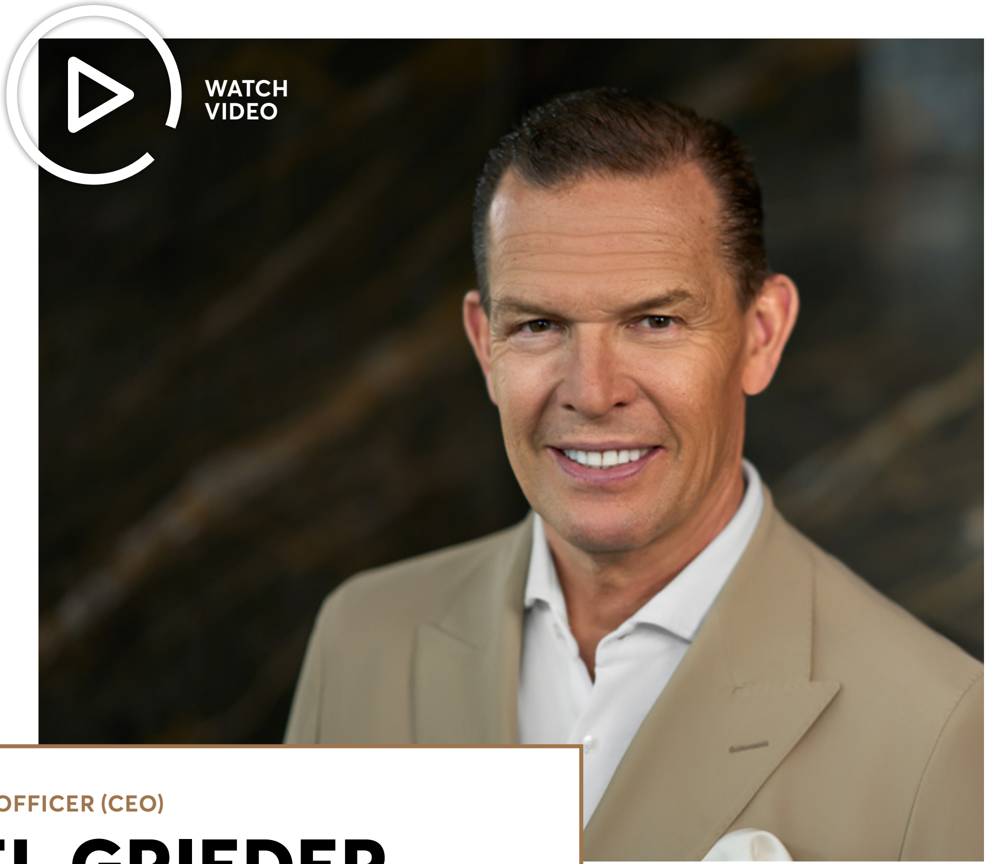
Let me conclude on a personal note: What truly amazes me is the outstanding motivation of our global HUGO BOSS team. Our nearly 19,000 employees make HUGO BOSS stronger, more sustainable, and more resilient. I therefore want to thank each and every employee for the exceptional commitment and dedication to our Company. Together as one global team, we will continue with all our energy and passion to become a top 100 global brand. Thanks to our excellent team and a strong strategy in place, I am confident that we will continue to lead HUGO BOSS into a highly successful future.

Sincerely yours,

**Daniel Grieder**
Chief Executive Officer

# MANAGING BOARD

| | | |
|---|---|---|
| **Yves Müller** | **Daniel Grieder** | **Oliver Timm** |
| CFO/COO | CEO | 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 Business Unit BOSS Menswear, Business Unit BOSS Womenswear, Business Unit HUGO, Business Unit Footwear, Accessories, Bodywear & Hosiery (incl. Global Licenses), Corporate Communications & Public Affairs, Creative Direction, Global Marketing & Brand Communications, Group Strategy & Corporate Development (incl. Global Corporate Responsibility), 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 Business Planning & Analysis, Construction & Procurement, Global Logistics, Global Sourcing & Production, Group Finance & Tax, Internal Audit, Investor Relations, IT (incl. Information Security), Legal, Compliance & Data Protection, Operations Excellence Projects, and Technical Product Development.

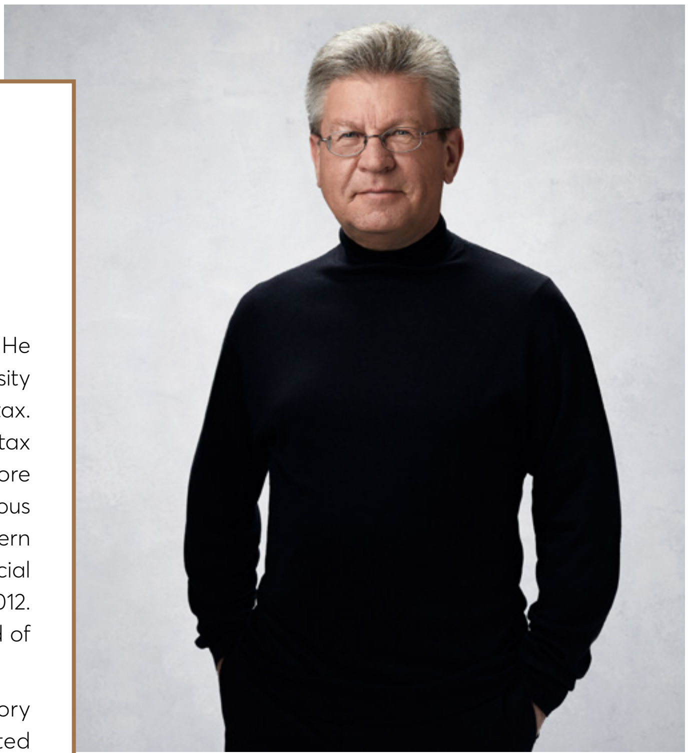
CHIEF SALES OFFICER (CSO)

# 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 Customer Relationship Management (CRM), Data & Analytics, Global E-Commerce & Metaverse, Global Merchandise Management, Global Retail Management, Global Retail & Wholesale, Global Sales Development, and Global Travel Retail.

# REPORT OF THE SUPERVISORY BOARD



CHAIRMAN OF THE SUPERVISORY BOARD

## HERMANN WALDEMER

Hermann Waldemer was born in 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,

2023 marked a highly successful year for HUGO BOSS and another important milestone towards achieving its mid-term financial ambition. The rigorous and determined execution of the Company's "CLAIM 5" growth strategy – including significant progress achieved along key brand, product, digital, and sales initiatives – resulted in strong sales and earnings improvements. In fiscal year 2023, the **Supervisory Board continued to perform its duties with 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 Supervisory Board

In fiscal year 2023, there were **two personnel changes** to the Supervisory Board of HUGO BOSS AG. Effective May 9, 2023, the two employee representatives Anita Kessel and Martin Sambeth both resigned from the Supervisory Board. Daniela Liburdi joined the Supervisory Board on May 9, 2023, as the successor to Anita Kessel. Andreas Flach also joined the Supervisory Board on May 9, 2023, as Martin Sambeth's successor. On behalf of the entire Supervisory Board, I would like to thank both Anita and Martin for the good and trusting cooperation, their tireless commitment and close ties to HUGO BOSS. > Supervisory 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 regard 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 2023, a total of four **Supervisory Board meetings** were held, one each in March, July, September, and December, with the meeting in September lasting two days. All members participated in all of these meetings, with the exception of Tanja Silvana Nitschke who was unable to attend one meeting. In addition, one resolution was passed by means of a circular resolution in February.

In 2023, the **Audit Committee** met four times in total. All members participated in all of the meetings. The **Working Committee** met also four times with all members participating in all of the meetings, with the exception of Katharina Herzog who was unable to attend one meeting, but participated in the decisions via a written vote. All committee members participated in the four meetings of the **Personnel Committee**, with the exception of Christina Rosenberg who was unable to attend one meeting. The **Nomination Committee** and the **Mediation Committee** did not meet during fiscal year 2023. Two meetings of the Supervisory Board, and one meeting of the Working Committee and the Personnel Committee were held in a hybrid format, allowing members of the Supervisory Board to either participate in person or virtually via videoconference.

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

| Member | Supervisory Board (4) | Audit Committee (4) | Working Committee (4) | Personnel Committee (4) | Attendance rate (16) |
|---|---|---|---|---|---|
| Hermann Waldemer, Chairman | 4/4 | 4/4 | 4/4 | 4/4 | 16/16 |
| Sinan Piskin, Deputy Chairman | 4/4 | 4/4 | 4/4 | 4/4 | 16/16 |
| Iris Epple-Righi | 4/4 | – | 4/4 | – | 8/8 |
| Andreas Flach[2] | 2/2 | 2/2 | – | – | 4/4 |
| Katharina Herzog | 4/4 | – | 3/4 | – | 7/8 |
| Anita Kessel[2] | 2/2 | – | – | 2/2 | 4/4 |
| Daniela Liburdi[2] | 2/2 | – | – | 2/2 | 4/4 |
| Gaetano Marzotto | 4/4 | 4/4 | – | – | 8/8 |
| Luca Marzotto | 4/4 | – | 4/4 | 4/4 | 12/12 |
| Tanja Silvana Nitschke | 3/4 | – | 4/4 | – | 7/8 |
| Christina Rosenberg | 4/4 | – | – | 3/4 | 7/8 |
| Martin Sambeth[2] | 2/2 | 2/2 | – | – | 4/4 |
| Bernd Simbeck | 4/4 | 4/4 | – | 4/4 | 12/12 |
| Robin J. Stalker | 4/4 | 4/4 | – | – | 8/8 |

1 The Nomination Committee and the Mediation Committee did not convene in the past fiscal year.
2 Effective May 9, 2023, the two employee representatives Anita Kessel and Martin Sambeth both resigned from the Supervisory Board. Daniela Liburdi joined the Supervisory Board on May 9, 2023, as the successor to Anita Kessel. Andreas Flach also joined the Supervisory Board on May 9, 2023, as the successor to Martin Sambeth.

The **meeting of the Supervisory Board in March 2023** focused on the annual financial statements of HUGO BOSS AG and the HUGO BOSS Group as of December 31, 2022, 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, 2022, were approved and ratified. Furthermore, the Supervisory Board's report to the Annual General Meeting and the compensation report for fiscal year 2022 were discussed and adopted. The resolution proposals were adopted later at the Annual General Meeting of HUGO BOSS AG, which was held virtually on May 9, 2023. In addition, Oliver Timm was reappointed as a member of the Managing Board for the period until December 31, 2026, 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 and an update on the competency profile of the Supervisory Board.

At its **meeting in July 2023**, the Supervisory Board addressed the current business performance and the strategic further development of the Company's logistics network, including the planned expansion of the flat-packed goods warehouse near its Metzingen headquarters and the financing of this expansion. Furthermore, the Supervisory Board discussed and approved key audit matters for the fiscal year 2023 audit.

The main topics of the **meeting in September 2023** included the current business performance, the execution of the "CLAIM 5" strategy and its implications on collection development, business operations, distribution, and marketing. The Supervisory Board also discussed the progress on the implementation of the Company's Digital TWIN initiative as well as the future strategic set-up for the Emerging Markets hub.

At the **meeting in December 2023**, the budget for fiscal year 2024 was discussed and passed. Furthermore, the ongoing progress made in executing "CLAIM 5" in 2023 was elaborated on in detail. In addition, 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 analyzed and resolved.

Current business performance, liquidity management, and the 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 2023, the Supervisory Board primarily focused on topics such as the further execution of the "CLAIM 5" strategy, the Company's capital structure, compliance issues, and the requirements of the GCGC.

## Work of the Committees in fiscal year 2023

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 2023. 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 2023 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 four meetings in fiscal year 2023. It focused on succession and retention planning and filling strategically important management positions, the compensation system for the Supervisory Board, the target achievement for fiscal year 2022, and preparing the target agreements for the Managing Board.

The **Working Committee** met four times in fiscal year 2023 and dealt with the current business performance, the strategic alignment of the Group, and preparations for the Annual General Meeting. In addition, the Working Committee also discussed two lease extensions in the U.S. as well as the Company's sport sponsoring activities. It furthermore approved the issue of the Company's first Schuldschein and a local financing agreement for the subsidiary in Brazil.

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. In December 2023, the Managing Board and the Supervisory Board issued its latest 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 2023. 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 2023. In accordance with the GCGC, these would need be disclosed immediately to the Supervisory Board, as well as to the Annual General Meeting.

## Audit of annual and consolidated financial statements for 2023

Deloitte Wirtschaftsprüfungsgesellschaft, Stuttgart, duly audited the consolidated financial statements of HUGO BOSS AG for fiscal year 2023, 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 2023 prepared in accordance with the provisions of the German Commercial Code (HGB) as well as the combined management report for 2023 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 General Meeting held on May 9, 2023. 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 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 2023 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 internal control system and risk management system as a whole were identified in connection with this. 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 6, 2024, the Supervisory Board approved the **financial statements for fiscal year 2023** prepared by the Managing Board. The financial statements of HUGO BOSS AG for fiscal year 2023 were therefore ratified in accordance with Sec. 172 AktG.

For fiscal year 2023, 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 2023. 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 2023 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 6, 2024. 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 2023 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 6, 2024. The auditor has separately audited the compensation report. The auditor has audited the compensation report separately as part of the formal audit required by law in accordance with Sec. 162 (1) and (2) AktG.

## 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 2023 and the further 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 6, 2024

The Supervisory Board

Waldemer

**Hermann Waldemer**
Chairman of the Supervisory Board

# SUPERVISORY BOARD

**HERMANN WALDEMER**
Chairman

**SINAN PISKIN**
Deputy Chairman

**IRIS EPPLE-RIGHI**

**ANDREAS FLACH**

**KATHARINA HERZOG**

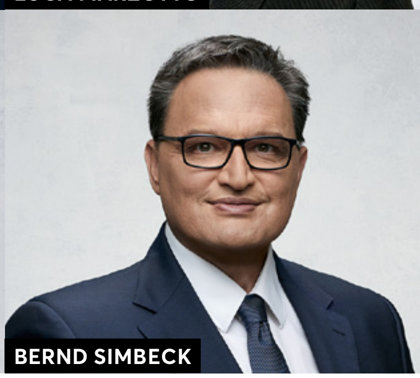
**DANIELA LIBURDI**

**GAETANO MARZOTTO**

**LUCA MARZOTTO**

**TANJA SILVANA NITSCHKE**

**CHRISTINA ROSENBERG**



**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

**Andreas Flach**
(Weil der Stadt, Germany)

Trade union secretary/project manager
of Joint Development Project
of IG Metall Baden-Württemberg,
Member since 2023

**Katharina Herzog**
(Reutlingen, Germany)

Senior Vice President,
Group Finance & Tax HUGO BOSS AG,
Metzingen, Germany,
Member since 2020

**Daniela Liburdi**
(Sindelfingen, Germany)

Administrative Employee/
Deputy Chairwoman of the Works Council
HUGO BOSS AG,
Metzingen, Germany,
Member since 2023

**Tanja Silvana Nitschke**
(Inzigkofen, Germany)

President of the local German Metalworkers'
Union (IG Metall) Reutlingen-Tübingen,
Reutlingen, Germany,
Member since 2015

**Bernd Simbeck**
(Metzingen, Germany)

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

**Anita Kessel**
(Metzingen, Germany)

Administrative Employee
HUGO BOSS AG,
Metzingen, Germany,
Member from/until 2015/2023

**Martin Sambeth**
(Tiefenbronn, Germany)

Vice President and Treasurer
of the local German Metalworkers'
Union (IG Metall) Karlsruhe,
Karlsruhe, Germany,
Member from/until 2016/2023

### Supervisory Board Committees[1]

**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)**
- Daniela Liburdi
- Luca Marzotto
- Sinan Piskin
- Christina Rosenberg
- Bernd Simbeck

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

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

1 Since May 9, 2023.

# OUR SHARE

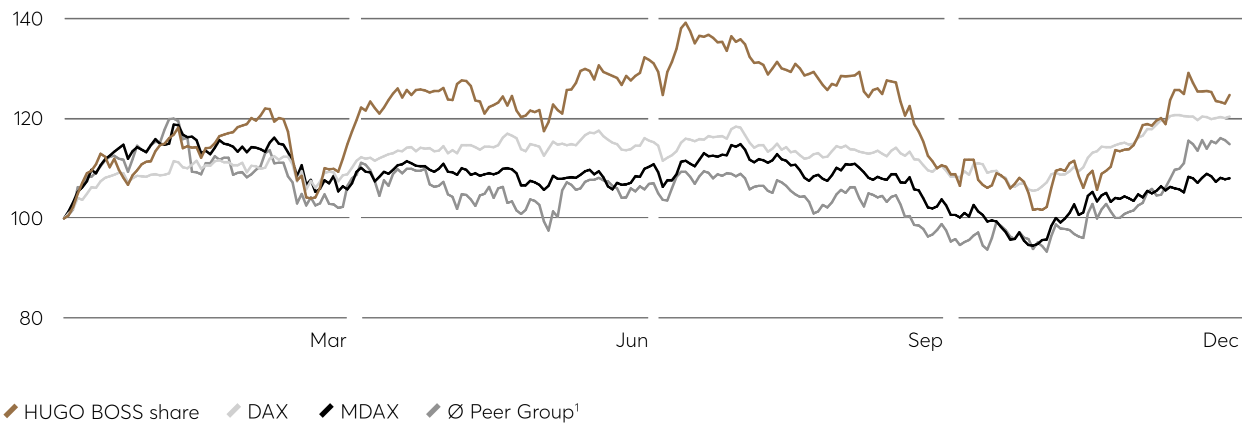
**HUGO BOSS shares with strong gains, up 25% in fiscal year 2023**

**Significant outperformance of relevant indices and most competitors**

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

For global equity markets, 2023 was another year characterized by heightened macroeconomic and geopolitical uncertainties. Against the backdrop of an overall volatile and challenging market environment, **HUGO BOSS shares** recorded significant gains, ultimately ending the year at EUR 67.46 (2022: EUR 54.16). This was supported by the ongoing successful execution of the Company's "CLAIM 5" strategy as well as the increase of our mid-term financial ambition at the Capital Markets Day in June. Consequently, with an **increase of 25%**, HUGO BOSS shares considerably outperformed not only important indices but also the share price performances of most relevant competitors with the peer group being up 15% on average.

**SHARE PRICE PERFORMANCE 2023** (INDEX: DECEMBER 31, 2022 = 100)




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

In fiscal year 2023, global equity markets faced substantial challenges stemming from **persistent macroeconomic and geopolitical uncertainties**. The year commenced with several focal points demanding market attention: the lingering issue of high inflation, Europe's energy crisis-induced natural gas shortage, a brief banking crisis, and China's strategic shift away from its zero-COVID policy. Notably, the **trajectory of inflation and the responses of central banks** emerged as the predominant theme throughout 2023. Against the backdrop of these challenges, central banks were faced with a delicate balancing act as they had to navigate between the need to aggressively raise interest rates to combat inflation and the need to avert an economic downturn. This dilemma prompted both the Fed and the ECB to raise interest rates to multiyear highs during the course of the year. Despite a relatively turbulent first half of the year, the overall mood on the markets remained optimistic, supported by data confirming the **resilience of the global economy** beyond initial expectations, as reflected in particularly robust labor markets, among other things. However, the overall positive sentiment began to deteriorate in the second half of the year as the gradual but slower-than-expected easing of inflation, coupled with mounting **geopolitical tensions in the Middle East**, prompted a shift to a risk-off mode among capital market participants. The turning point only came in November, with signs of **inflation substantially cooling** and the anticipation of a return to a more accommodative monetary policy. As the hope for an imminent end to rate hikes gained traction, markets experienced a significant rebound from November onward. This year-end resurgence propelled global equity markets to perform above the annual average, concluding 2023 on an overall positive note.

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

| | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| HUGO BOSS share | 25 | 147 | 25 | (35) |
| DAX | 20 | 22 | 59 | 75 |
| MDAX | 8 | (12) | 26 | 64 |
| MSCI World Textiles, Apparel & Luxury Goods | 11 | 3 | 70 | 97 |

Overall, and despite the high level of macroeconomic and geopolitical uncertainty, 2023 proved to be a risk-on year for equities. In this context, Germany's major indices recorded robust gains in 2023, with the **DAX** up 20% and the **MDAX** up 8%. 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 developed positively in 2023, ending the year up 11%.

**THE HUGO BOSS SHARE**

| | 2023 | 2022 |
|---|---|---|
| **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) | 67.46 | 54.16 |
| High | 75.26 | 58.52 |
| Low | 54.46 | 43.65 |
| **Market capitalization in EUR million (December 31)** | **4,749** | **3,813** |
| **Earnings per share in EUR[2]** | **3.74** | **3.04** |
| **Price-earnings ratio[3]** | **18.0** | **17.8** |
| **Dividend per share in EUR[4]** | **1.35** | **1.00** |
| **Dividend yield in %[3,4]** | **2.0** | **1.8** |
| **Amount distributed in EUR million[4]** | **93** | **69** |
| **Payout ratio in %[2,4]** | **36** | **33** |

1 Xetra.
2 Based on net income attributable to shareholders.
3 Based on closing price (December 31).
4 2023: Proposed dividend.

Against the backdrop of the overall challenging market environment in 2023, the HUGO BOSS share showcased remarkable resilience, driven by the **rigorous and successful execution of our "CLAIM 5" strategy**. In the first months of 2023, investor sentiment was buoyed by expectations surrounding China's reopening and strong demand from European consumers. This enabled our share to record a very positive start to the year. Furthermore, the ongoing strong brand momentum of BOSS and HUGO and subsequent robust operational performance provided additional impetus to our share price performance – in particular, as HUGO BOSS not only **exceeded its full-year guidance for 2022**, which had been revised upwards twice during the course of the year, but also **raised its full-year outlook for 2023** in May. At its Capital Markets Day in June 2023, HUGO BOSS gave a **strategic update on "CLAIM 5"** and also raised its mid-term financial ambition. As a result, our share rose to a five-year high of EUR 75.26 in mid-July. While the renewed raising of our full-year guidance for fiscal year 2023 provided further support to our share price performance in August, macroeconomic and geopolitical uncertainties further increased, amplifying concerns about consumer resilience. This was compounded by a slower-than-anticipated recovery in China and a normalization of demand in the U.S. and Europe. Consequently, the **overall consumer sector faced pressure**, and investors adopted a risk-off stance starting in September. This resulted in a substantial de-rating of the broader premium and luxury apparel market, including the shares of HUGO BOSS, which reached their annual low of EUR 54.46 end of October, just before the publication of Q3 results. The latter, however, provided relief to investors, demonstrating HUGO BOSS' ability to successfully navigate away from broader industry trends, thus allowing our share to partially offset losses incurred in prior weeks. Towards the end of the year, the **overall brightening market sentiment** provided further stimulus to our share. Ultimately, our share closed 2023 at EUR 67.46, marking a robust 25% year-over-year increase and a noteworthy outperformance compared to relevant indices and most relevant competitors.

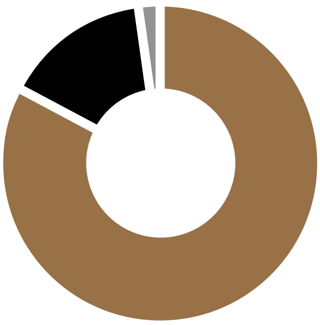
**ISIN, WKN, AND TICKER SYMBOL HUGO BOSS SHARE**

| | |
|---|---|
| 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 51st place (2022: 56th) in Deutsche Börse's free-float-adjusted **market capitalization ranking** at the end of 2023, 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** (2022: 48th), the **weighting** of the HUGO BOSS share in the MDAX increased to a level of 2.7% at the end of 2023 (December 31, 2022: 2.2%). On average, around 270,000 shares per day were traded on Xetra in 2023 (2022: around 475,000). While still at a high level, trading volumes came down somewhat, reflecting both general lower volumes traded on German indices and a higher level of stability in the shareholder base through a successful shift towards long-term-oriented investors.

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




**2023** (2022)

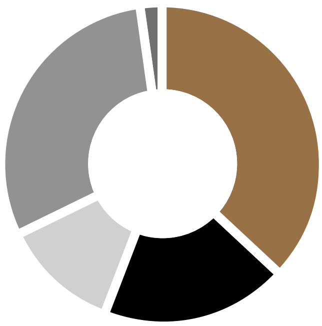
During 2023, **PFC S.r.l.** and **Zignago Holding S.p.A.**, each controlled by the Marzotto family, maintained their strategic investment in HUGO BOSS. As of December 31, 2023, their voting rights thus continued to total 15.45%. Both companies have pooled their shares through a shareholder agreement. **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 General 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, 2023. > Legal Disclosures

In fiscal year 2023, members of the Managing Board acquired additional HUGO BOSS shares. Details on all **transactions conducted by the Managing Board and the Supervisory Board on their own account** reported to HUGO BOSS 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 continued to hold around 1.5% of the shares issued by HUGO BOSS at the end of fiscal year 2023. > Notes to the Consolidated Financial Statements, Note 25

The Company received **several voting rights notifications** from institutional investors in fiscal year 2023. 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 %)



**North America**
**37** (37)

**Great Britain & Ireland**
**19** (23)

**Germany**
**12** (13)

**Rest of Europe**
**30** (25)

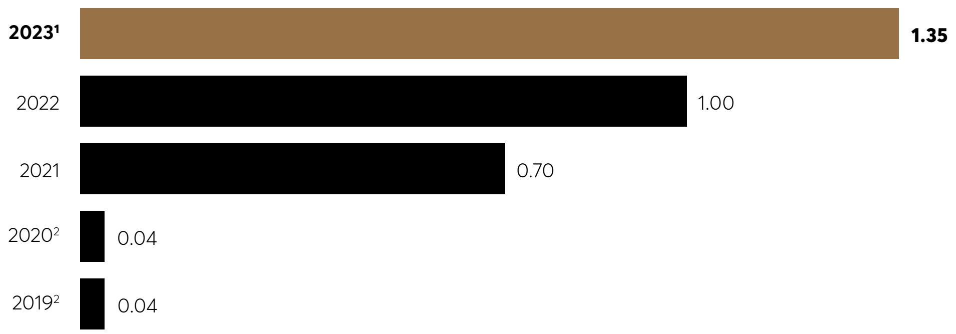
**Rest of World**
**2** (2)

**2023** (2022)

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 as of December 31, 2023, 97% of the shares could be allocated. Besides the **regional distribution of institutional investors**, the analysis also allows to determine the **proportion of shares held by private shareholders**. With around 10% in 2023, the latter remained on the prior-year level. Based on the share register, the Company estimates that the total number of its shareholders remained broadly stable at around 40,000 as of December 31, 2023 (2022: around 40,000).

HUGO BOSS maintains a close dialog with capital market participants and is continuously monitored by a large number of **financial analysts**, with 22 analysts regularly publishing research reports on HUGO BOSS (2022: 22 analysts). As of December 31, 2023, 64% of analysts recommended investors to **buy** our share (2022: 41%), 36% to **hold** our share (2022: 55%), and 0% to **sell** our share (2022: 4%) coupled with an average target price of EUR 79.36 (2022: EUR 59.82).

**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 2023, the very solid financial position, and management's confidence in the Company's long-term growth opportunities, the Managing Board and the Supervisory Board intend to propose to the Annual General Meeting on May 14, 2024, a **dividend** of EUR 1.35 per share for fiscal year 2023, corresponding to an increase of 35% year over year (2022: EUR 1.00). Thereby, the increase in proposed dividend is higher than the increase in net income attributable to shareholders. The proposal is equivalent to a **payout ratio** of 36%, in line with the Company's mid-term target payout ratio of between 30% and 50%, as laid out in "CLAIM 5." Assuming that shareholders approve the proposal, the dividend will be paid out on May 17, 2024. Based on the number of shares outstanding at the end of the year, the **amount distributed** will total EUR 93 million (2022: EUR 69 million). > Outlook

HUGO BOSS aims 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 our **Capital Markets Day 2023**, HUGO BOSS presented an update on its "CLAIM 5" strategy and increased its mid-term financial ambition, enabling attending financial analysts and institutional investors to directly interact with the Managing Board. Also going forward, HUGO BOSS will regularly inform capital market participants about strategic progress and developments. 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 2023, the work of our Investor Relations team was awarded several times, including the renowned **Institutional Investor Award** by Institutional Investor (first place in consumer sector small-l and mid-cap) and the **Investors' Darling Award** by manager magazin, and HHL Leipzig Graduate School of Management (second place in MDAX). In addition, our HUGO BOSS 2022 Digital Annual Report received the **Digital Communications Award** (first place in CSR & Annual Report). With its bold motto "Power," reflecting the successful execution of numerous strategic initiatives, and its fully digital-first approach including several interactive features, our Annual Report has taken the user journey to the next level. > irawards.hugoboss.com

# CHAPTER 2 COMBINED MANAGEMENT REPORT



The chapters "Legal Disclosures" (pp. 202–205) and "Additional Disclosures on the EU Taxonomy" (pp. 286–288) are also part of the Combined Management Report.

# BUSINESS ACTIVITIES AND GROUP STRUCTURE

**Leading global fashion and lifestyle company with premium positioning**

**Portfolio strategy with two unique brands – BOSS and HUGO**

**Strong global footprint with ~8,000 points of sale and >70 digital markets**

## Business activities

**HUGO BOSS AT A GLANCE**

| | | |
|---|---|---|
| **4.2** Sales (EUR billion) | **~19,000** Employees[1] | **131** Countries |

1 Full-time equivalents (FTE).

HUGO BOSS, headquartered in Metzingen (Germany), is a leading **global fashion and lifestyle company** in the premium segment, offering a comprehensive range of 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 globally renowned 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 **"CLAIM 5" growth strategy** 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 19,000 employees worldwide (2022: around 17,000). In fiscal year 2023, HUGO BOSS generated record sales of EUR 4.2 billion (2022: EUR 3.7 billion), thus surpassing the EUR 4 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 the perfect outfit for every occasion – from the office and formal occasions to leisure and sport. In this context, the brand covers all wearing occasions, operating four clearly distinguishable brand lines. The largest brand line, BOSS Black, focuses on the brand's modern tailoring offering as well as smart casualwear. At the same time, BOSS Camel serves an even more exclusive product assortment by focusing on the brand's high-end tailoring heritage. Casualwear products are largely offered under the BOSS Orange brand line, while BOSS Green puts a strong emphasis on athleisurewear, dressing consumers for an active lifestyle. Further strengthening its casualwear offering, which BOSS has gradually expanded in recent years, remains a key focus area, primarily intended to attract new, younger customers. At the same time, BOSS is committed to continue dominating formalwear by driving innovation in this segment and offering a superior price-value proposition.

**HUGO** targets consumers who consider their way of dressing as an expression of their individual personality – clearly representing the motto **"HUGO your way."** HUGO focuses on a broad range of both commercial and contemporary products, reflecting the brand's authentic and unconventional style while ensuring customers a stylish appearance in every situation. In this context, HUGO introduced its new HUGO BLUE brand line, which is putting a strong emphasis on seizing business opportunities in denimwear, with the first products being launched in early 2024. At the same time, the existing product range will be available under HUGO RED from now on, placing a strong focus on street tailoring. > Group Strategy, "Product is Key"

In addition to a broad range of best-selling products and our **seasonal BOSS and HUGO collections**, inspiring capsule collections and high-impact 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 with BOSS and the Gen Z at HUGO, which is of particular relevance for the premium apparel industry. To drive brand heat, boost brand awareness, and activate fans around the globe, we are pursuing two clearly distinguished **marketing strategies**, with a strong focus on social media. In this context, we are putting a particular emphasis on both global star-studded campaigns as well as exciting brand events.
> Group Strategy, "Boost Brands," "Product is Key"

**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 including fragrances, eyewear, watches, children's fashion, as well as newly introduced lifestyle categories such as equestrian and cycling. To increase speed-to-market capabilities and shorten the product development process, products at HUGO BOSS are meanwhile predominantly developed digitally. > Product Development and Innovation

In fiscal year 2023, HUGO BOSS produced 17% of its total sourcing volume at its own facilities (2022: 14%). 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," already in 2022, we significantly expanded our capacities at this site by further strengthening the production of casualwear. In 2023, 83% of the global sourcing volume was sourced from **external contract suppliers** or procured as **merchandise** (2022: 86%). 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 creation to AI-enabled pricing, digital showrooms, and innovative experiences in the metaverse. The **HUGO BOSS Digital Campus** is thereby at the heart of our digital activities, aiming at further expanding our digital analytics capabilities, strengthening our global online activities, and driving meaningful insights and efficiencies along our value chain. With regards to the latter, 2023 saw the launch of our important Digital TWIN initiative, a tech-driven business operations platform, which is intended to further increase the flexibility and transparency of our supply chain. > Group Strategy, "Lead in Digital," "Organize for Growth"

At HUGO BOSS, we are committed to protecting our planet and ensuring a livable future for the generations to come. Consequently, we attribute high importance to **sustainability**, a cause that is essential to our Company's corporate responsibility and ongoing business activities. Our sustainability strategy aims at making a vital contribution to a planet free of waste and pollution. At the same time, 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 high 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 **131 countries** (2022: 132 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 61% in 2023 (2022: 63%). The Americas and Asia/Pacific account for 23% and 14% of Group sales (2022: 22% and 13%), respectively, while the remaining 2% are generated within our licensing business (2022: 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 fully leveraging our high-quality channel mix 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 OMNICHANNEL DISTRIBUTION**

EXPLORE ONLINE

| Brick-and-mortar retail | Brick-and-mortar wholesale | Digital |
|---|---|---|
| **Freestanding stores**<br>Self-operated full-price stores in prime locations | **Multi-brand points of sale**<br>General selling space in multi-brand stores | **Online store hugoboss.com**<br>Digital flagship store with separate brand environments for BOSS and HUGO |
| **Shop-in-shops**<br>Self-operated full-price shops on retail space of partners | **Shop-in-shops**<br>BOSS and HUGO shops operated by partners | **Partnerships with online retailers**<br>Own distribution on multi-brand platforms via the concession model |
| **Factory outlets**<br>Sale of prior season´s merchandise in specialist stores in high-traffic peripheral zones | **Franchise business**<br>Full-price BOSS and HUGO stores operated by partners | **Online distribution via partners**<br>Online distribution of BOSS and HUGO by partners |

In 2023, our **brick-and-mortar retail business** accounted for 54% of Group sales (2022: 55%). At year-end, we operated **489 freestanding retail stores** globally (2022: 470). In order to exploit the full potential of our brick-and-mortar retail business, we aim to further improve the productivity of our existing store network, which currently stands at 12,400 EUR per sq m, while also selectively expanding it across key markets. The former also includes the rollout of our latest store concepts for BOSS and HUGO, which are aimed at further enhancing 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 **1,418 own brick-and-mortar points of sale** at year-end (2022: 1,316), 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 (2022: 25%). While department stores and specialist retailers sell BOSS and HUGO products either in separate shop-in-shops or in a multi-brand environment, franchise partners operate freestanding stores independently, primarily in emerging markets not served by our own retail business. As part of "CLAIM 5," further strengthening our global franchise business remains a focus area also going forward. In total, our wholesale business includes **around 6,400 brick-and-mortar points of sale**, including around 350 freestanding stores managed by franchise partners (2022: around 6,100 brick-and-mortar points of sale including around 300 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 7,800 brick-and-mortar points of sale globally (2022: around 7,400).

In line with our strategic claim "Lead in Digital," we are also striving to continuously improve the online journey at all **digital touchpoints** – from our own online flagship hugoboss.com, to our online concession business, as well as digital wholesale. Having continued our double-digit growth trajectory also in the past fiscal year, our digital business has strongly outgrown the overall digital market, enabling further market share gains for BOSS and HUGO. Overall, the share of total digital sales consequently increased to 19% of Group sales in 2023 (2022: 18%). Also going forward, HUGO BOSS aims to drive superior growth in this channel, thus targeting an increase in its digital sales to a level of more than 20% of Group sales by 2025. Our own online flagship hugoboss.com plays a key role in this context. In this regard, we made further strong progress in enhancing the digital experience at this important touchpoint during the course of 2023. As of today, customers from **73 markets** can shop BOSS and HUGO products via hugoboss.com (2022: 70 markets). In addition, we successfully relaunched our hugoboss.com app in early 2023, thus further strengthening the mobile shopping experience. > Group Strategy, "Drive Omnichannel," > Earnings Development

# Group structure

All key management functions are based at our headquarters in Metzingen (Germany). The Group is managed by its **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 **64 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**

<table>
<tr><th></th><th colspan="4">Managing Board</th></tr>
<tr><td rowspan="8">Central departments</td><td colspan="2">Brand Management/Business Units</td><td colspan="2">Human Resources</td></tr>
<tr><td colspan="2">Business Operations</td><td colspan="2">Internal Audit</td></tr>
<tr><td colspan="2">Business Planning & Analysis/<br>Risk Management</td><td colspan="2">Investor Relations</td></tr>
<tr><td colspan="2">Construction & Procurement</td><td colspan="2">IT</td></tr>
<tr><td colspan="2">Corporate Communications</td><td colspan="2">Legal/Compliance</td></tr>
<tr><td colspan="2">Design/Creative Management</td><td colspan="2">Logistics</td></tr>
<tr><td colspan="2">Finance/Tax</td><td colspan="2">Marketing</td></tr>
<tr><td colspan="2">Group Strategy</td><td colspan="2">Omnichannel</td></tr>
<tr><td>Operating segments</td><td>EMEA</td><td>Americas</td><td>Asia/Pacific</td><td>Licenses</td></tr>
<tr><td rowspan="4">Hubs<br>(Individual markets)</td><td>Northern Europe</td><td rowspan="4">Americas<br>(United States/<br>Canada/<br>Latin America)</td><td rowspan="2">China</td><td rowspan="4"></td></tr>
<tr><td>Central/<br>Eastern Europe</td></tr>
<tr><td>Western Europe</td><td rowspan="2">Southeast Asia/<br>Pacific</td></tr>
<tr><td>Emerging Markets</td></tr>
</table>

The functions established in the **central departments** of HUGO BOSS AG cover all relevant 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 strong customer focus and respond dynamically to market-specific developments. The individual markets are grouped into **hubs**, with local management reporting directly to the Chief Sales Officer (CSO). In doing this, 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

~1,900
**Brick-and-mortar points of sale**
115
**Freestanding retail stores**

**14%** Employees

## EMEA

(Europe incl. Middle East and Africa)

~5,300
**Brick-and-mortar points of sale**
212
**Freestanding retail stores**

**73%** Employees

## ASIA/PACIFIC

~600
**Brick-and-mortar points of sale**
162
**Freestanding retail stores**

**13%** Employees

Headquarters | Regional office | Digital Campus | Product development | Production | Distribution center

# 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**

**Mid-term financial ambition raised following successful execution of "CLAIM 5" strategy**

At HUGO BOSS, we see considerable **business opportunities** in today's rapidly changing world and are committed to fully exploiting these opportunities in the coming years. With our two unique brands, BOSS and HUGO, and their broad 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. To meet the high demands of these consumer groups, we strive to **further increase the relevance of both BOSS and HUGO** in the coming years, based on appealing brand initiatives, products with superior price-value proposition, and a seamless consumer experience across all touchpoints. In this context, we aim to fully exploit the great potential of digitalization, making our value chain even more efficient and flexible, while consistently focusing on driving sustainability.

## "CLAIM 5" growth strategy

Against this backdrop, we introduced our **"CLAIM 5" growth strategy** in August 2021, outlining our **2025 financial ambition**. At the very heart of "CLAIM 5" is our aim to substantially increase brand relevance, drive superior top-line growth, and thus strongly increase market shares of BOSS and 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 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, we are putting consumers at the center of all our activities, as we aim to turn them into true fans of BOSS and HUGO and retain their loyalty. Our strategy is based on **five strategic claims**: "Boost Brands," "Product is Key," "Lead in Digital," "Drive Omnichannel," and "Organize for Growth." It also includes a strong commitment to sustainability, together with a rigorous executional road map, and a firm commitment on empowering people and teams.

> Employees and Teams

**GROWTH STRATEGY "CLAIM 5"**

| | | | | | |
|---|---|---|---|---|---|
| WHY | CONSUMER FIRST | | | | |
| WHAT | 1 BOOST BRANDS | 2 PRODUCT IS KEY | 3 LEAD IN DIGITAL | 4 DRIVE OMNICHANNEL | 5 ORGANIZE FOR GROWTH |
| HOW | SUSTAINABLE THROUGHOUT | | | | |
| | RIGOROUS EXECUTION | | | | |
| | EMPOWER PEOPLE AND TEAMS | | | | |

LEARN MORE ON OUR STRATEGY

Since the introduction of "CLAIM 5," we have achieved significant **progress across all five strategic priorities**. Driven by the powerful and rigorous strategy execution and supported by our bold branding refresh initiated in early 2022, momentum for both BOSS and HUGO has since accelerated sharply. In doing so, both brands made significant progress in increasing brand relevance and strongly expanded market shares worldwide. In this context, after having surpassed the EUR 3 billion threshold for the first time in 2022, Group sales already exceeded our initial mid-term financial ambition of EUR 4 billion in fiscal year 2023, thus two years ahead of plan. Consequently, at its Capital Markets Day in June 2023, HUGO BOSS provided an **update on its "CLAIM 5" growth strategy** and **raised its mid-term top- and bottom-line ambition**. HUGO BOSS is now aiming for sales of EUR 5 billion and an EBIT margin of at least 12%.

> „With 'CLAIM 5,' we have introduced the right strategy at the right time. Thanks to the dedication and passion of our teams, we delivered exceptional results and exceeded our initial mid-term financial ambition of EUR 4 billion already in 2023, two years ahead of plan," **says Daniel Grieder, CEO of HUGO BOSS.** "And we have everything it takes to continue our success story. By rigorously executing 'CLAIM 5,' we have every confidence of delivering superior top- and bottom-line improvements also in the years to come."

To maintain our strong momentum and deliver on our updated mid-term financial ambition, the **rigorous execution of our "CLAIM 5" strategy** will take center stage also going forward. At the same time, we will continue to invest into our business. In this context, we are committed to making further progress along our five strategic claims, leverage global growth opportunities, and drive noticeable top- and bottom-line improvements also in the years to come. > Group Strategy, 2025 Financial Ambition

## CLAIM 1 – Boost Brands

To significantly increase the relevance and perception of our brands, we comprehensively renewed the brand images of BOSS and HUGO in 2022 – from logos, to product and marketing, up to new design concepts for our physical and digital consumer touchpoints. Since the successful **branding refresh**, both brands present themselves significantly bolder, younger, and more emotional than ever before. Going forward, we will build on the robust brand momentum of BOSS and HUGO to further **anchor our position in the consumers' minds** and drive brand power in the coming years.

To further increase brand relevance, particularly among the younger audience, HUGO BOSS will continue to pursue and develop its two-brand strategy. This will continue to be supported by **two clearly distinguishable marketing strategies** for BOSS and HUGO aimed at activating consumers across all touchpoints and maximizing consumer impact. As part of "CLAIM 5," we will therefore continue our successful digital-first marketing strategy, supported by star-studded campaigns, inspiring collaborations, and unique brand events. To realize this, **marketing investments** will remain at a level between 7% and 8% of Group sales until 2025. This is aimed at further increasing the brand value of BOSS and HUGO in the years to come. Fully in line with this range, in fiscal year 2023 our marketing investments amounted to 7.8% of Group sales, and thus broadly at the prior-year level (2022: 7.9%). > Combined Non-Financial Statement, Brand Power

Following up on the comprehensive branding refresh in 2022, the launch of our brands' latest **global marketing campaigns** represented a particular highlight in 2023. To further engage with BOSS and HUGO fans worldwide, the 360° campaigns continued to significantly drive momentum, attracting new and younger consumers while also strongly engaging our existing customer base. The **BOSS campaigns** for Spring/Summer and Fall/Winter 2023 – embodying the striking slogan "BOSSes aren't born. They're made." – once again featured a star-studded diverse cast, including top models Naomi Campbell and Gigi Hadid, NFL superstar Patrick Mahomes, as well as our BOSS brand ambassadors, runner Alica Schmidt, tennis champion Matteo Berrettini, and TikTok superstar Khaby Lame. The simultaneous **HUGO campaigns** – reinforcing the brand's mantra "HUGO your way" – focused on stars of the Gen Z, with brand ambassador and TikTok creator Bella Poarch headlining as the face of the campaigns.

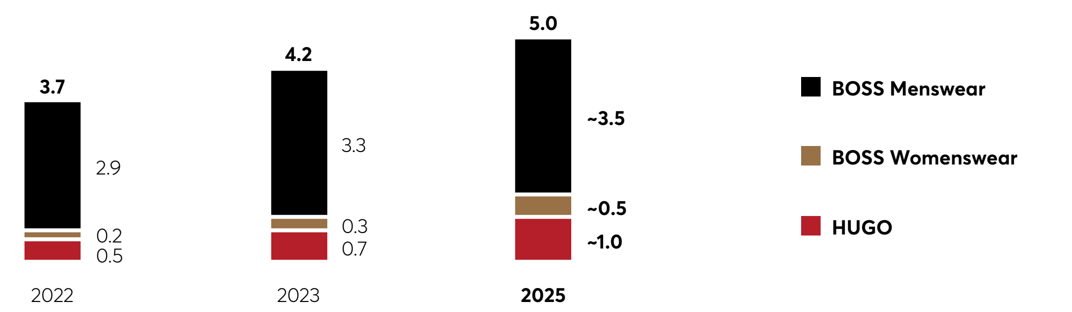
To further drive brand heat and engage with consumers all over the world, both BOSS and HUGO regularly host exciting **brand events**. In 2023, these included highly successful see-now-buy-now fashion shows for BOSS in Miami and at Milan Fashion Week as well as popular sporting events in areas such as skiing, motor sports, and tennis. In March 2023, fully in line with our strategic claim "Lead in Digital," BOSS presented selected pieces from the Spring/Summer 2023 collection virtually at Metaverse Fashion Week. HUGO, on the other hand, celebrated London Fashion Week with the launch of its HUGO x Bella Poarch capsule collection while also hosting the live music event series "HUGO Nights" in Shanghai, among other places. On top of that, **various collaborations** with inspiring personalities and brands spurred momentum throughout 2023.

Altogether, our numerous brand initiatives in 2023 once again resulted in a **global buzz on social media and beyond** as well as a strong outperformance compared to key competitors. This became particularly evident on TikTok, where both our brands strongly outgrew key competitors in terms of reach, while BOSS also continued to outperform key peers in terms of follower growth on Instagram. Overall, this enabled us to further increase our **brand value** in 2023, bringing us one important step closer to our ambition of becoming one of the top 100 global brands. > Combined Non-Financial Statement, Brand Power

## CLAIM 2 – Product is Key

Our products are at the very heart of all our business activities. As part of "CLAIM 5," we will keep investing to maintain our **superior price-value proposition**. Ensuring premium quality, a high level of innovation and sustainability, and guaranteeing clear distinguishing features is intended to further strengthen the positioning of BOSS and HUGO in the premium and affordable luxury segment of the global apparel market. In this context, we will continue to put strong emphasis on further enhancing both brands' **24/7 lifestyle images**, ensuring that our customers are perfectly dressed for every occasion – from the office and formal occasions to leisure and sport.

**GROWTH AMBITION BY BRAND[1]** (IN EUR BILLION)




1 As presented at our Capital Markets Day in June 2023.

By unlocking the full potential of BOSS and HUGO, we are targeting strong growth across all our brands. At **BOSS**, we aim at further strengthening our premium positioning in both menswear and womenswear, with a particular focus on millennials. To live up to this target and further strengthen our 24/7 lifestyle promise, at **BOSS Menswear**, we will continue to fully exploit the potential of the brand lines BOSS Black, BOSS Orange, BOSS Green, as well as of the exclusive BOSS Camel line introduced in late 2022. With the latter being well received across several key markets in 2023, we plan to expand the BOSS Camel product offering in 2024 and beyond, thus further strengthening our affordable luxury positioning. In 2023, building on the success within BOSS Menswear, the Camel line was also introduced to **Womenswear** while also having reintroduced the Orange line. Products ranging from high-end tailoring to smart casual and active lifestyles will therefore be part of both BOSS Menswear and BOSS Womenswear from now on. At **HUGO**, we aim at attracting particularly the Gen Z and young-minded consumers. Consequently, HUGO focuses on a broad range of both commercial and contemporary products, reflecting the brand's authentic and unconventional style while ensuring customers a stylish appearance in every situation. In this context, we will explicitly seize opportunities in denimwear with the launch of the HUGO BLUE brand line in early 2024. At the same time, the existing product range will be available under HUGO RED from now on, placing a strong emphasis on street tailoring.

To further increase the brand relevance of BOSS and HUGO, the launch of various **capsule collections** and **high-impact collaborations** plays a key role along with both brands' **main collections**. In 2023, BOSS developed and launched several capsule collections with brand ambassadors such as Naomi Campbell as well as strong partners including Porsche, Samsonite, and the American football league NFL. HUGO, on the other hand, teamed up with audio lifestyle company Urbanista and brand ambassador Bella Poarch, among others. On top of that, both brands aim to leverage the full potential of new and existing **hero products**, such as the innovative BOSS Performance Suit, the iconic BOSS Statement Sweater, or the trendy HUGO Outerwear Jacket. > Product Development and Innovation

In terms of wearing occasions, and fully in line with both brands' 24/7 lifestyle images, we are committed to leveraging our growth potential across all brands and all wearing occasions. In this context, we continue to **exploit the full potential of casualwear** to be among the forerunners of the trend towards a more casual lifestyle. Already today, our casualwear business accounts for around 50% of Group sales. In addition to offering a wide range of casualwear styles, the ongoing expansion in this segment also focuses 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 formalwear business, as tailoring remains 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. Accounting for around 25% of Group sales, our brands' formalwear offerings comprise a broad variety of sharp business outfits, elegant evening wear, and innovative casual-tailoring combinations. The latter also includes our BOSS performance offering, which combines formalwear outfits with a particularly high level of comfort ranging from super-stretchable to machine-washable styles. We thus remain fully committed to being a leader in the upper premium segment of the global formalwear market also in the years to come. Our 24/7 product range is rounded off by a **comprehensive range of shoes and accessories** as well as other items such as bodywear and hosiery, also contributing around 25% to Group sales.

## CLAIM 3 – Lead in Digital

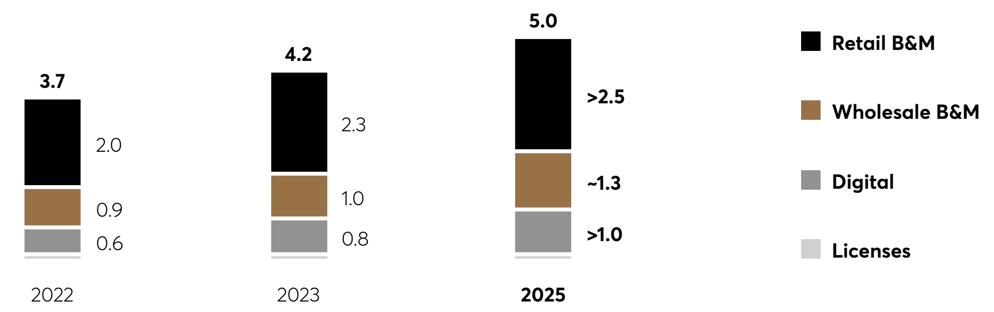
Digitalization is an important enabler to deliver on our vision of being the leading premium tech-driven fashion platform worldwide. An essential part of our Group strategy is therefore our clear commitment to further driving **digitalization along the entire value chain**. Since the introduction of "CLAIM 5," we achieved strong progress in digitalizing important business activities – from digital trend detection and product creation to AI-enabled pricing, digital showrooms, and innovative experiences in the metaverse. In particular, the ongoing digitalization of our product development is of high strategic importance. As part of "Lead in Digital," we have set ourselves the goal of developing more than 90% of our products digitally by 2025 (2023: around 65%). Overall, and compared to 2019, HUGO BOSS plans to step up its **investment in digitalization** by more than EUR 150 million by 2025, with a significant increase already recorded in the past two fiscal years. > Report on Economic Position, Earnings Development

The **HUGO BOSS Digital Campus**, launched in 2021 and physically inaugurated in Porto (Portugal) last year, is at the heart of our digital journey. It significantly expands our Company's digital analytics capabilities, first and foremost aimed at taking the consumer experience to new levels through the systematic use of data. Serving as an innovative and creative data hub, the Digital Campus puts strong emphasis on strengthening our global online business while driving meaningful insights and efficiencies along the entire value chain. Following the successful implementation of the **global relaunch of hugoboss.com** in 2022, in the past fiscal year, the Campus drove the integration of key digital features such as interactive shoppable videos and virtual try-ons, as well as the successful relaunch of the hugoboss.com app. Building on these successes, the Campus will continue to work 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 to make the best-possible use of the many **advantages offered by AI**. Among other things, this should enable us to link digital and physical retail even more closely in the future, to provide consumers with a seamless, best-in-class omnichannel experience.

## CLAIM 4 – Drive Omnichannel

Since the introduction of "CLAIM 5" in 2021, we have made substantial progress in translating our regained brand power into the various customer touchpoints, thus providing consumers with a best-in-class omnichannel experience. Going forward, HUGO BOSS will continue to fully leverage its high-quality channel mix on a global scale, while continuing to ensure a **seamless brand experience across all consumer touchpoints**.

**GROWTH AMBITION BY CHANNEL[1]** (IN EUR BILLION)




1 As presented at our Capital Markets Day in June 2023.

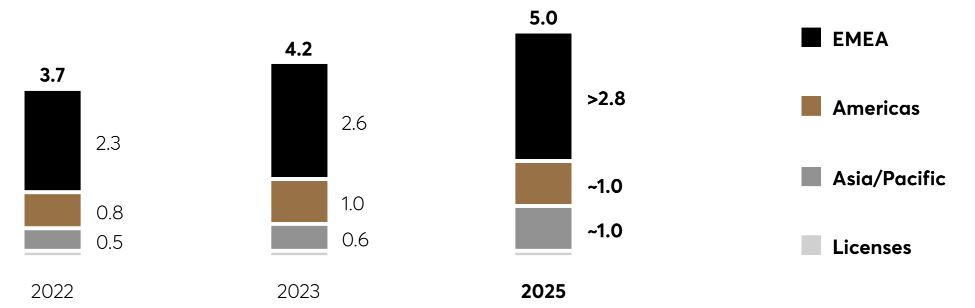
With **brick-and-mortar retail** contributing more than 50% of Group sales also going forward, this channel is, and will remain, by far our largest in terms of revenues. In this context, we aim to further **improve store productivity** by at least 3% per annum to a level of more than EUR 13,000 per sq m by 2025 (2023: EUR 12,400 per sq m). This will be supported by cumulative **investments in our brick-and-mortar retail business** of up to EUR 600 million between 2021 and 2025, to further optimize, modernize, and selectively expand our global retail footprint. In this regard, the ongoing **rollout of our latest BOSS and HUGO store concepts**, which aim to be significantly more emotional, appealing, digital, and productive than the previous ones, remains key to developing our stores into true points of experience. Overall, as of December 31, 2023, around 200 BOSS and HUGO freestanding stores worldwide have been refreshed or equipped with the latest store concepts, including key halo stores in London, Dubai, and Guangzhou. By 2025, we intend to **grow our freestanding store network** to around 500 points of sale, with a clear focus on driving expansion across Asia/Pacific. To surprise and connect with our BOSS and HUGO fans, we are also taking over exciting locations with engaging **pop-ups and hospitality concepts** around the globe, such as the BOSS Bar at our store on London's Regent Street or AURA Skypool in Dubai.

At the same time, **brick-and-mortar wholesale** is expected to continue contributing around 25% of Group sales. Since the introduction of "CLAIM 5," we have made important progress in **fostering our position** in brick-and-mortar wholesale, having noticeably increased visibility and market presence of both our brands at key European and U.S. department stores. Going forward, with a particular focus on our most important business partners, we aim to fully leverage all BOSS and HUGO brand lines to deliver a true 24/7 brand experience and drive **further market share gains** in wholesale. As part of our omnichannel strategy, and to take our business in emerging markets to the next level, we will also further **strengthen our global franchise business** by increasing the total number of freestanding franchise stores from currently around 350 to 500 over the coming years. On top of that, we continue to exploit the great potential of digitalization also in brick-and-mortar wholesale. For example, our **virtual showrooms** offer a seamless and expedited sales process, while simultaneously fostering sustainability and efficiency within wholesale.

**Digital revenues** are expected to continue their double-digit growth trajectory also in the years to come. Accordingly, the share of our digital business is targeted to increase to a level of more than 20% of Group sales by 2025. Above all, we aim to continuously **improve the digital journey** and drive further market share gains – from our own online flagship hugoboss.com, to our online concession business as well as digital wholesale. In 2023, we further enhanced the digital experience to support growing both traffic and conversion, which enabled our brands to drive further market share gains in the digital sphere. In this regard, the strongly enhanced e commerce experience offered at hugoboss.com as well as the successful **relaunch of our hugoboss.com app** both played an important role. Going forward, further optimizing and geographically expanding our global digital footprint will remain key to successfully continue our growth trajectory.

For its **license business**, which among others includes fragrances, eyewear, and watches, HUGO BOSS sees revenue potential of up to EUR 200 million as part of "CLAIM 5." We see considerable growth opportunities, with both existing and new product groups, and have set ourselves the target of successively exploiting this potential in the coming years. In 2023, BOSS extended its 24/7 lifestyle offering by selectively expanding its product offering into iconic lifestyle areas such as equestrian or cycling.

**GROWTH AMBITION BY REGION[1]** (IN EUR BILLION)




1 As presented at our Capital Markets Day in June 2023.

Besides further growing across all consumer touchpoints, as part of "CLAIM 5," it is our clear ambition to continue **driving broad-based growth and gaining market shares across all geographies**. In the **EMEA** region, key markets such as Germany, the UK, and France, as well as important growth markets such as the Middle East, are all set to contribute to further revenue improvements. Growth will be supported by further enhancing and upgrading our distribution network, accelerating our franchise business, and capitalizing on business opportunities across brand lines. In the **Americas**, we will continue to push our 24/7 brand image particularly in the important U.S. market, where we recorded exceptionally strong momentum over the past two years. On top of that, HUGO BOSS aims to further expand visibility in U.S. department stores, rolling out digital marketplaces, and strengthening its store network in Latin America. For **Asia/Pacific**, the region's revenue share is expected to grow to around 20% as part of "CLAIM 5." In this context, HUGO BOSS will continue to unleash the brands' full potential in both China and Southeast Asia & Pacific. To secure our affordable luxury position across the region, we will further strengthen our distribution footprint, which also includes boosting digital and social commerce with key partners. > Report on Economic Position, Earnings Development

## CLAIM 5 – Organize for Growth

In order to ensure long-term success for HUGO BOSS, as part of our claim "Organize for Growth," we aim to transform our entire organization into a **platform of speed and growth**. Since the introduction of "CLAIM 5," we have successfully converted our operating model to a platform approach and implemented a streamlined, brand-led organizational setup, ensuring rigorous strategy execution at a global level. On top of that, we have set the path for further growth by expanding and enhancing our headquarters in Metzingen, Germany. Between 2021 and 2025, we are allocating a total investment of more than EUR 100 million in upgrading our headquarters, which also includes a new office building to be completed by 2025. In addition, to foster growth and further drive efficiencies going forward, HUGO BOSS will step up investments into its supply chain. In 2023, we launched our important Digital TWIN initiative, aimed at enabling smart decision-making through a tech-driven business operations platform while being a key enabler to meeting consumer demand even better in the future. Intended to further increase the flexibility and transparency of our supply chain, the **Digital TWIN** is set to positively contribute to our Company's future growth, profitability, and sustainability ambitions.

At the same time, we are continuing our nearshoring initiatives to better align our regional sourcing and production activities with our sales markets, particularly in EMEA and the Americas. This also includes our commitment to further **expanding our own production** in the coming years. The strengthening of our production site in Izmir (Turkey), which is by far our largest factory, plays a key role in this. Already in 2022, we have taken an important step by opening an additional plant in Izmir dedicated to the production of casualwear. On top of that, to support long-term growth, we aim to **expand our global logistics capacities** by around 40% by 2025. This also includes the strategic expansion of one of our key logistics hubs near our headquarters in Metzingen initiated in late 2023. This multiyear project aims to significantly increase both shipping as well as storage capacity while also focusing on the further digitalization and automation of key processes. Our strategic initiatives will enable us to react even faster and more flexibly in the future, meeting consumer demand in the best-possible way. > Product Development and Innovation, > Sourcing and Production

## Sustainable Throughout

Sustainability continues to be at the heart of "CLAIM 5" – a cause that is essential to our corporate responsibility and ongoing business activities. We will therefore further intensify our efforts in this important area, focusing primarily on making an imminent **contribution to a planet free of waste and pollution**. As part of our sustainability strategy, we will, among other things, strongly increase our circularity initiatives, drive digitization and data analytics, leverage nature-positive materials, fight microplastic, and keep pushing towards zero emissions. Further details on our **sustainability strategy** and key sustainability targets can be found in the chapters "Sustainability" as well as "Combined Non-financial Statement" of this Annual Report.
> Sustainability, > Combined Non-financial Statement

> "Our 'CLAIM 5' strategy provides us with a strong foundation for the sustainable, long-term success of HUGO BOSS," **says Daniel Grieder.** "Thanks to our powerful organizational setup, our unwavering commitment to sustainability, and our highly motivated and passionate teams worldwide, we are confident in continuing our growth trajectory also in the coming years."

## 2025 Financial Ambition

Driven by the powerful and rigorous strategy execution, HUGO BOSS **raised its mid-term top- and bottom-line ambition** in June 2023, two years after its introduction. After having exceeded our previous mid-term sales target of EUR 4 billion already in fiscal year 2023, HUGO BOSS aims to generate **revenues** of around EUR 5 billion by 2025. This represents a strong CAGR of 10% compared to the base year 2019, thus well above the anticipated industry growth. At the same time, since providing the "CLAIM 5" update, the macroeconomic and geopolitical uncertainties have increased noticeably. Against this backdrop, HUGO BOSS might reach its sales ambition with a slight delay.

Our top-line target is coupled with the ambition of achieving noticeable improvements in **EBIT margin**. The latter is targeted to increase to a level of at least 12% by 2025. Besides an increased focus on achieving additional **efficiency improvements**, this also reflects the Company's **gross margin** projection, which is anticipated to range between 62% and 64% until 2025. Gross margins are expected to particularly benefit from the ongoing strong brand momentum of BOSS and HUGO as well as additional efficiency gains to be realized in operations. Overall, this will more than compensate for further investments into our products, brands, digital capabilities, logistics, and distribution networks as part of "CLAIM 5."

In light of the anticipated improvements in sales and profitability, HUGO BOSS has the ambition to generate a cumulative **free cash flow** (including the effects of IFRS 16) of around EUR 2.5 billion between 2021 and 2025. This is aimed to be supported by strict management of **trade net working capital**, which is expected to improve to a level of 16% to 18% of Group sales as part of "CLAIM 5." In particular, HUGO BOSS strives to further optimize its inventory position, aiming to bringing inventories down to a level of below 20% of Group sales by 2025. At the same time, **capital expenditure** is targeted to range between 6% to 7% of Group sales in both 2024 and 2025.

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 remain between 30% and 50% of net income attributable to shareholders by 2025. In line with our vision of being the leading premium tech-driven fashion platform worldwide, we continue to consider **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 already in 2022. In addition, we announced our investment into a climate-first venture capital fund based in Luxembourg in late 2023, aimed at supporting start-up companies in the development of innovative solutions and technologies in the area of sustainability. Finally, in the event of excess liquidity, we also consider **special dividends** and **share buybacks** as viable alternatives to return cash to our shareholders. > Sustainability

**2025 FINANCIAL AMBITION**

| | Results 2022 | Results 2023 | Initial 2025 ambition[1] | 2025 ambition[2] |
|---|---|---|---|---|
| **Group sales** | EUR 3.7 billion | EUR 4.2 billion | EUR 4 billion | EUR 5 billion[3] |
| **Sales CAGR (2019–2025)** | Increase by 31% | Increase by 15% | 6% | 10% |
| **Gross margin** | 61.8% | 61.5% | 60%–62% | 62%–64% |
| **EBIT margin** | 9.2% | 9.8% | ~12% | ≥12% |
| **Cumulative free cash flow (2021–2025)** | EUR 726 million (2021–2022) | EUR 821 million (2021–2023) | ~EUR 2 billion | ~EUR 2.5 billion |

1 Initial targets as provided in August 2021.
2 Targets as provided in June 2023.
3 As macroeconomic and geopolitical uncertainties have increased noticeably since providing the "CLAIM 5" update, HUGO BOSS might reach its sales ambition with a slight delay.

To deliver on our mid-term financial ambition, the **rigorous execution of "CLAIM 5" will continue to take center stage**. Against the backdrop of our regained brand momentum and taking into account the strong progress we have made along our various strategic initiatives, we have created a solid foundation for sustainable and profitable growth in the years to come. Therefore, even though our industry continues to face increased macroeconomic and geopolitical uncertainties, HUGO BOSS remains confident to continue gaining market share, achieving robust earnings improvements and generating strong free cash flow to ensure sustainable **value creation** for shareholders until 2025 and beyond.

Our **targets for fiscal year 2024** are presented in the Outlook section. > Outlook

# GROUP MANAGEMENT

**Sustainable increase in enterprise value as guiding principle of HUGO BOSS**

**Sales and EBIT as key performance indicators for maximizing free cash flow**

**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 in aligning all business activities with 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 of safeguarding the liquidity of HUGO BOSS at all times while, at the same time, facilitating the long-term growth of the business.

**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 to 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 four key performance indicators for increasing free cash flow. Unchanged to previous years, these comprise sales, EBIT, trade net working capital, and capital expenditure. The 2024 guidance for these key performance indicators and the underlying assumptions are presented in the "Outlook" section of this Annual Report. > Outlook

**FOUR KEY PERFORMANCE INDICATORS**

While fiscal year 2023 was characterized overall by ongoing **high levels of geopolitical and macroeconomic uncertainty**, HUGO BOSS continued its strong momentum, recording robust top- and bottom-line improvements. This development was once again driven by the successful execution of our **"CLAIM 5" growth strategy** introduced in 2021. At its Capital Markets Day in June 2023, HUGO BOSS consequently provided an update of "CLAIM 5" thereby raising its mid-term financial ambition. Further details on the financial development of HUGO BOSS in fiscal year 2023 can be found in the chapters "Earnings Development," "Net Assets," and "Financial Position" of this Annual Report. > Group Strategy, > Earnings Development

**DEVELOPMENT OF KEY PERFORMANCE INDICATORS** (IN EUR MILLION)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Group sales | 4,197 | 3,651 | 2,786 | 1,946 | 2,884 |
| Operating result (EBIT) | 410 | 335 | 228 | (236) | 344 |
| Trade net working capital as a percentage of sales | 20.8% | 15.0% | 17.2% | 28.7% | 20.1% |
| Capital expenditure | 298 | 192 | 104 | 80 | 192 |

"CLAIM 5" aims to strongly accelerate the relevance of BOSS and HUGO and drive superior **top-line growth**. In doing so, the Company is committed to continuing its market-share-winning trajectory also in the years to come. At the same time, our strategy is intended to further ensure a sustainable increase in profitability as well as strong free cash flow generation. All initiatives aimed at driving sales growth are therefore also measured by their potential to sustainably grow **operating profit (EBIT)**. In this context, and as part of "CLAIM 5," we aim to realize further efficiency gains, in particular in brick-and-mortar retail, to compensate for further investments into our business. > 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 constantly optimize inventory levels. 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 below the Managing Board is linked to the achievement of specific sales and EBIT targets. The ratio of trade net working capital to sales is the third component of the STI. The compensation scheme for management at the two levels below the Managing Board also includes a **long-term incentive program (LTI)**, whose design matches that for the Managing Board. The LTI includes both financial targets and non-financial ESG (environment, social, governance) targets. The latter is related to employee satisfaction as well as our Company's performance in the area of sustainability. Consequently, the LTI is intended to ensure that senior management of HUGO BOSS pursues a sustainable business policy that is aligned to the interests of the Company. > Employee and Teams, > Sustainability

**Investment activity** is primarily focused on our own retail network, the digitalization of our business model, as well as the expansion of our global logistic capacities. As part of our strategic claim **"Drive 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 refreshed by the end of 2025. In line with our claim **"Lead in Digital,"** digital investments are pushed along the entire value chain – from digital trend detection and product creation to digital showrooms, the continuous enhancement of our own online business, to our general IT infrastructure. Going forward, as part of our claim **"Organize for Growth,"** HUGO BOSS also aims to step up investments into its global logistic capacities. This also includes the strategic expansion of one of our key logistic hubs near our headquarters in Metzingen initiated in late 2023. 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 top- and bottom-line improvements, HUGO BOSS is confident of generating strong **free cash flow** in the future. 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 (2023: 36%). In line with our vision of being the leading premium tech-driven fashion platform worldwide, we are also considering **strategic investments**. In addition, 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

HUGO BOSS is **structured by region**, with our business segments being EMEA, the Americas, Asia/Pacific, and the license business. Within the three regions, individual markets are grouped into hubs, with local management reporting directly to the Chief Sales Officer (CSO), while the global license business is part of the Chief Executive Officer (CEO) resort. In doing so, we ensure close alignment between individual markets and central functions as well as short decision-making processes. In fiscal year 2023, all segments contributed to the robust increase in sales and EBIT. > Business Activities and Group Structure, > Earnings Development, Sales and Earnings Development of the Business Segments

## 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 sales, earnings, and investment budgets as well as forecasts for trade net working capital for their respective markets or divisions. Based on this, our product development and sourcing units derive mid-term capacity planning. The Business Planning & Analysis division, which reports into the CFO/COO, reviews 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 2023 there was a **particular close dialog** between the Managing Board, Business Planning & Analysis, 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 various negative macroeconomic factors and their potential business implications as well as the stronger than initially anticipated top- and bottom-line performance were regularly taken into account. In light of our robust business performance, we raised our initial **full-year 2023 sales and earnings forecast** as published in March 2023 twice during the course of fiscal year 2023, and successfully achieved our twice-revised sales and earnings targets. > Report on Economic Position, Comparison of Actual and Forecast Business Performance

**COMPARISON OF ACTUAL AND FORECAST DEVELOPMENT OF KEY PERFORMANCE INDICATORS**

| | Results 2022 | Initial forecast 2023[1] | **Results 2023** |
|---|---|---|---|
| **Group sales** | EUR 3,651 million | Increase at a mid-single-digit percentage rate | Increase by 15% to EUR 4.2 billion |
| **Operating result (EBIT)** | EUR 335 million | EUR 350 million to EUR 375 million | Increase by 22% to EUR 410 million |
| **Trade net working capital as a percentage of sales** | 15.0% | ~17% | Increase by 580 bp to 20.8% |
| **Capital expenditure** | EUR 192 million | EUR 200 million to EUR 250 million | Increase by 55% to EUR 298 million |

1 As published on March 9, 2023. The outlook was updated twice over the course of the year. Further details can be found in the chapter "Comparison of Actual and Forecast Business Performance" of this Annual Report.

# EMPLOYEES AND TEAMS

**HUGO BOSS as an attractive global employer of around 19,000 employees**

**HR management focused on attracting, retaining, and developing talents**

**Positioning as one of the best employers in the fashion industry**

At HUGO BOSS, we firmly believe that the passion and dedication of our employees are vital 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," guided by our HUGO BOSS values **entrepreneurial spirit, personal ownership, team mentality, simplicity & quality, and youthful spirit**. Our values serve as the foundation for day-to-day cooperation. They foster a spirit of mutual trust, thereby promoting creativity as well as fast and rigorous execution. 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 strives to maintain its positioning 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, equity, and inclusion (DE&I)** is a fundamental element of our corporate culture. At HUGO BOSS, all employees are guaranteed a discrimination-free working environment with equal opportunities and an inclusive work culture. At the same time, DE&I is at the heart of our journey to make a positive impact on our industry, as reflected by our Company's bold mission statement "We Love Fashion. We Change Fashion." Organizationally, the important topic of DE&I is firmly anchored in the Global Employee Experience department as part of Global Human Resources, with the **Global DE&I team** focusing on further raising awareness of DE&I throughout the Company. In addition, a **diversity task force** of employees with multiple backgrounds and from various locations and functional areas supports the execution of defined measures and promotes selected topics within the Company. To amplify awareness of our inclusive workplace, we launched the **MIX & MATCH** initiative in 2023, bundling numerous internal and external measures aimed at promoting and fostering a culture where differences are celebrated. 2023 also saw the implementation of additional **employee training** on diversity and inclusion, such as "anti-discrimination and anti-harassment," "unconscious bias," and "inclusion in action." We are convinced that intensifying our DE&I activities has a positive impact on employee satisfaction while also considering it as 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. On top of that, the Company also runs dedicated employer branding campaigns to further attract specialists in key areas such as IT and Digital, paying off directly on the Company's vision to become the leading premium tech-driven fashion platform worldwide. Our **global recruitment strategy** centers around the HUGO BOSS Careers website, offering several digital features like a chatbot and tailored job recommendations for a first-class digital experience. Furthermore, talents are recruited by means of directly approaching qualified candidates via **business-focused social networks**. In this context, HUGO BOSS launched its **corporate influencer program "Creators Club"** in 2023, as part of which a select group of HUGO BOSS employees from various locations regularly share diverse and authentic perspectives on life and work at HUGO BOSS, thus aiming to further increasing employer attractiveness. On top of that, we regularly present ourselves 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 2023, there were a total of 82 apprentices and dual students at HUGO BOSS AG (2022: 94 apprentices and dual students), with 36 new apprentices and dual students having started their professional education during the year (2022: 33 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 IT Specialist education. At the same time, we also expanded our range of dual study programs in 2023 to include Global Commerce Management, Business Fashion Management, and Data Science & AI. **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 to bring us together with top talents in an informal setting and thus attract potential applicants to HUGO BOSS through internal Company insights.

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 and product-related campaigns are intended to evoke interest and 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 2023"** study conducted by the German industry magazine TextilWirtschaft, we once again took third place, thus maintaining our strong ranking. Within the study, HUGO BOSS was ranked first in terms of the Company's future potential and second in the categories of salary levels, opportunities for promotion and training, and attractive products. Furthermore, within the global study **"World's Best Employers 2023"** by Forbes and Statista, HUGO BOSS improved its ranking significantly in 2023 and, for the first time, made it into the top 200 globally. In addition, based on an independent study in collaboration with Statista and the Financial Times, HUGO BOSS was able to maintain its strong midfield-position among the **Top 50 Diversity Leaders** in Europe in 2023.

## Retaining and developing employees

Our employees are crucial 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 based on job-specific salary bands. These are based on **external salary benchmarks**, covering several sectors, and are intended to further increase transparency. Over the past few years, HUGO BOSS carried out an assessment of almost all positions worldwide 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. In 2023, the HUGO BOSS Managing Board further strengthened its commitment to fair pay by signing a global Fair Pay Commitment, which was made available to all employees on the Company-wide intranet. Overall, we regard fair remuneration 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 benefit, HUGO BOSS successfully launched its **employee share investment program (SHIP)** in 2023. This gives employees across more than 20 countries the opportunity to acquire a certain number of HUGO BOSS shares at regular intervals and at favorable conditions, and thus participate directly in the Company's success. The program was very well received by our employees in its first year, resulting in an overall participation rate of around 20%, with the rate at HUGO BOSS AG even exceeding 40%. HUGO BOSS aims to expand the SHIP to additional Company locations going forward, thus increasing the number of eligible employees.

Aimed at further increasing employer attractiveness and creating an enjoyable, best-in-class workplace experience for our more than 3,000 employees at the Metzingen (Germany) campus, HUGO BOSS continues to invest into further **upgrading and expanding its headquarters**, with overall investments exceeding EUR 100 million. This includes the construction of a new office building with 350 additional workstations by 2025 as well as the reopening of the completely renovated **employee restaurant and barista bar** in 2023. To offer a more modern and welcoming experience, we also redesigned our campus' visitor and employee entrance area with new green areas, and a lounge-like foyer and reception.

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 most 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. Our **hybrid working model "Threedom of Work"** applies to commercial and 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 **mobile working 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 physical and mental health. Employees in Germany, Switzerland, and Turkey, for example, can use the Company's own **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 HUGO BOSS restaurants 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.

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 and commitment of employees and teams, thus strongly contributing 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 crucial for promoting talents and long-term employee retention. As part of this commitment, HUGO BOSS enhanced the digital employee experience with the relaunch of our **internal career platform "GLOBAL JOBS"** in 2023. With a fresh look and feel and digital features, such as a chatbot, the platform redefines internal jobs searches, while underlining our dedication to technological advancement. The digital **employee recommendation program "HUGO BOSS Spotted,"** which was updated and extended in 2023, provides a transparent recommendation process to support the appropriate filling of vacancies by internal talents. 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), the High Potential Program (HIPOSS), as well as the **Experienced Leaders Collection** (ELC) introduced in 2023. All material 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 are striving 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, this also includes the opportunity to enter into direct exchange with the Managing Board as part of internal events. Beyond that, Company- and brand-specific news is also communicated in real time to employees in 36 countries via our global **employee app "My HUGO BOSS"** (2022: 36 countries). The app also offers our employees various digital conveniences, such as quick access to emails, digital business cards, or our internal career platform. To further increase community engagement within our organization, the app also features a social video wall. In addition, we launched our new **global intranet "ONE"** in 2023, serving as an additional communication platform for all employees worldwide. Important and centralized news about HUGO BOSS and our brands, enriched with live streams and videos, but also external content, such as industry news, are made available to employees via this channel.

**77%**
**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 77%, **overall employee satisfaction** amounted to 77% in 2023 (2022: participation rate of 70% and overall satisfaction of 78%). We have set ourselves the goal of maintaining a strong level of at least 75% of overall satisfaction also in the years to come. > Combined Non-Financial Statement, Employee Matters

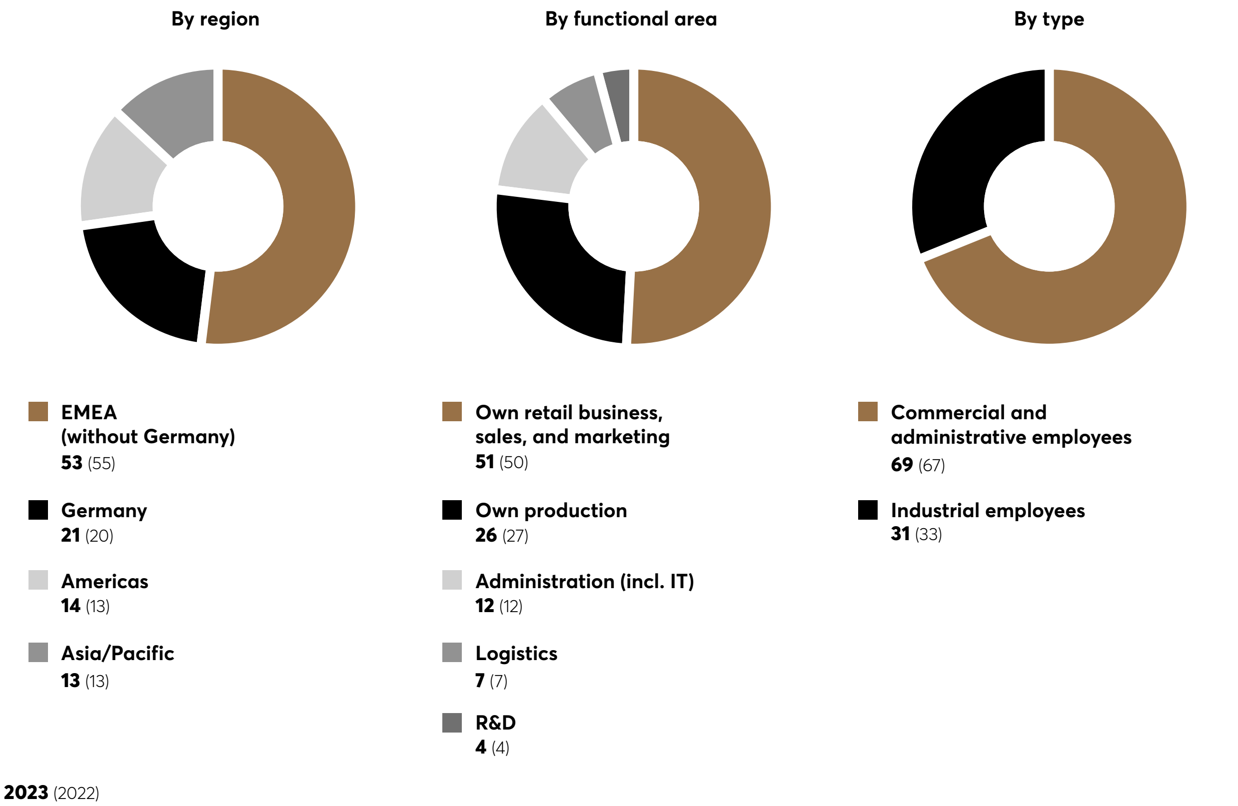
# Employee figures

**NUMBER OF EMPLOYEES[1] AS OF DECEMBER 31**


1 Full-time equivalent (FTE) excluding apprentices, interns, and temporary workers.

At the end of fiscal year 2023, on a full-time equivalent basis, 18,738 **employees** worked for HUGO BOSS (2022: 16,930). The increase compared to the prior year is in line with our strategic pillar "Organize for Growth," aimed at ensuring the ongoing successful execution of "CLAIM 5." It primarily reflects the further strengthening of our global retail business, key headquarters functions such as Omnichannel and IT, as well as our production and logistics teams. The **average age** of our global workforce was 36 years, thus unchanged to the prior year (2022: 36 years).

**EMPLOYEES AS OF DECEMBER 31** (IN %)



Our **global positioning** is also reflected in our workforce. In 2023, around 80% of our employees were based outside of Germany (2022: 80%). Within Germany, employees from almost 100 different nations worked for HUGO BOSS (2022: 93 nations). While 12,920 employees (2022: 11,384) worked in the **commercial sector** at the end of 2023, 5,818 employees (2022: 5,545) were assigned to **industrial activities**.

**EMPLOYEES IN MANAGEMENT**

**50%** Women (2022: 50%)

**50%** Men (2022: 50%)

Women:
- Thereof first management level: **29%** (2022: 28%)
- Thereof second management level: **44%** (2022: 46%)

Men:
- Thereof first management level: **71%** (2022: 72%)
- Thereof second management level: **56%** (2022: 54%)

With a share of 59%, **women** continued to make up the majority of the workforce at HUGO BOSS (2022: 60%) at year-end. Across all **management** levels, 50% of positions were held by women at the end of 2023, thus remaining unchanged to the prior year (2022: 50%). The Managing Board has set the target of achieving a **proportion of women** of at least 40% in the first management level below the Managing Board and at least 50% in the second management level by 2025. As of December 31, 2023, the proportion of women at the first management level below the Managing Board was 29%, while it was 44% at the second management level below the Managing Board. Both proportions were hence broadly in line with the prior-year level (December 31, 2022: 28% and 46%, respectively). > Corporate Governance and Corporate Governance Statement

# PRODUCT DEVELOPMENT AND INNOVATION

**Digitalization of product development of high strategic relevance**

**Focus on innovative materials in terms of performance and sustainability**

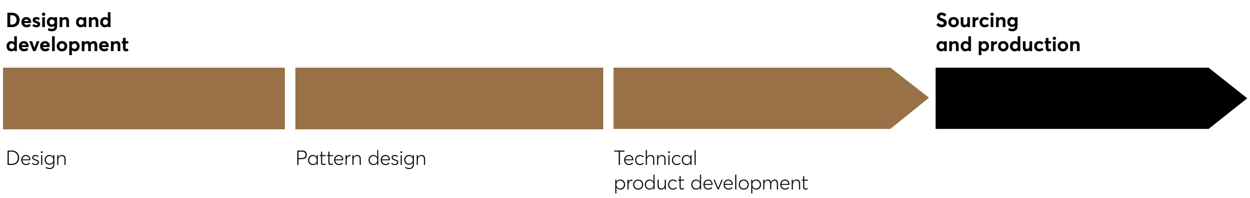
**Capsule collections and collabs to drive excitement among BOSS and HUGO**

At HUGO BOSS, we put strong efforts on developing collections and products that meet the highest customer demands in terms of design and quality, as well as innovation and sustainability. These requirements are firmly embedded in our strategic claim **"Product is Key,"** which puts consumers and our products at the center of everything we do. As part of our "CLAIM 5" strategy, we aim to further optimize **the price-value proposition** to guarantee **highest quality**, a superior degree of **innovation and sustainability**, and features that enable our brands to clearly distinguish themselves from the competition. The potential of digitalization is to be fully exploited throughout the entire product development process. Inspiring capsule collections and high-impact collaborations with well-known brands and personalities are also intended to spur the relevance of BOSS and HUGO while driving excitement among both brands. > Group Strategy, "Product is Key"

The design and product development process at HUGO BOSS involves the transformation of a creative idea into a commercial product. The work is carried out at our **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, shoes and accessories, as well as bodywear and hosiery. 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 considering customer 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 wholesale partners and consumers alike. 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** 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 via the respective distribution channels. While historically all the more relevant, the conventional product development process has become less important in recent years, as we have been able to successfully drive digitalization in this area.

## >90% DIGITALLY DEVELOPED PRODUCTS BY 2025

The **digitalization of product development** is of high strategic importance to HUGO BOSS. In line with our strategic claim "Lead in Digital," we have set ourselves the goal of developing more than 90% of our products digitally by 2025. Thanks to further important progress made in the evolution of immersive 3D simulations and the expansion of digital development to additional product groups over the past few years, we were able to further increase the **proportion of digitally developed products** to around 65% in fiscal year 2023 (2022: around 55%). Already today, we are able to run the entire product development process digitally. One prime example in this regard will be our capsule collection **Aston Martin x BOSS** as part of the exclusive BOSS Camel brand line. Set to launch in the second half of 2024, it will be developed digitally – from first sketches and the selection of materials to the distribution of the styles via our digital channels. Overall, **digital workflows** allow us to operate more flexibly throughout the entire value chain, shorten lead times, and consequently adapt more effectively and quickly to changes in consumer trends and customer demand. In addition, the digitally developed styles are also used in distribution – for example, when selling our collections to wholesalers via digital showrooms or via "virtual try-on" to our end-customers on hugoboss.com. At the same time, we are convinced that the ongoing digitalization of our product development process will also contribute positively to our **sustainability ambitions**, as it allows for predicting trends more accurately, better anticipating customer preferences, and further reducing the need for physical samples, thus minimizing waste and reducing our $CO_2$ emissions. > Sustainability

In order to remain at the forefront of rapidly evolving technologies in digital product development, HUGO BOSS continuously invests in strengthening the expertise of its employees. Already today, thanks to our strong expertise in the field of digital product development, dedicated **trainings for further increasing 3D competence** are conducted in-house, fostering a true digital mindset with an end-to-end understanding of all relevant digital processes. To further expand knowledge with regards to 3D design, additional trainings were introduced in 2023 while the Company also hosted internal events to strengthen the knowledge exchange among employees. On top of that, we further strengthened our expertise and innovation capabilities by setting up a dedicated 3D design team, implementing innovative software solutions while adapting knowledge from the gaming world, among other things.

# Key areas of product innovation

As part of our "CLAIM 5" growth strategy, we are committed to unlocking 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 increased use of innovative materials are of particular importance and thus a key area of production innovation at HUGO BOSS. With BOSS, we continue to drive innovation, particularly with our **athleisurewear** offering as part of **BOSS Green**. In 2023, putting strong emphasis on dressing consumers for an active lifestyle, we launched selected functional capsule collections, for example in tennis with brand ambassador Matteo Berrettini, while also introducing a new highly functional collection with runner Alica Schmidt as part of BOSS Womenswear. To further elevate the wearing comfort within our **BOSS formalwear** assortment, already in 2022 we introduced the BOSS Performance product range, which combines formalwear outfits with sportswear elements, thereby perfectly matching the needs of our customers. It ranges from super-stretchable and machine-washable styles to lightweight and wrinkle-free products that can be easily carried in hand luggage. In 2023, we further expanded the performance product range to BOSS Womenswear, while, at the same time, further implementing performance functionalities into our existing product range as part of BOSS Menswear, making use of the experience gained in prior years. This includes, for example, tech-linen or tech-flannel suits, made of performance stretch material thus offering increased levels of comfort. On top of that, we expanded our product portfolio by introducing **HUGO BLUE** in early 2024, a new line under the HUGO brand. With a clear focus on denimwear, HUGO BLUE is particularly dedicated to leveraging the full potential of the HUGO brand, with jersey, knitwear, outerwear pieces, and accessories completing the offering. > Group Strategy, "Product is Key"

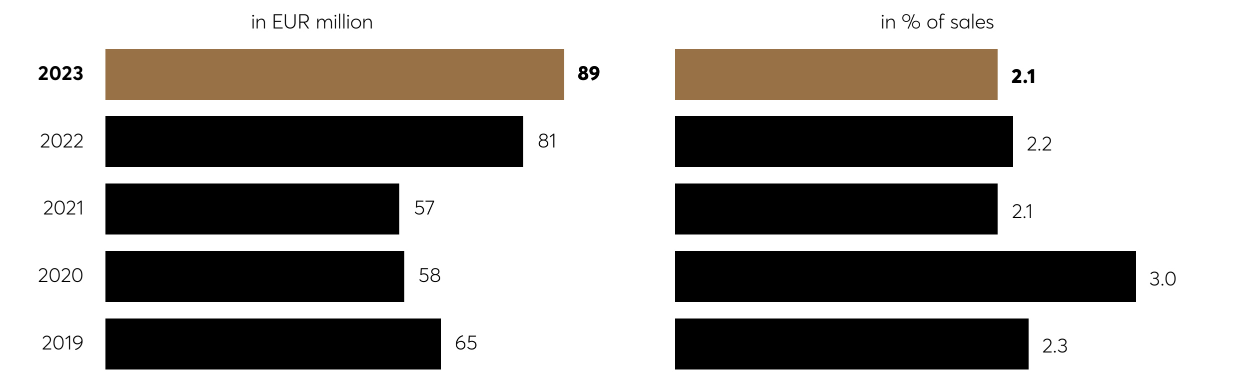
We are fully committed to living up to growing customer expectations in terms of **sustainability**. To this end, we increasingly rely on innovative, sustainable materials, and manufacturing techniques in the development of our collections. As part of our **long-term strategic partnership with HeiQ AeoniQ**, we are focusing on the joint development and production of a sustainable, circular, and recyclable cellulose yarn with the aim of replacing environmentally harmful polyester and nylon. In this context, we successfully launched the first two BOSS polo shirts made of almost 90% AeoniQ together with BOSS brand ambassador Matteo Berrettini in the first half of 2023, which were recognized with the **2023 ISPO Award** for setting new standards in the field of more sustainable performance apparel. Later that year, three additional outerwear styles crafted in AeoniQ fabric formed a limited-edition capsule collection, which was made available with the BOSS Milan Fashion Show in September. On top of that, as part of our **"BETTER BOSS" initiative**, which unites our circularity ambitions and our goal of creating 60% of our products from lower-impact materials by 2025, we launched a fully circular capsule collection in late 2023, made from recycled textiles and thus extending the product lifetime. A particular highlight within this was three all-gender pieces crafted exclusively from recycled wool. Also at HUGO, we strive to maximize our positive impact as part of our sustainability ambitions, particularly within our **"WE ACT" product range**. This covers products made from at least 60% more sustainable raw materials such as regenerative cotton. Going forward, leveraging such initiatives is set to support our goal of enabling 80% of BOSS and HUGO products to become circular by 2030. The latter is also firmly anchored in our sustainability strategy, which contains a strong commitment to "Increase Circularity." > Sustainability

The four main collections of BOSS and HUGO are designed to offer customers both a broad range of 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 **high-impact collaborations**. In doing so, we want to constantly increase the relevance of BOSS and HUGO and excite consumers all over the globe. In 2023, BOSS launched several capsules together with its brand ambassadors, as well as with strong partners including Porsche, Samsonite, and the American football league NFL. Fiscal year 2023 also saw the development of a dedicated BOSS Womenswear capsule with British supermodel Naomi Campbell, which will be launched in early 2024 and comprises styles from versatile outerwear to cozy sweatshirts. HUGO, on the other hand, teamed up with audio lifestyle company Urbanista and brand ambassador and TikTok superstar Bella Poarch, among others. Exceptional collaborations like these will continue to play a key role in attracting new and younger consumers and fully unlocking the great potential of both brands in the future. > Group Strategy, "Product is Key"

## Key R&D figures

The **research and product development (R&D) departments** of HUGO BOSS are staffed primarily by fashion and 3D designers, tailors, shoe and clothing technicians, and engineers. As of December 31, 2023, the number of employees in this area totaled 751 (2022: 656).

**RESEARCH AND PRODUCT DEVELOPMENT EXPENSES**



In line with our strategic claims "Product is Key" and "Organize for Growth," our R&D expenses grew 11% to EUR 89 million in 2023, 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 (2022: 71%). The remainder is primarily composed of other department expenses. In 2023, 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 predominantly short product life cycles.

# SOURCING AND PRODUCTION

**Strategic focus on increasing efficiency, flexibility, and speed-to-market**

**Tech-driven business operations platform to support growth and traceability**

**Step up of investments in global logistics network**

## Platform for speed and growth

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

The sourcing and production of high-quality products is a crucial 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**, as we aim to respond even faster to changing market trends and thus meeting customer demand.

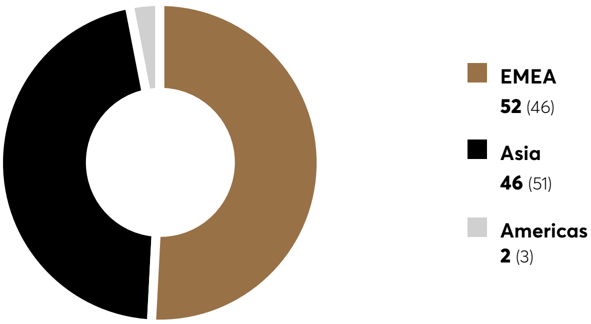
Therefore, we are pushing ahead with implementing our important **Digital TWIN**, a smart and tech-driven business operations platform aimed at strongly enhancing real-time data utilization. By creating a digital copy of our supply chain and using artificial intelligence, we aim at further improving demand planning and better aligning our various planning activities. This, in turn, is intended to provide the most accurate procurement of products and fabrics, both in terms of timing and quantity. Along with efficient logistics planning and a smart inventory allocation, we want to ensure that customer demand is met even more effectively, while at the same time benefiting from lower cost and higher full-price sell-through. At the same time, increased transparency will enable us to establish end-to-end product traceability, which is also fully in line with our sustainability ambitions.

In 2023, our **cross-functional project team** made substantial progress in advancing several of our TWIN's key project initiatives. In particular, we made significant initial advances in key processes, such as further increasing transparency in our global procurement processes, refined our target operating models, and identified various new technology solutions. Building on the success of first pilot implementations, 2024 will see the global rollout of our TWIN's key traceability features. In addition, we will start with the implementation of a new product life-cycle model as well as state-of-the-art planning solutions.

# Sourcing volumes and regional split

In terms of value, 17% of the total **sourcing and production volume** in 2023 was produced at our own production facilities (2022: 14%), with the increase compared to the prior year reflecting the full utilization of our fourth production facility in Izmir (Turkey), dedicated towards casualwear, which commenced operations in late 2022. At the same time, 83% comprises products sourced from independent contract suppliers or sourced as merchandise (2022: 86%).

**REGIONAL SPLIT OF SOURCING AND PRODUCTION VOLUME** (IN %)




**2023** (2022)

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. In 2023, 52% of our merchandise was sourced in **EMEA**, representing a noticeable increase compared to last year (2022: 46%). In line with our strategic ambition of further promoting "nearshoring," we have set ourselves the goal of aligning our regional sourcing activities closer with our sales markets, aimed at ensuring shorter lead times and increasing speed-to-market capabilities. In this context, we aim to keep the share of our sourcing activities in EMEA at a level of around 50% also in the years to come. With a share of 26% of our global sourcing and production volume (2022: 23%), **Turkey** not only accounts for about half of our European sourcing activity, but also represents by far for the largest sourcing market for HUGO BOSS. Our own production in Izmir meanwhile accounts for 15% of the global sourcing and production volume in 2023 (2022: 12%). Besides Turkey, **Portugal,** and **Italy** also represent relevant sourcing markets within EMEA.

At 46%, the **Asian** share of our global sourcing and production volume noticeably decreased in 2023 (2022: 51%), fully in line with our medium-term ambition, which aims to bring this share down to a level of around 40%. Within Asia, **Vietnam** and **China** represent 13% and 10% of our global sourcing and production volume. Hence, while both markets were among the most important sourcing markets also last year, their share of sourcing volume has come down meaningfully as compared to the prior-year period (2022: 15% and 17%).

To benefit from the proximity to the important U.S. market, we are committed to also strengthening our sourcing footprint in the **Americas**. While the latter currently stands at 2% (2022: 3%), it is our ambition to increase the share towards a level of around 10% in the years to come. In this context, we are in the process of identifying and onboarding new suppliers, mainly located in markets of **Latin America** such as **Peru** or **Mexico**, with initial progress made during 2023.

## Own production as a competitive advantage

As part of "CLAIM 5," we significantly expanded our own production capacity in recent years. In addition to greater **independence from external factors**, this allows us to react more quickly and flexibly to any changes in customer demand and to fully leverage 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).

Our **largest own production site in Izmir**, extended with a fourth factory in 2022, plays a key role in this. Initially focused on the manufacturing of formalwear, the Izmir site meanwhile dedicates around 20% of its production volume to casualwear, covering product categories such as trousers, jackets, and jersey. Already today, Izmir thus accounts for more than 5% of our global casualwear sourcing, enabling us to react even more flexibly to changes in consumer demand also in this important segment. In 2023, we also started manufacturing products from our exclusive BOSS Camel brand line in Izmir, ensuring excellent product quality with a luxury look and feel by fully leveraging our long-standing tailoring heritage and highly sophisticated craftmanship skills.

The production site in **Metzingen** mainly produces products for 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 high product availability, HUGO BOSS works together with an extensive **network of experienced and specialist suppliers**. In fiscal year 2023, we continued to expand 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 205 external tier-1 suppliers (2022: 184) using 267 production facilities (2022: 233). In addition, we procured **raw materials** from 371 external tier-1 suppliers (2022: 328) using 397 production facilities (2022: 360).

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 ten years. In this context, we see ourselves as a strong partner, supporting suppliers in the further development and professionalization of processes and workflows. Alongside economic criteria, we attach great importance to the **careful selection of suppliers**, in which environmental and social 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 environmental and social audits in the production facilities and support our suppliers with training on relevant topics. For instance, we offer training programs aimed at assisting strategic partners in enhancing the digital skills of their workforce. 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 more sustainable textile supply chains. > Combined Non-Financial Statement, Respect for Human Rights

## Expansion of own logistics infrastructure

The storage of inventories is centered on selected sites, which in most cases are directly operated by HUGO BOSS. Our distribution centers for hanging goods, flat-packed goods, and the Company's global online business, all located in proximity to the headquarters in Metzingen, form the core of our **Group-wide logistics network**. The latter is supplemented by selected local or regional warehouses, including our own warehouse in Savannah (USA) and those operated by third parties, for example in China or the UK.

To further support the successful execution of our "CLAIM 5" growth strategy, in 2023, HUGO BOSS began stepping up **investments into its logistics network**. In this context, we aim to increase our unit capacity from currently around 65 million to around 90 million in the medium term. In particular, we are significantly **expanding our distribution center for flat-packed goods close to our headquarters in Metzingen**, responding to the increased global customer demand for BOSS and HUGO. As part of this multiyear project, we are investing more than EUR 100 million, with a strong focus on the further digitalization and automatization of processes, and the implementation of state-of-the-art robotics solutions. Scheduled for completion by 2026, the expansion is aimed at increasing our warehouse's shipping and storage capacity by around 75%.

# SUSTAINABILITY

**Sustainability as an integral part of HUGO BOSS business activities**

**New sustainability strategy based on five key pillars**

**Renewed inclusion in the Dow Jones Sustainability Index World and Europe**

HUGO BOSS considers its diverse sustainability initiatives along the entire value chain as both a crucial corporate responsibility and a prerequisite to inspire customers and thus further strengthen its position as a leading global premium fashion platform. With our constantly evolving business model, we are equally committed to **protecting our environment, living up to social and societal expectations**, and **practicing responsible corporate governance**. In doing so, our numerous environmental, social, and governance (ESG) activities aim to generate added value for our Company, employees, shareholders, customers, business partners, and society, ensuring long-term success for HUGO BOSS.

## Sustainability strategy

**OUR SUSTAINABILITY STRATEGY**

FOR A PLANET FREE OF WASTE AND POLLUTION

| INCREASE CIRCULARITY | DRIVE DIGITIZATION & DATA ANALYTICS | LEVERAGE NATURE-POSITIVE MATERIALS | FIGHT MICROPLASTIC | PUSH ZERO EMISSIONS |
|---|---|---|---|---|

A STRONG ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CORE

HUGO BOSS regards sustainability as an important element of its "CLAIM 5" strategy and thus as an integral part of our business activities. Consequently, being **"Sustainable Throughout"** is firmly embedded in our daily business activities. In line with our bold commitment to strongly support creating **a planet free of waste and pollution**, we developed our **new Sustainability Strategy in 2023**, focusing on **five key pillars** and their corresponding targets: increase circularity, drive digitization and data analytics, leverage nature-positive materials, fight microplastic, and push zero emissions. By embracing these pillars, we are paving the way towards a better and more sustainable future.

## Increase circularity

HUGO BOSS puts strong emphasis on developing products of highest quality that embody timeless design. As part of our strategic focus on increasing circularity, we aim to extend the longevity of our products, close material loops, and prioritize the use of recycled and renewable materials. By fostering the development of circular products, we are committed to conserving resources and further reducing waste. In this context, we have set ourselves the ambitious target of having **80% circular products by 2030** (2023: 17%). Our brands' CIRCULAR styles adhere to three key principles: being **recyclable**, being made with **renewable or recycled raw materials**, and being **designed for longevity**.

To achieve this goal, we have launched various initiatives, including expanding our products' recycling potential. On top of that, we are also exploring circular business models such as repair and resale. To ensure consistency and adherence to circular principles, we have developed a dedicated **Circular Product Policy**, setting the criteria for circularity in our design and development processes. We are also providing training for our employees in circular design and product development, with a focus on the shared creative potential of our Design and Product Development departments. In particular, we have introduced a mandatory digital Circularity training program, covering the use of recycled and renewable materials as well as making circular design choices. > Combined Non-Financial Statement, Environmental Matters

## Drive digitization and data analytics

In line with our vision of becoming the leading premium tech-driven fashion platform worldwide, we are fully committed to embracing digital innovation and exploiting our many digital opportunities. In order to "Lead in Digital," we are digitalizing our business activities across the entire value chain and harnessing the power of data. We are convinced that the ongoing digitalization of our value chain will also contribute positively to our sustainability ambitions. As part of this, we have set ourselves the target to **develop over 90% of our products digitally by 2025** (2023: around 65%).

HUGO BOSS is fully committed to digital design and product development, bringing prototypes to life through immersive 3D simulations, and captivating its customers through cutting-edge interactive product presentations. Having transformed all relevant physical development steps into digital processes, we have already made significant strides in **reducing the need for physical samples** in recent years. Going forward, we aim to exploit the full potential of advanced data analytics by gathering insights that drive our decision-making processes and empower us to further optimize our use of materials in production. By accurately forecasting trends and anticipating customer preferences, we aim to **minimize waste and reduce our $CO_2$ emissions**. Being at the heart of our digital journey, our Digital Campus will leverage our Company's data end to end to make meaningful, data-driven decisions, while also exploiting the many advantages offered by AI. > Product Development and Innovation

## Leverage nature-positive materials

We recognize that our Company and its two brands BOSS and HUGO are highly connected to functioning ecosystems, from the materials used for our products to our impact on the environment. Going forward, therefore, we want to leverage the immense **potential of regenerative farming** by putting strong emphasis on sourcing materials that not only reduce our industry's environmental footprint but also contribute to biodiversity preservation. While traditional agriculture has an adverse impact on soil health, the climate, and biodiversity, we firmly believe that it can be transformed into a powerful nature-based solution. To foster regenerative farming practices, we are closely collaborating with our partners and suppliers, pioneering resilient systems for the future. Our goal is to embrace nature-positive materials, **sourcing 100% of our natural materials in alignment with regenerative farming principles or through closed-loop recycling by 2030**. Closed-loop recycling also involves utilizing recycled pre- or post-consumer textile waste, thus further reducing our impact on the environment.

To reach this ambitious target, among other things, we are **collaborating with Raddis Cotton**, a non-governmental organization dedicated to regenerative agriculture and the empowerment of female farmers. As part of this, BOSS launched a limited capsule collection for Spring/Summer 2023, including t-shirts, sweatshirts, and tracksuit bottoms made entirely from cotton grown regeneratively in South India. While we plan to continue this collaboration in 2024, we also intend to establish similar partnerships in the future. At the same time, we are also encouraging our suppliers to do so as well.

## Fight microplastic

The intensive use of synthetic fibers, such as polyester and nylon, is one of the main causes of microplastics, contributing to environmental pollution and potential harm to ecosystems. In particular when washing clothes, both in the production process and in the use phase, microplastics are released into the water. To reduce the amount of microplastics ending up in the oceans, we aim to completely **phase out polyester and nylon in our products by 2030**, by constantly exploring and leveraging true alternatives to synthetic fibers.

Achieving this ambitious target depends, to a large extent, on the widespread availability of alternative raw materials. Taking this into account, already in 2022, we entered into a **long-term strategic partnership with Swiss innovator HeiQ** to jointly develop and scale AeoniQ, the world's first sustainable, circular, closed-loop cellulose yarn. It is aimed at substituting oil-based yarns, such as polyester and nylon, while also binding carbon from the atmosphere during growth. In 2023, BOSS successfully launched its first two polo shirts made of almost 90% AeoniQ, while also showcasing three respective outerwear styles at its Fall/Winter 2023 fashion event in Milan. Going forward, we will continue to grow this partnership by gradually increasing the use of AeoniQ yarn in our brands' collections. > Product Development and Innovation

## Push zero emissions

At HUGO BOSS, we have set ourselves ambitious targets to reduce our $CO_2$ emissions and thus contribute to climate protection. In particular, together with other companies in the fashion industry, we are committed to reach **net zero $CO_2$ emissions by 2050**. As part of this commitment, we are pursuing the goal of effectively reducing our $CO_2$ emissions along the entire value chain (Scope 1, Scope 2, and Scope 3) by at least 50% by 2030 (base year: 2019), and thus without additional offsetting.

To achieve these goals, we are implementing numerous measures and initiatives both at our own sites and in the supply chain. Among other things, we are fostering regenerative farming to significantly reduce emissions in the procurement of raw materials. Additionally, we are **collaborating closely with our suppliers** to reduce energy consumption in production and are committed to limiting the use of airfreight throughout the supply chain. To **further reduce $CO_2$ emissions at our own production sites**, we keep investing primarily in energy-efficient technologies, the modernization and renewal of technical equipment, and increasing the share of renewable energies. > Combined Non-Financial Statement, Environmental Matters

## A solid ESG core

Our Sustainability Strategy and the corresponding five strategic pillars are built on a strong ESG fundament, which is deeply embedded in our Company and guides us in all of our business activities. We actively participate in numerous initiatives aimed at creating a greener planet while fostering social and governance cohesion. In addition to measures taken to protect the environment and ecosystems, we therefore consider **sustainable production processes** to be crucial. Consequently, HUGO BOSS puts strong emphasis on ensuring the safety and well-being of its own employees and those in the value chain. Above all, this includes attaching the upmost importance to compliance with international human and labor rights and fair pay practices. At the same time, HUGO BOSS is convinced that **good and responsible corporate governance** is a key factor for long-term business success. > Combined Non-Financial Statement, Respect for Human Rights

# ESG ratings and rankings

Our strong commitment to sustainability is regularly acknowledged and rewarded by various well-known ESG ratings and rankings. This reinforces our dedication to responsible business practices and our ongoing efforts to have a positive impact on the environment and society. With our approach of following **transparent reporting and sustainable business practices**, we remain committed to continuing to lead the way in our industry, in line with our bold mission statement "We Love Fashion, We Change Fashion."

**KEY ESG RATINGS AND RANKINGS**

| | Elaboration | Score |
|---|---|---|
| Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA | With 87 points in the 2023 Corporate Sustainability Assessment (CSA), HUGO BOSS was included in the Dow Jones Sustainability Index (DJSI) World for the 7th consecutive year, taking second place in the industry. | 87 |
| CDP DISCLOSURE INSIGHT ACTION | In 2023, HUGO BOSS was rewarded with a B by CDP for its overall climate action, scoring an A for the climate targets and Scope 1 & 2 emissions. | B |
| MSCI ESG RATINGS AA | HUGO BOSS achieved an AA score in the 2023 MSCI assessment, revealing over-industry average practices regarding product carbon footprint, raw material sourcing, and governance. | AA |
| ISS ESG | ISS ESG assessed the HUGO BOSS' overall ESG performance with C+ (Prime), therefore exceeding the sector specific threshold. | C+ |
| SUSTAINALYTICS | In 2024, HUGO BOSS was assessed with a score of 13.0, signifying that the Company is exposed to a low ESG risk and applies good management practices. | 13.0 |
| Bloomberg | HUGO BOSS was rewarded with a 6.24 (Leading) ESG score, accompanied by a high transparency disclosure. | 6.24 |

Due to our continuous efforts in the area of sustainability and our ongoing high level of transparency, HUGO BOSS has been included in the renowned **Dow Jones Sustainability Index (DJSI) World** for the seventh consecutive time. In addition, we also achieved inclusion in the DJSI Europe for the fourth time in a row. In the associated Corporate Sustainability Assessment (CSA), we once again secured a strong second place in the global textiles, apparel & luxury goods industry. We excelled in various key areas, such as Human Rights, Waste Management, Customer Relationship Management, Data Protection, and Innovation Management, achieving "best in class" scores in these criteria. In 2023, we received further external recognition by being awarded with the **Golden Planet Award** for our active implementation of important sustainability measures. In addition, HUGO BOSS received the **ESG Transparency Award**, honoring our transparent and comprehensive reporting on sustainability matters.

# Investment in sustainability

HUGO BOSS is also increasing its dedication to sustainability by **investing in Collateral Good Ventures Fashion I**, a venture capital fund focused on promoting sustainability in the fashion industry and along the textile value chain. The fund will use HUGO BOSS' contribution to support startups and companies developing innovative solutions in areas such as raw material upcycling, microfiber prevention, and repair and care solutions. HUGO BOSS will contribute around 10% of the fund's total target volume of EUR 100 million.

# 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 towards 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**, as well as regarding the **EU Taxonomy**. 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 activities, 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, position, and the impact of its activity on the five required aspects. In 2023, HUGO BOSS reviewed its materiality analysis, confirming its continued validity.

**OVERVIEW OF MATERIAL TOPICS, TARGETS, AND 2023 PERFORMANCE OF HUGO BOSS GROUP**

| Aspects | Material topics[1] | Targets | 2023 performance |
|---|---|---|---|
| Environmental matters | Climate action in production | Reaching net zero climate-damaging emissions by 2050; Effectively reducing $CO_2$ emissions along the value chain by at least 50% by 2030 (base year: 2019) | (1)% vs. prior year[2]; +42% vs. base year[2] |
| | Circularity | Enabling 80% of our apparel products to become circular by 2030 | 17% circular apparel products |
| Employee matters | Employer attractiveness | Further enhancing employer attractiveness | 77% employee satisfaction |
| Social matters | Brand power | Becoming one of the top 100 global brands | Substantial increase in brand value |
| | Data protection | Ruling out any contraventions of applicable data protection laws as far as possible | No such violations in the sense of cases established by authorities or courts |
| Respect for human rights | Human rights and labor standards in production | Complying with statutory and internal Company requirements on both human rights and labor standards | 86% of sourcing volume sourced from finished goods suppliers with one of the two highest attainable social compliance performance levels |
| | Occupational safety in production | Guaranteeing occupational safety at all times | |
| Anti-corruption and bribery matters | Avoidance of corruption and anti-competitive behavior | Preventing legal violations such as corruption, bribery, and antitrust violations | No such violations in the sense of cases established by authorities or courts |

1 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.
2 Not subject to the voluntary review with limited assurance according to ISAE 3000 (Revised).

## Organizational structure and responsibilities

At HUGO BOSS, sustainability is firmly anchored in its "CLAIM 5" growth 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 divisions report to the Chief Financial Officer (CFO)/ Chief Operations Officer (COO). He is also responsible for the central **Sustainability Committee**, which consists of representatives of the main business areas involved in sustainability topics and drives relevant decision-making processes in the area of sustainability. > Managing Board

## Code of Conduct

HUGO BOSS has summarized Group-wide principles of conduct in its **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 publicly-available Code of Conduct and the Group policies. Likewise, our **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 Supplier Code of Conduct in the form of regular audits in the production facilities and support our suppliers with training on relevant topics.

## Corporate Sustainability Reporting Directive

In fiscal year 2023, HUGO BOSS dealt intensively with the **Corporate Sustainability Reporting Directive (CSRD)** that will apply from fiscal year 2024 onwards. In this context, important steps were taken as part of a cross-divisional project to comply with the associated comprehensive future reporting requirements. In particular, HUGO BOSS is in the process of conducting a **double materiality assessment** intended to be finalized in early 2024. It aims to identify the environmental, social, and governance (ESG) topics that are material to HUGO BOSS, especially in connection with the **European Sustainability Reporting Standards (ESRS)** applicable from 2024 onwards. In its Sustainability Statement for fiscal year 2024, HUGO BOSS will report in detail on all topics assessed as material.

# 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 Managing Board, in person of 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. As part of our commitment to this target, our sustainability strategy places great emphasis on significantly reducing emissions not only in our own area of responsibility but also along the entire value chain. As a first important milestone, we are pursuing the target of effectively reducing our $CO_2$ emissions along the entire value chain by at least 50% by 2030 (base year: 2019), and thus without additional offsetting. The scope 1, scope 2 and scope 3 emission categories included in this target are presented in the table below.

## 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, HUGO BOSS is actively collaborating with other signatories to the **Fashion Industry Charter for Climate Action**. In fiscal year 2023, we focused, among other things, on collaborating with other signatories in joint working groups addressing crucial topics such as "decarbonization," "lowering carbon manufacturing," and "policy engagement."

In line with the UNFCCC, we also work together with our suppliers to sustainably reduce environmental impacts 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 our 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 for its more sustainable product offering in the publicly available **WE CARE commitment**.

As part of regular **environmental audits** conducted by external auditors, we monitor, among other things, our suppliers' energy consumption and $CO_2$ 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. 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. This also includes trainings towards good carbon accounting practices. In order to increase the transparency and measurability of the environmental impacts of our partners, in cooperation with the Fashion Industry Charter for Climate Action and selected signatories, in 2021 we developed an online **"Climate Action Training for the Fashion Industry."** The training provides garment, textile, and footwear manufacturers with basic knowledge of climate change, the environmental impact of the fashion industry, energy efficiency, and renewable energy, as well as practical expertise on carbon accounting.

To further intensify its measures to achieve net zero by 2050, HUGO BOSS has developed a **decarbonization roadmap**. In this context, in 2023, we conducted a greenhouse gas (GHG) assessment to identify potential additional measures to sustainably reduce greenhouse gas emissions in our upstream value chain. Going forward, we aim at further intensifying the collaboration with our suppliers to effectively reduce emissions in our supply chain, focusing on suppliers with the highest emissions, particularly those with high energy demands.

In order to reduce the emissions and other environmental impacts associated with the cultivation and processing of natural materials, and fully in line with our Sustainability Strategy, we want to **"leverage nature positive materials"** by exploiting the potential of **regenerative farming**. Going forward, this means putting an even stronger emphasis on sourcing materials that not only reduce our industry's environmental footprint but also contribute to biodiversity preservation. Our goal is to source 100% of natural materials in alignment with regenerative farming principles or through closed-loop recycling by 2030, thus also contributing to climate protection. This also includes cotton, which is by far the most used material at HUGO BOSS. > Sustainability

The climate impact of our own production activities 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 for achieving our targets. 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 2023, we commissioned new photovoltaic systems at our production sites in Izmir (Turkey), Morrovalle (Italy), Coldrerio (Switzerland), and Radom (Poland), while we also continued investing in LED lighting. 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

Our **scope 1 and market-based scope 2 emissions** in fiscal year 2023 amounted to 30,063t, which is broadly in line with the prior-year level (2022: 29,921t), but 7% below the base year (2019: 32,064t). This development mainly reflects a reduction in Group-wide energy consumption and an increase in the share of green electricity compared to the base year. The **scope 3 emissions**, which were not subject to the voluntary review with limited assurance according to ISAE 3000 (Revised), amounted to 1,056,845t in 2023, representing a 1% decrease compared to the prior year (2022: 1,063,612t), and an increase of 44% compared to the base year (2019: 731,576t). The latter primarily reflects the strong business performance of HUGO BOSS in recent fiscal years, as the large majority of our $CO_2$ emissions are generated in the cultivation and production of textile fibers and during energy-intensive processing stages. The scope 3 emission categories included herein are presented in the table below. In fiscal year 2023, our total **$CO_2$ emissions** calculated according to the Greenhouse Gas Protocol (GHG Protocol) thus amounted to 1,086,908t, representing a 1% decrease compared to the prior year (2022: 1,093,533t) and a 42% increase compared to the base year (2019: 763,640t). The scope 3 emissions included in the total $CO_2$ emissions were not subject to the voluntary review with limited assurance according to ISAE 3000 (Revised).

**TOTAL DIRECT, INDIRECT AND OTHER GREENHOUSE GAS EMISSIONS** (IN T $CO_2e$)[1]

| Scope 1[2] | **2023** | 2022 | Base year: 2019[3] |
|---|---|---|---|
| Own vehicles | 3,915 | 3,068 | 3,094 |
| Direct energy consumption | 7,523 | 8,033 | 9,029 |
| **Total Scope 1** | **11,438** | **11,101** | **12,123** |
| | | | |
| Scope 2 (market-based)[4] | | | |
| Indirect energy consumption | 18,625 | 18,820 | 19,941 |
| **Total Scope 2** | **18,625** | **18,820** | **19,941** |
| | | | |
| Scope 3[5] | | | |
| 3.1 Purchased goods and services | 939,898 | 931,590 | 645,516 |
| 3.3 Fuel- and energy-related activities | 8,059 | 7,555 | 8,138 |
| 3.4 Upstream transportation and distribution | 67,878 | 86,698 | 38,868 |
| 3.5 Waste generated in operations | 2,278 | 1,972 | 708 |
| 3.6 Business travel | 7,042 | 4,092 | 7,012 |
| 3.7 Employee commuting | 5,026 | 4,594 | 9,387 |
| 3.8 Upstream leased assets | 3,167 | 3,821 | 5,809 |
| 3.12 End-of-life treatment of sold products | 23,497 | 23,290 | 16,138 |
| **Total Scope 3** | **1,056,845** | **1,063,612** | **731,576** |
| | | | |
| **Total greenhouse gas emissions[6]** | **1,086,908** | **1,093,533** | **763,640** |

**1** Greenhouse gas emissions are calculated based on the GHG Protocol. Due to improvement of data quality and corresponding corrections during the year, prior-year figures have been adjusted retrospectively.
**2** Scope 1 emissions: direct emissions from owned or controlled sources.
**3** 2019 data is not part of the auditing scope.
**4** Scope 2 emissions: indirect emissions from the generation of purchased energy. Scope 2 emissions are calculated according to the market-based approach using specific supplier emission factors for certified green electricity. For conventional electricity, specific country emission factors are used. Location-based scope 2 emissions amounted to 38,758t in 2023 (2022: 38,793t).
**5** Scope 3 emissions are not subject to the voluntary review with limited assurance according to ISAE 3000 (Revised). Scope 3 emissions calculation is based on both supplier-based and average-data methods. For "purchased goods and services," emissions are calculated as follows: Raw material production emissions (Tier 4 and Tier 3 Suppliers) include those from the conversion of raw materials into yarns. Manufacturing emissions (Tier 2 and Tier 1 Suppliers) encompass processes converting yarns into fabrics and finished goods. "Fuel- and energy-related activities" relate to emissions from the production of purchased fuels and energy not covered in Scope 1 or Scope 2. "Upstream transportation and distribution" emissions are calculated using primary data per each shipping mode to our warehouses and from the warehouses to our retail stores and our wholesale partners. "Waste generated in operations" comprises waste generated at HUGO BOSS, disposed by third-party providers. "Business travel" emissions are derived from flight data based on comprehensive tracking, while "employee commuting" emissions are estimated using average-data methods and national statistics. "Upstream leased assets" emissions include emissions of leased retail spaces. Emissions in connection with "end-of-life treatment of sold products" are calculated using the IMPACT 2022+ LCIA method, as primary data is not available.
**6** The scope 3 emissions included in the total greenhouse gas emissions are not subject to the voluntary review with limited assurance according to ISAE 3000 (Revised).

## 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 preserving 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 Managing Board, in person of 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. In this context, we have set ourselves the target of enabling **80% of our apparel products to become circular** (measured by production volume, number of apparel products) by 2030.

### Measures

Already in the phase of design and production, we set ourselves the goal of further **extending the durability 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 this context, already in 2022 HUGO BOSS entered into a partnership with Swiss innovator **HeiQ AeoniQ**. Together, we are developing and producing a cellulosic filament yarn, which is intended to be recyclable, and thus a more sustainable substitute for synthetic fibers. In fiscal year 2023, BOSS successfully launched its first two polo shirts based on this technology, replacing almost 90% of the product's polyester. In contrast to synthetic fibers, no environmentally harmful microplastics are produced when washing products based entirely on AeoniQ yarn. Consequently, exploring and leveraging alternatives to synthetic fibers also contributes to our strong commitment to **"fight microplastic,"** which is firmly anchored in our sustainability strategy. > Sustainability

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. In fiscal year 2023, HUGO BOSS introduced a virtual **circularity training** course, accessible via the Group-wide "HUGO BOSS University" platform, covering topics such as the use of recycled and renewable materials as well as circular design choices with regard to product recyclability. This training is mandatory for relevant departments working on the design and production of our circular products. HUGO BOSS also updated its internal **Circular Product Policy** in 2023 and conducted respective internal trainings on the new content. The policy is based on existing and expanded industry standards and includes important criteria to ensure circularity at the stage of design and development. Its key elements are published on our corporate website. > group.hugoboss.com

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 Germany in order to extend the lifetime of products that have previously been sold. In addition, we are operating the **online resale platform "Pre-Loved"** in France, where customers can return and purchase used BOSS and HUGO products. > EU Taxonomy

### 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, the **proportion of circular apparel products** in both brands' collections grew to a total of 17% in 2023. We aim for significantly increasing this share in the coming years.

# Employee matters

## Employer attractiveness

Our employees, their know-how, and their commitment is crucial for achieving our strategic and financial targets. Increasing complexity and a fast-moving competitive environment lead to growing demand for skilled employees and executives. For this reason, it is all the more important 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 actively promoting **diversity, equity, and inclusion (DE&I)** within the Company, **opportunities for individual development**, and a variety of offers to make it easier to **combine professional and private life**.

The **Global 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 almost 19,000 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

As an international company, diversity, equity, and inclusion (DE&I) is a fundamental element of our corporate culture. All employees are to be guaranteed a discrimination-free working environment with equal opportunities and inclusive work culture. Organizationally, the important topic of DE&I is firmly anchored in the Global Employee Experience department as part of Global Human Resources, with the **Global DE&I team** focusing on further raising awareness of DE&I throughout the Company and also externally. Centrally initiated measures are driven forward by a **diversity task force**. A **policy and commitment against discrimination and harassment** are emphasizing our Group-wide efforts towards a discrimination- and harassment-free working environment. To further promote DE&I across the organization and strengthen it within our corporate culture, in 2023 HUGO BOSS defined a comprehensive DE&I ambition. As part of the execution of its DE&I ambition, HUGO BOSS launched the **MIX & MATCH** initiative, bundling numerous internal and external measures aimed at promoting a culture where differences are celebrated and inclusivity thrives.

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), Leadership Development Program (LDP)**, and **High Potential Program (HIPOSS)**, we launched the **Experienced Leaders Collection (ELC)** in 2023. The ELC provides experienced leaders with a comprehensive learning and training collection, supporting a common understanding of leadership at HUGO BOSS. 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"** and **"HUGO BOSS eLIBRARY"** platforms. 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.

The annual **"Performance & Development Dialog" (PDD)** provides 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. In addition to preparing and conducting the annual performance review, the tool also supports in conducting mid-year reviews and collecting other structured feedback from managers and colleagues.

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 their motivation and commitment. Working 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 particular, we offer administrative employees in Germany the **hybrid work concept "Threedom of Work,"** which provides for three days of attendance at our 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."** Already today, we are offering a broad 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, we opened our own **day care center** at our headquarters in Metzingen in early 2023, offering space for around 50 toddlers. 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, most our employees in the U.S. have the choice of spending part of their gross personal income for external care and support services through **flexible spending accounts** (FSAs).

The employer attractiveness of HUGO BOSS was again recognized several times in 2023. In the **"Working in Fashion 2023"** study conducted by the German industry magazine TextilWirtschaft, HUGO BOSS again secured a strong third place. As part of this, we took first place in the category "future potential of the company," and second place in the categories "salary levels," "opportunities for promotion and training," and "attractive products." In addition, we maintained our strong midfield position among the **Top 50 Diversity Leaders** in 2023 – based on an independent Europe-wide ranking by Statista and the Financial Times. In the global study **"World's Best Employers 2023"** by Forbes and Statista, HUGO BOSS improved its ranking significantly in 2023 and for the first time made it into the top 200 globally.

### Performance indicators

We assess 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 in terms of the so called "Trust Index" represent an important component of the long-term incentive program (LTI) as part of Managing Board compensation. With a Group-wide participation rate of 77%, **overall satisfaction** amounted to 77% in 2023 (2022: participation rate of 70%; overall satisfaction of 78%). Going forward, we aim at maintaining a strong level of at least 75% overall satisfaction. At HUGO BOSS AG, overall satisfaction increased to 87% in 2023 (2022: 86%), with employees particularly appreciating the just and open corporate culture and also stating that they were proud to work at HUGO BOSS. > Compensation Report

# Social matters

## Brand power

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, further strengthening our brands is becoming increasingly important. As part of our "CLAIM 5" growth strategy, we aim at sustainably increasing brand power, with the goal of further elevating the perception and relevance of BOSS and HUGO in the coming years, 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** (based on Interbrand's Best Global Brands ranking) and have therefore set ourselves the goal of significantly increasing the power of both our brands, 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. As part of our strategic claim "Boost Brands," we continue to build on the strong brand momentum following the comprehensive refresh of the global **brand images** of BOSS and HUGO in 2022. In the past fiscal year, various important **marketing initiatives**, above all our successful 360° BOSS and HUGO brand campaigns, again featuring star-studded diverse casts, continued to significantly boost awareness and engagement, in particular on social media. Exciting brand events further fueled brand relevance globally in 2023. In addition, as part of our strategic claim "Product is Key," we made further progress in enhancing both brands' **24/7 lifestyle images**, thus aiming at perfectly dressing our customers for every occasion. In this context, also going forward, we remain committed to fully leveraging the BOSS Black, BOSS Orange, BOSS Green, and the exclusive BOSS Camel brand line within BOSS Menswear. Building on these successes, in 2023, we also launched the Orange and Camel lines at BOSS Womenswear, while strengthening our denimwear offering with the launch of HUGO BLUE set for early 2024. At the same time, offering a **seamless brand experience** across all consumer touchpoints continues to play an important role aimed at further strengthening brand power at the point of sale. Thus, as part of our claim "Drive Omnichannel," we made considerable progress in 2023 in linking our digital and physical consumer touchpoints even more closely and turning them into true points of experience. In this regard, we continued to roll out the latest **BOSS and HUGO store concepts**, which are designed to strongly improve the shopping experience and are already implemented at more than 140 freestanding stores worldwide. In addition, further improving the **e-commerce experience** offered at hugoboss.com, as well as the successful relaunch of our hugoboss.com app in early 2023 both played an important role in further enhancing the omnichannel experience, thus also driving brand power. > 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 2023, HUGO BOSS achieved a further robust improvement of the NPS, increasing 4 percentage points year-on-year to a level of 66% (2022: 62%).

In addition, in 2023 HUGO BOSS also made further important progress in its **positioning in the annual Interbrand ranking**, achieving a substantial increase in the combined brand value of BOSS and HUGO. This demonstrates the ongoing success of our 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 of further digitalizing 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 is the proper handling of employees', business partners', and shareholders' data. Any breach of data protection laws represents an increased compliance risk. HUGO BOSS 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 of data protection compliance. 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 rule out any **contraventions** of applicable data protection laws as far as possible.

### Measures

Employees of HUGO BOSS are educated about data protection issues by means of general and activity-related **training courses** as well as regular documentation of digital confidentiality obligations. Therefore, all employees, handling personal data of EU data subjects, are required to complete the **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. Since 2023, this training must be completed in a two-year rather than a three-year cycle. In addition, we have an internal **data protection policy** as well as other data protection guidelines in place, 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. Furthermore, we implemented additional **software** in 2023 to continuously monitor the dynamic environment of international legal requirements for data protection and cyber security and to further minimize the risk of non-compliance with data protection regulations..

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 fiscal year 2023, 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 topics relating to the social impact in the supply chain (including its own production): **human rights and labor standards** along with **occupational safety**. In the following, the topics are covered together, as they are both part of our Supply Chain Sustainability 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 **ombudsperson**. In addition, the HUGO BOSS **"Speak up Channel"** offers both our own employees and workers along our supply chain the opportunity to report misconduct and criminal offenses confidentially and anonymously. In the event of violations, the central Compliance & Human Rights 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** throughout its value chain 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 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. It forms an integral part of contractual agreements. As part of the Supplier 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. In countries where the national statutory requirements fall short, the Code sets a minimum standard. 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 in 2023, with the update to be rolled out in early 2024. 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, respecting core labor standards, including the United Nations' Universal Declaration of Human Rights (UDHR), the UN Guiding Principles (UNGPs) on Business and Human Rights, the ILO's Core Labor Conventions, and the ten principles of the UN Global Compact. In addition, our **Anti-Discrimination and Anti-Harassment Commitment** and the **Anti-Discrimination and Anti-Harassment Policy** reinforce our dedication to fostering an inclusive, respectful, and ethical conduct, emphasizing respect for human rights.

Since 2023, the **German Act on Corporate Due Diligence Obligations in Supply Chains** (Lieferkettensorgfaltspflichtengesetz, "LkSG") requires companies to conduct human rights and environmental due diligence in their supply chains and fulfill corresponding reporting obligations in a separate report. Also for HUGO BOSS, this means meeting the respective due diligence obligations for our own business activities, the actions of our contractual partners, and the actions of other indirect suppliers. To ensure monitoring and compliance with human rights and environmental due diligence obligations in supply chains, as well as compliance with the LkSG, HUGO BOSS initiated important measures already in 2022 and continued working on them in fiscal year 2023. The Company conducted an in-depth **human rights risk analysis**, among other things, as part of which both our own operations and all direct suppliers were assessed accordingly, while also including a large number of indirect suppliers. For this purpose, the existing self-assessment for checking the social standards specified by HUGO BOSS for suppliers was updated and supplemented with content on the LkSG. The self-assessment 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 additional **preventive and remedial measures** and implement them accordingly. In this context, the risk-based focus is placed on suppliers with a high or very high human rights risk according to the self-assessment. Due to the update of the self-assessments based on the LkSG requirements, the results of the assessments can be compared with those of previous years only to a limited extent.

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 appropriate 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. Our publicly available **Health & Safety Commitment** emphasizes the importance of this topic for our Company. > group.hugoboss.com

HUGO BOSS regularly conducts **audits** to verify compliance with the social standards set out in the Supplier Code of Conduct and the regulations on occupational safety. In this context, reference was made to the new risk analysis in accordance with the LkSG for the first time in 2023. Based on new requirements of the LkSG, HUGO BOSS defined new criteria for supplier selection, focusing specifically on a risk-based approach to conduct audits. HUGO BOSS has implemented a **Supply Chain Sustainability (SCS) program** to systematically address all types of sustainability risks stemming from suppliers. The SCS program consists of the three modules social compliance management, environmental management, and governance, all of which are in alignment with our Supplier Code of Conduct. HUGO BOSS uses the **Social Compliance Management module** to check the extent to which the standards set out in its Supplier Code of Conduct are being complied with. As part of this module, the Company conducts regular social audits, requests self-assessment for review from suppliers, or accepts selected certificates in accordance with social compliance standards such as those of the Fair Labour Association (FLA). Social audits are carried out especially for finished goods suppliers. When conducting audits in its supply chain, 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 conduct **social compliance trainings** at our finished goods suppliers and support them in implementing the social standards. This training is mandatory for every supplier entering into a contractual relationship with HUGO BOSS. 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 2023, and unchanged to the prior year, own production was carried out at five production sites in five European countries. In addition, HUGO BOSS had an active business relationship with 267 external finished goods production facilities in 35 countries (2022: 233 production facilities in 29 countries). The increase compared to the previous year primarily reflects the further diversification of the supplier portfolio as part of the successful execution of the "CLAIM 5" strategy. During the reporting period, 58 **audits** were conducted in 55 existing finished goods production facilities, including the Company's own production facilities (2022: 97 audits at 87 finished goods production facilities) whereas the decline in comparison to the previous year is related to a simultaneous increase in the number of audits at fabrics and trimmings suppliers. The validity period of the audits on which this reporting is based extends from January 2021 to December 2023. During this period, a total of 191 audits were carried out at 175 finished goods production facilities. Non-compliances identified via audits in existing finished goods production facilities in 2023 mainly related to the areas of social compliance management and working hours. The 56 existing finished goods production facilities that did not have a valid social audit carried out a **self-assessment**. Two **certificates** issued in accordance with the FLA standard were accepted in the reporting period. > Sourcing and Production

By 2025, HUGO BOSS has set itself the target of sourcing all of its goods from finished goods suppliers (including its own production sites) with one of the **two highest attainable social compliance performance levels ("good" or "satisfying")**, verified by an audit, self-assessment, or certificate of an external social compliance standard. In 2023, the corresponding share was 86% (2022: 97%). The performance indicator for 2023 is only partially comparable with that of the previous year, as HUGO BOSS refined the definition in 2023 to make the different components of its suppliers' social performance more explicit and transparent. Since fiscal year 2023, HUGO BOSS also no longer conducts Remote Risk Assessments (RRA) and has thus excluded them from the calculation. Due to the higher number of self-assessments of our suppliers carried out year-on-year, their results are reflected to a larger extent than it was possible in the previous year.

The Company has also set itself the goal of sourcing 80% of its goods from finished goods suppliers (including its own production sites) with the **highest attainable social compliance performance level ("good")** by 2025, verified by audit, SAQ, or certificate of an external social compliance standard. In 2023, the corresponding share was 62% (2022: 52%), also relating to the population presented above.

# 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 CFO/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 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, with their content updated, particularly in response to changes in legal requirements. In fiscal year 2023, the focus was on further expanding the content on the compliance management system, reflecting the outcome of recently conducted relevance and risk analyses. 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 was further developed in 2023 and implemented in additional languages, with the rollout of this update scheduled for 2024. 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 access the **"Speak up Channel,"** offering a secure channel to report misconduct and criminal offenses in the Company confidentially and anonymously. In addition, the aforementioned stakeholders can notify an external **ombudsperson** in confidence if there are any indications of fraud, infringements of antitrust law, or other compliance violations. If desired, this can also be done anonymously.

### Performance indicators

In 2023, **no violations** in the sense of legal violations due to corruption, bribery, or antitrust cases established by authorities or courts were identified in the Company (2022: no violations). Already 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 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 and the court heard experts to assess the facts in 2023. While an oral hearing is expected to take place in the first half of 2024, a final decision in this case is not expected before the end of 2024. No fine has been imposed so far.

## 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."

HUGO BOSS conducted a comprehensive analysis revealing that, for fiscal year 2023, **no financially material taxonomy-eligible or taxonomy-aligned sales, CapEx, or OpEx** are to be reported for our Company, first and foremost as our primary economic activities are not yet covered by the EU taxonomy. The following section contains the mandatory reporting in connection with the EU taxonomy.

## 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. The **reporting requirements for fiscal year 2023** have been extended from the previous two climate-related objectives (1) and (2) to the remaining four environmental objectives (3) to (6). In this context, the corresponding shares of sales, capital expenditure (CapEx), and operating expenses (OpEx) related to taxonomy-eligible economic activities now have to be disclosed for all six objectives. At the same time, the corresponding shares related to taxonomy-aligned economic activities still only need to be reported for objectives (1) and (2).

**Taxonomy-eligible** economic activities are those that comply with the respective activity description according to the EU taxonomy, irrespective of the fulfilment of the technical screening criteria. Economic activities are **taxonomy-aligned** if they make 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 six environmental objectives still only cover a limited number of sectors and economic activities. For the primary economic activities of **companies in the global apparel market**, and thus also of HUGO BOSS, the delegated acts currently only cover a very limited number of potentially relevant economic activities in connection with the objective (4) "Transition to a circular economy," including the sale of second-hand goods or repair and refurbishment services. While these economic activities still only have a minor economic role for HUGO BOSS today, **our primary economic activities** are by definition not taxonomy-eligible.

However, among the economic activities listed in the delegated acts for the six environmental objectives, there are also those that, although not revenue-generating, are generally relevant for HUGO BOSS as they concern our **basic infrastructure** such as real estate, or facilities for our own energy generation. Overall, the activities relevant to HUGO BOSS were identified as part of a cross-divisional project to implement the requirements of the EU taxonomy. In particular, a shortlist of activities relevant to HUGO BOSS was drawn up on the basis of the comprehensive lists of activities in the respective annexes to the delegated acts.

In light of the extension of the reporting requirements to the environmental objectives (3) to (6) and the resulting multitude of potentially eligible economic activities, HUGO BOSS has further refined the **principle of materiality** applied in the context of reporting on the EU taxonomy compared to the previous year. Accordingly, an economic activity is determined taxonomy-eligible for HUGO BOSS if the corresponding KPI value at economic activity level is at least 0.5% of the total sales denominator or total CapEx denominator, respectively.

## Taxonomy-eligible and taxonomy-aligned sales

The core business of HUGO BOSS is not covered by the current EU taxonomy criteria for the six environmental objectives. However, objective (4) "Transition to a circular economy," for which taxonomy criteria were introduced in 2023, includes some economic activities that apply to some smaller business activities of HUGO BOSS. As laid out in the chapter "Environmental Matters" of this combined non-financial statement, HUGO BOSS offers a Repair & Rewear service in selected own stores in Germany, while operating an online resale platform in France. However, as the sales generated by these two activities in 2023 are below the defined materiality threshold, the Company reports the shares of **taxonomy-eligible and taxonomy-aligned sales** in fiscal year 2023 as 0%, as in the previous year. Irrespective of this, HUGO BOSS is striving to significantly expand its activities in the area of circularity going forward, thus having firmly anchored a clear commitment to "Increase Circularity" in its sustainability strategy. > Combined Non-Financial Statement, Environmental Matters, > Sustainability

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

For fiscal year 2023, no economic activities were identified whose respective CapEx amounts exceed the defined materiality threshold.

For example, the **construction of a new office building** at the Company's headquarters in Metzingen (Germany) did not start until December 2023 and therefore only led to immaterial CapEx in fiscal year 2023. Completion of the building, for which HUGO BOSS is aiming for a platinum certification from the German Sustainable Building Council (DGNB), is planned for 2025. Moreover, investments in connection with the **commissioning of additional photovoltaic systems** at our own production sites were also below the materiality threshold.

Consequently, the **taxonomy-eligible CapEx** for 2023 in relation to the total CapEx incurred in the past fiscal year of EUR 537 million ("denominator") amounts to 0% (2022: 2% with a denominator of EUR 419 million). The share of **taxonomy-aligned CapEx**, again in relation to the denominator, thus also amounts to 0% (2022: 0%). 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 calculation was based on data from Business Planning & Analysis and Group Accounting. The amount of the denominator can be reconciled to the disclosures made in the Combined Management Report under Financial Position and in the Consolidated Financial Statements under Note 9. > Financial Position, Capital Expenditure

## 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 2023, the denominator amounts to EUR 135 million (2022: EUR 116 million). The calculation was also based on data from Business Planning & Analysis and Group Accounting. In relation to its total OpEx in fiscal year 2023 of EUR 2,171 million (reconcilable to the operating expenses presented in the consolidated income statement; 2022: EUR 1,921 million), HUGO BOSS classifies the OpEx denominator 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 2023 and both shares are consequently reported at 0% (2022: 0%). > Earnings Development, Income Statement

## Climate risk analysis

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 recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), also including the locations of the above mentioned investment projects. The system-based analysis is based on the emission reference scenarios adopted by the Intergovernmental Panel on Climate Change (IPCC). No significant short- to medium-term physical climate risks were identified for the respective projects, 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.

## Social minimum safeguards

**Compliance with the social minimum safeguards**, 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 by respective topic experts at Group level. As in the previous year, HUGO BOSS complies with all of the standards defined therein. > Combined Non-Financial Statement, Respect for Human Rights

## Additional information

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

# GENERAL ECONOMIC SITUATION AND INDUSTRY DEVELOPMENT

**2023 characterized by high level of macro-economic and geo-political uncertainty**

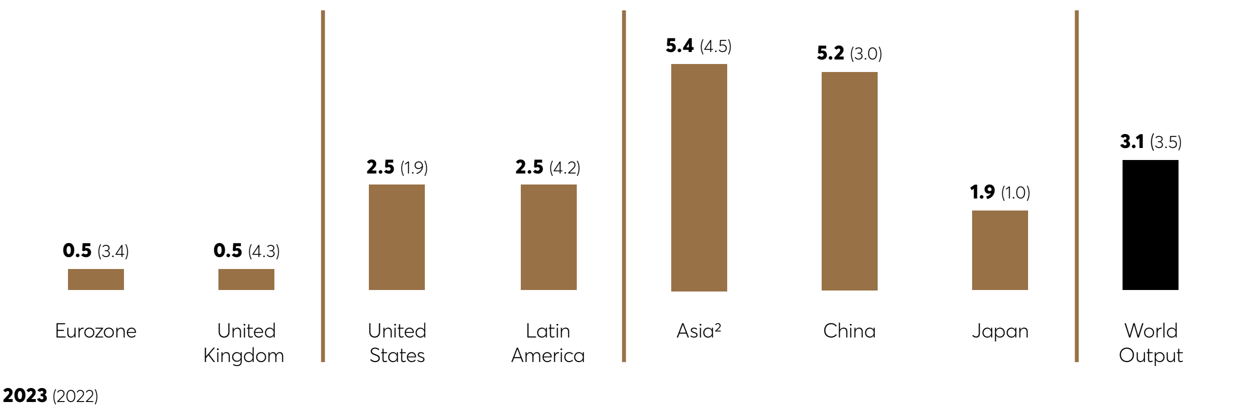
**Industry growth slowed over the course of the year**

**Revenues of global apparel industry grew between 2% and 4% in fiscal year 2023**

## General economic situation

In fiscal year 2023, the global economy faced substantial **macroeconomic and geopolitical headwinds**. These included continued elevated inflation levels despite tight monetary policy, a brief global banking crisis, subdued business and consumer sentiment, as well as mounting geopolitical tensions. While the U.S. economy was able to avoid a broader economic downturn, Europe remained on the brink of a recession, and also China's recovery after the COVID-19 pandemic evolved slower than originally expected. On the other hand, a gradual easing of inflationary pressure over the course of the year, a normalization of the pandemic-related global production and supply chain disruptions, as well as the robustness of U.S. and European job markets all supported global economic growth in 2023. Overall, growth rates varied strongly across individual sectors and geographies, with the slowdown being more pronounced in advanced economies than in emerging markets. Consequently, in its report published in January 2024, the International Monetary Fund (IMF) expects **global economic growth** to have slowed to a level of 3.1% in 2023 (2022: 3.5%), proving it to be more resilient than initially expected.

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




1 Estimates IMF.
2 Without Japan.

According to IMF estimates, economic growth in the **eurozone** slowed noticeably to 0.5% in 2023 following a solid expansion recorded in the prior year (2022: 3.4%). Despite persistent but diminishing inflation and a more restrictive monetary policy, challenges remained due to overall subdued consumer demand, with varying growth rates in key economies. While Germany experienced a contraction of –0.3% (2022: +1.8%) reflecting weak consumption and investment activity, France benefited from relatively robust industrial output and increased demand, recording 0.8% expansion in 2023 (2022: 2.5%). Economic growth in the **United Kingdom** also decelerated noticeably, reaching 0.5% in 2023 (2022: 4.3%) with the slowdown primarily reflecting the repercussions of tighter monetary policy to curb ongoing high inflation.

According to the IMF, the **U.S.** economy has been remarkably robust with growth at 2.5% in 2023 (2022: 1.9%), amid solid domestic demand and a strong labor market, despite the significant tightening of monetary policy. In **Latin America**, growth slowed towards 2.5% in 2023 (2022: 4.2%), as growth of important partner economies weakened and commodity prices fell.

Although **China's** recovery was weaker than initially expected following the post-pandemic reopening in early 2023, growth still totaled 5.2% according to the IMF (2022: 3.0%), as the gradual recovery in consumption compensated for the repercussions of China's property sector crisis. Growth in China was slightly lower than in the **Asia region (excluding Japan)** as a whole, for which the IMF assumes growth of 5.4% in 2023 (2022: 4.5%). Economic growth in **Japan** accelerated to 1.9%, reflecting strong foreign trade due to a significant rise in exports (2022: 1.0%).

# Industry development

For the **global apparel industry**, 2023 continued to be dominated by the persistently high levels of macroeconomic and geopolitical uncertainty. Major challenges included continued high inflation and the related pressure on the companies' input costs and consumer demand, a highly competitive labor market, and general economic volatility. Nevertheless, optimism prevailed in the **first half of 2023**, fueled by China's reopening and overall robust demand from European consumers, which was only partially offset by a material softening among American consumers. However, the industry faced mounting headwinds in the **second half of 2023**, marked by subdued demand in Europe and a slower-than-expected recovery in China, prompting a broad-based normalization of growth rates.

According to a joint study by The Business of Fashion and management consultancy McKinsey & Company published in November 2023, the **global apparel industry** (excluding the luxury segment) recorded year-on-year revenue growth of 2% to 4% in 2023, thus broadly in line with the prior-year level (2022: 2% to 4%). This development reflects stronger growth in the first half of the year, broadly offset by declining consumer sentiment in the second half of the year.

In **Europe**, the industry recorded overall solid year-on-year revenue growth of 5% in the first half of 2023. In the second half, however, industry growth slowed to a level of between 1% and 3%, mainly reflecting the overall deterioration in consumer sentiment (2022: 13%). In the important **U.S. market**, industry growth contracted by –1% in the first half of the year amid comparatively weak consumer sentiment, broadly in line with growth levels of between –2% to 0% assumed for the second half of 2023 (2022: 2%). In **China**, growth for the global apparel industry remained relatively weak compared to historical levels, reflecting economic uncertainty and a slower-than-expected rebound in consumer demand. Consequently, while the industry recorded robust post-pandemic revenue growth of 10% in the first half of 2023, according to The Business of Fashion and McKinsey & Company, it slowed significantly to a level of between 1% and 3% in the second half (2022: –3%).

# COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

**2023 marks another important milestone towards mid-term financial ambition**

**Strong business performance driven by robust brand momentum**

**Raised sales and earnings targets for full-year 2023 successfully achieved**

HUGO BOSS looks back on a successful business performance in fiscal year 2023, recording strong top- and bottom-line improvements. This development, first and foremost, reflects our robust brand momentum, fueled by the continued successful execution of our **"CLAIM 5" growth strategy**. With both BOSS and HUGO continuing their market-share-winning growth trajectories globally, we achieved **record sales of EUR 4.2 billion in 2023**, representing currency-adjusted growth of 18%. Consequently, sales crossed the EUR 4 billion threshold for the first time in the history of HUGO BOSS, thus exceeding our initial 2025 sales target two years ahead of plan. Growth was once more broad-based in nature, with both our brands, all regions, as well as all distribution channels recording double-digit growth. Driven by the strong top-line momentum, we also recorded **robust bottom-line improvements**, with EBIT up 22% to EUR 410 million. HUGO BOSS thus successfully **achieved its full-year 2023 sales and earnings targets**, which had been revised upwards twice during the course of the year. Consequently, 2023 marked another important milestone in the successful execution of "CLAIM 5" and towards achieving our mid-term financial ambition, which we raised in mid-2023. Our business performance is all the more remarkable considering the high level of macroeconomic and geopolitical uncertainty in fiscal year 2023, including elevated inflation and interest rate levels, weakening global consumer sentiment, and mounting geopolitical tensions.

The **successful execution of several brand, product, and distribution initiatives** as part of "CLAIM 5" further spurred our operational and financial performance in 2023. In line with our strategic claim **"Boost Brands,"** we continued to build on our strong brand momentum following the comprehensive brand refresh of BOSS and HUGO in 2022. In the past fiscal year, several important **marketing initiatives**, above all our highly successful 360° brand campaigns, continued to attract new and younger consumers worldwide while also strongly engaging our existing customer base. Exciting brand events further fueled brand momentum for BOSS and HUGO in 2023. At the same time, as part of our strategic claim **"Product is Key,"** we continued to put strong emphasis on further enhancing both brands' **24/7 lifestyle images**, thus aiming at perfectly dressing our customers for every occasion. In this context, we have built on the BOSS Black, BOSS Orange, BOSS Green, and the exclusive BOSS Camel brand lines, thus strongly gaining visibility and penetration at the point of sale. At the same time, at HUGO, we strengthened our denimwear offering with the introduction of HUGO BLUE, launched in early 2024. We also achieved important successes with regards to our two strategic claims **"Lead in Digital"** and **"Drive Omnichannel."** To these ends, our Digital Campus, physically inaugurated in Porto (Portugal) last year, put strong emphasis on further strengthening our global online business by improving the **e-commerce experience**. Among other things, the Campus drove the successful relaunch of the hugoboss.com app, thereby further enhancing the omnichannel experience. At the same time, we continued to modernize and optimize our global store network, including the rollout of our latest **BOSS and HUGO store concepts** to significantly elevate the customer experience, thus bringing the total number of refreshed freestanding stores worldwide to around 200. This also includes our world's best-selling BOSS store in Dubai Mall. In line with our claim **"Organize for Growth,"** we made further important progress in 2023 towards driving meaningful efficiencies along our value chain, enabling us to meet customer demand even more effectively. In this context, we further pushed ahead with implementing our important **Digital TWIN initiative**, a smart and tech-driven business operations platform, intended to further increase the flexibility and transparency of our supply chain. On top of that, to support long-term growth, we are in the process of expanding our global logistics capacities in the coming years. This also includes the strategic expansion of one of our key logistic hubs near our headquarters in Metzingen (Germany) initiated in late 2023. > Group Strategy

In the wake of the rigorous execution of our "CLAIM 5" strategy, HUGO BOSS recorded a strong business performance throughout the entire year. Following an exceptionally strong start to the year, we **increased our initial full-year 2023 sales and earnings forecast** together with the publication of our first quarter results in May 2023. The continued strong top- and bottom-line momentum in the second quarter prompted HUGO BOSS to **raise its full-year sales and earnings forecast** again in August. Despite the increasingly challenging market environment, we were able to maintain our robust momentum in the second half of the year, thus successfully achieving our twice-raised sales and earnings targets for fiscal year 2023.

## COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

| | Results 2022 | Initial forecast 2023[1] | Latest forecast 2023 | **Results 2023** |
|---|---|---|---|---|
| **Group sales** | EUR 3,651 million | Increase at a mid-single-digit percentage rate | Increase of 12% to 15% to EUR 4.1 billion to EUR 4.2 billion | Increase by 15% to EUR 4.2 billion |
| **Sales by segments** | | | | |
| **EMEA** | EUR 2,303 million | Increase in the low to mid-single-digit percentage range | Increase of 10% to 15% | Increase by 11% to EUR 2,562 million |
| **Americas** | EUR 789 million | Increase in the low to mid-single-digit percentage range | Increase of 10% to 15% | Increase by 21% to EUR 955 million |
| **Asia/Pacific** | EUR 467 million | Increase in the teens percentage range | Increase of 25% to 30% | Increase by 23% to EUR 576 million |
| **Operating result (EBIT)** | EUR 335 million | EUR 350 million to EUR 375 million | Increase of 20% to 25% to EUR 400 million to EUR 420 million | Increase by 22% to EUR 410 million |
| **Group's net income** | EUR 222 million | Increase of 5% to 12% | Increase of 20% to 25% | Increase by 22% to EUR 270 million |
| **Trade net working capital (TNWC) as a percentage of sales** | 15.0% | ~17% | 18% to 19%[1] | Increase by 580 bp to 20.8% |
| **Capital expenditure** | EUR 192 million | EUR 200 million to EUR 250 million | EUR 250 million to EUR 300 million | Increase by 55% to EUR 298 million |

1 The forecast for TNWC as a percentage of sales was updated to "increase to a level of around 20%" with the publication of third quarter results in November 2023.

**Group sales** in full-year 2023 increased by 18% on a currency-adjusted basis. In Group currency, sales grew by 15% to a record level of EUR 4,197 million (2022: EUR 3,651 million), thus at the upper end of the most recent guidance range that projected revenues to increase within a range of 12% to 15% to a level of between EUR 4.1 billion and EUR 4.2 billion. Growth in 2023 was broad-based with both our brands, BOSS and HUGO, as well as all regions and distribution channels recording double-digit growth. > Earnings Development, Sales Performance

At the same time, HUGO BOSS recorded robust bottom-line improvements in fiscal year 2023, with the strong top-line performance more than compensating for further investments into the business as part of "CLAIM 5" as well as a slight decline in gross margin. Consequently, the Group's **operating profit (EBIT)** increased by 22% to an amount of EUR 410 million in fiscal year 2023 (2022: EUR 335 million), thus fully in line with the Company's most recent guidance of an increase between 20% and 25% to a level of between EUR 400 million and EUR 420 million. As a result, EBIT margin expanded by 60 basis points to a level of 9.8% (2022: 9.2%). Accordingly, the **Group's net income** also increased by 22% to EUR 270 million in fiscal year 2023 (2022: EUR 222 million). > Earnings Development, Income Statement

**Trade net working capital (TNWC)** as a percentage of sales increased to 20.8% (2022: 15.0%), thus broadly in line with our most recent guidance of around 20%. This increase compared to the prior-year period first and foremost reflects a higher inventory position, which aims to support the robust top-line momentum across channels. At the same time, an increase in trade receivables as well as lower trade payables also contributed to this development. > Net Assets

In 2023, **capital expenditure** increased by 55% to EUR 298 million and thus came in at the upper end of the most recent guidance range of between EUR 250 million and EUR 300 million (2022: EUR 192 million). The step-up in capital expenditure aims to support the successful execution of "CLAIM 5," first and foremost by accelerating investments in our global store network. At the same time, we put strong emphasis on the further digitalization of our business model and the expansion of our logistics capacities as well as headquarters. > Financial Position, Capital Expenditure

In fiscal year 2023, **free cash flow** amounted to EUR 96 million (2022: EUR 166 million), and thus came in slightly below the prior-year level, as improvements in EBIT were more than offset by the step-up in capital expenditure. > Financial Position, Consolidated Statement of Cash Flows

# EARNINGS DEVELOPMENT

**Successful execution of "CLAIM 5" drives significant top- and bottom-line improvements**

**Currency-adjusted Group sales increase 18% to new record level of EUR 4.2 billion**

**Operating result (EBIT) grows 22% to EUR 410 million**

HUGO BOSS looks back on a successful business performance in fiscal year 2023, recording strong top- and bottom-line improvements. This development first and foremost reflects our robust brand momentum, fueled by the continued successful execution of our **"CLAIM 5" growth strategy**. As both BOSS and HUGO continued their market-share-winning growth trajectories globally, we achieved **record sales** and posted **robust bottom-line improvements**. Consequently, 2023 marked another milestone in the successful execution of "CLAIM 5" and towards achieving our mid-term financial ambition, which we raised in mid-2023. Our strong business performance is all the more remarkable considering the high level of macroeconomic and geopolitical uncertainty in fiscal year 2023. Acquisitions or divestments had no material impact on the Group's financial performance in the reporting period.

## Sales performance

In the wake of the further successful execution of "CLAIM 5," **Group sales** increased 18% currency-adjusted in 2023. In Group currency, sales grew by 15% to a record level of EUR 4,197 million (2022: EUR 3,651 million), thus exceeding the EUR 4 billion threshold for the first time in the history of HUGO BOSS. Growth was broad-based in nature, with both our brands, all regions, as well as all distribution channels posting robust double-digit growth.

### Sales by brand

**SALES BY BRAND** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % | Currency-adjusted change in % |
|---|---|---|---|---|---|---|
| BOSS Menswear | 3,256 | 78 | 2,868 | 79 | 14 | 16 |
| BOSS Womenswear | 288 | 7 | 239 | 7 | 21 | 24 |
| HUGO | 653 | 16 | 545 | 15 | 20 | 22 |
| **Total** | **4,197** | **100** | **3,651** | **100** | **15** | **18** |

Building on the successful branding refresh, our brands' collections in 2023 have once again been very well received by both customers as well as wholesale partners worldwide. Thanks to the accompanying global 360° brand campaigns as well as several exciting fashion events, BOSS and HUGO were able to further enhance brand relevance. This, in turn, drove momentum throughout fiscal year 2023, thus enabling both our brands to further expand their market shares worldwide. Consequently, BOSS Menswear, BOSS Womenswear, and HUGO all posted robust double-digit sales improvements in 2023. Momentum remained strong across all wearing occasions, thus fully reflecting our brands' 24/7 lifestyle images. Overall, currency-adjusted revenues for **BOSS Menswear** were up 16% year over year, while revenues for **BOSS Womenswear** even expanded by 24%. At **HUGO**, currency-adjusted sales were up 22%. > Group Strategy

## Sales by region

**SALES BY REGION** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % | Currency-adjusted change in % |
|---|---|---|---|---|---|---|
| EMEA | 2,562 | 61 | 2,303 | 63 | 11 | 13 |
| Americas | 955 | 23 | 789 | 22 | 21 | 23 |
| Asia/Pacific | 576 | 14 | 467 | 13 | 23 | 32 |
| Licenses | 104 | 2 | 92 | 3 | 13 | 13 |
| **Total** | **4,197** | **100** | **3,651** | **100** | **15** | **18** |

All regions contributed to the robust top-line performance in 2023, posting double-digit sales improvements. In **EMEA**, currency-adjusted revenues expanded by 13% year over year, reflecting double-digit growth in key markets such as Germany and France, as well as a particularly strong performance in emerging markets. With revenues up 23% currency-adjusted, momentum in the **Americas** remained strong throughout fiscal year 2023 with all of the region's key markets posting double-digit growth, including the important U.S. market. In **Asia/Pacific**, currency-adjusted revenues came in 32% above the prior-year level, reflecting double-digit sales improvements in both China and Southeast Asia & Pacific. > Earnings Development, Sales and Earnings Development of the Business Segments

## Sales by distribution channel

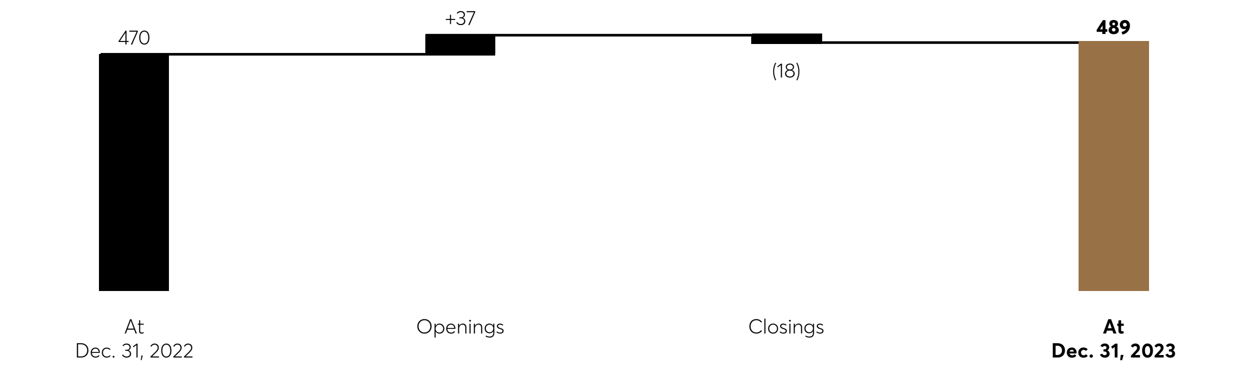
**SALES BY DISTRIBUTION CHANNEL** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % | Currency-adjusted change in % |
|---|---|---|---|---|---|---|
| Brick-and-mortar retail | 2,262 | 54 | 2,016 | 55 | 12 | 15 |
| Brick-and-mortar wholesale | 1,033 | 25 | 895 | 25 | 15 | 18 |
| Digital | 798 | 19 | 648 | 18 | 23 | 26 |
| Licenses | 104 | 2 | 92 | 3 | 13 | 13 |
| **Total** | **4,197** | **100** | **3,651** | **100** | **15** | **18** |

Also from a channel perspective, growth in fiscal year 2023 was broad-based with double-digit revenue improvements across all consumer touchpoints. Currency-adjusted sales in our **brick-and-mortar retail business** (including freestanding stores, shop-in-shops, and outlets) came in 15% above the prior-year level, driven by both store productivity improvements as well as additional selling space. This also reflects the successful execution of various strategic initiatives to further optimize and modernize our global store network, including the rollout of the latest store concepts for BOSS and HUGO. In **brick-and-mortar wholesale**, currency-adjusted sales grew 18% in 2023. This performance reflects the ongoing strong reception of our BOSS and HUGO collections among wholesale partners, which enabled our brands to further improve their visibility and win market shares around the globe. At the same time, growth was supported by the further expansion of the Group's franchise business, in particular to emerging markets. Our **digital business** successfully continued its double-digit growth trajectory, with currency-adjusted sales up 26%, reflecting both double-digit revenue increases at hugoboss.com as well as strong improvements in digital revenues generated with partners. Overall, total digital sales thus increased to 19% of Group sales in fiscal 2023. Revenues in our **license business** increased by 13% currency-adjusted, led by double-digit growth in the important fragrance business.

## Network of own retail stores

**NUMBER OF OWN FREESTANDING RETAIL STORES**

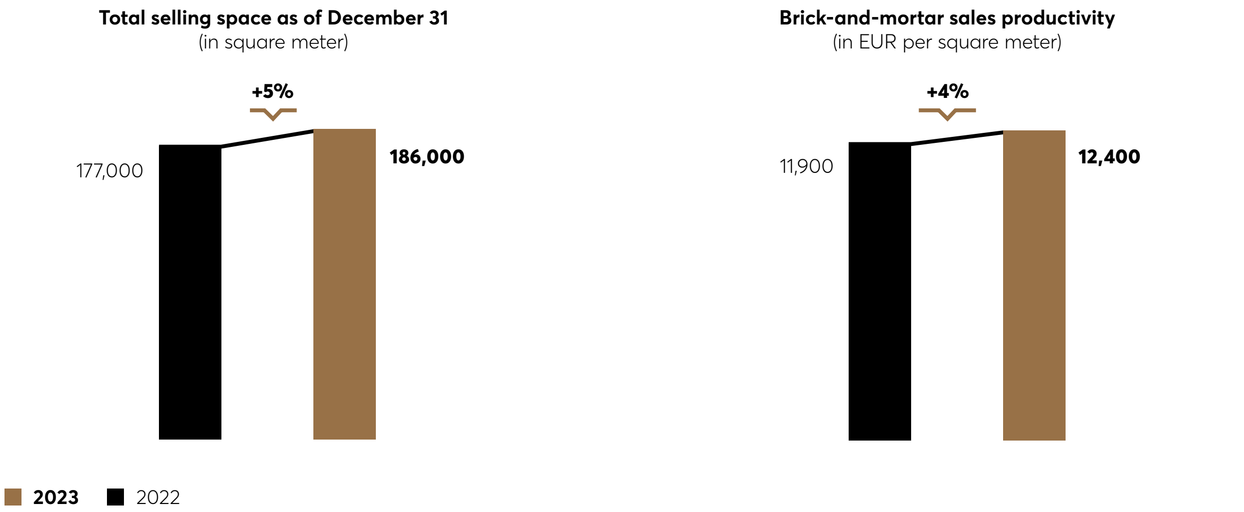



In fiscal year 2023, the number of **own freestanding retail stores** moderately increased to 489 (2022: 470). A total of 33 BOSS stores were newly opened across all regions, with a particular focus on expanding our distribution footprint in China. In addition, a total of four HUGO stores opened their doors in EMEA and the Americas. On the other hand, 18 stores with expiring leases across EMEA and Asia/Pacific were closed in fiscal year 2023, with the aim of further optimizing our own distribution network.

## NUMBER OF OWN RETAIL POINTS OF SALES

| **2023** | EMEA | Americas | Asia/Pacific | **Total** |
|---|---|---|---|---|
| Number of own retail points of sale | 587 | 456 | 375 | **1,418** |
| Thereof freestanding retail stores | 212 | 115 | 162 | **489** |
| 2022 | | | | |
| Number of own retail points of sale | 581 | 383 | 352 | **1,316** |
| Thereof freestanding retail stores | 212 | 106 | 152 | **470** |

Including **shop-in-shops** and **outlets**, the total number of own retail points of sale worldwide increased to 1,418 as of December 31, 2023 (2022: 1,316). Besides the additional freestanding retail stores, this development primarily reflects a further expansion of our shop-in-shop business to strengthen our brands' presence with key retail partners, first and foremost in the U.S. market.




The **total selling space of our own retail business** increased by 5%, totaling around 186,000 sq m at year-end (December 31, 2022: around 177,000 sq m). **Brick-and-mortar sales productivity** increased by 4% to a level of around EUR 12,400 per square meter (2022: around EUR 11,900 per square meter), fully in line with our ambition to improve store productivity by at least 3% per annum to a level of more than 13,000 EUR per sq m by 2025. The increase in 2023 first and foremost reflects our robust top-line performance as well as the successful execution of strategic initiatives to further optimize and modernize our global store network, including the roll-out of our latest store concepts.

# Income statement

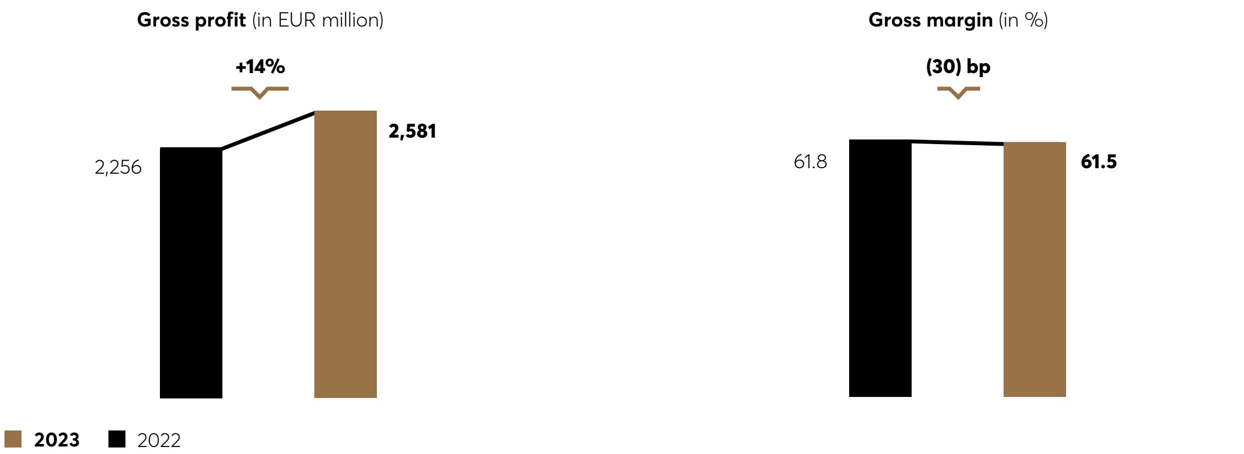
**INCOME STATEMENT** (IN EUR MILLION)

| | Jan.–Dec. 2023 | Jan.–Dec. 2022 | Change in % |
|---|---|---|---|
| **Sales** | **4,197** | **3,651** | **15** |
| Cost of sales | (1,617) | (1,395) | (16) |
| **Gross profit** | **2,581** | **2,256** | **14** |
| In % of sales | 61.5 | 61.8 | (30) bp |
| **Operating expenses** | **(2,171)** | **(1,921)** | **(13)** |
| In % of sales | (51.7) | (52.6) | 90 bp |
| Thereof selling and marketing expenses | (1,745) | (1,539) | (13) |
| Thereof administration expenses | (426) | (382) | (11) |
| **Operating result (EBIT)** | **410** | **335** | **22** |
| In % of sales | 9.8 | 9.2 | 60 bp |
| Financial result | (53) | (50) | (7) |
| **Earnings before taxes** | **357** | **285** | **25** |
| Income taxes | (87) | (63) | (37) |
| **Net income** | **270** | **222** | **22** |
| **Attributable to:** | | | |
| Equity holders of the parent company | 258 | 209 | 23 |
| Non-controlling interests | 11 | 12 | (8) |
| **Earnings per share (in EUR)[1]** | **3.74** | **3.04** | **23** |
| **Income tax rate in %** | **24** | **22** | |

1 Basic and diluted earnings per share.

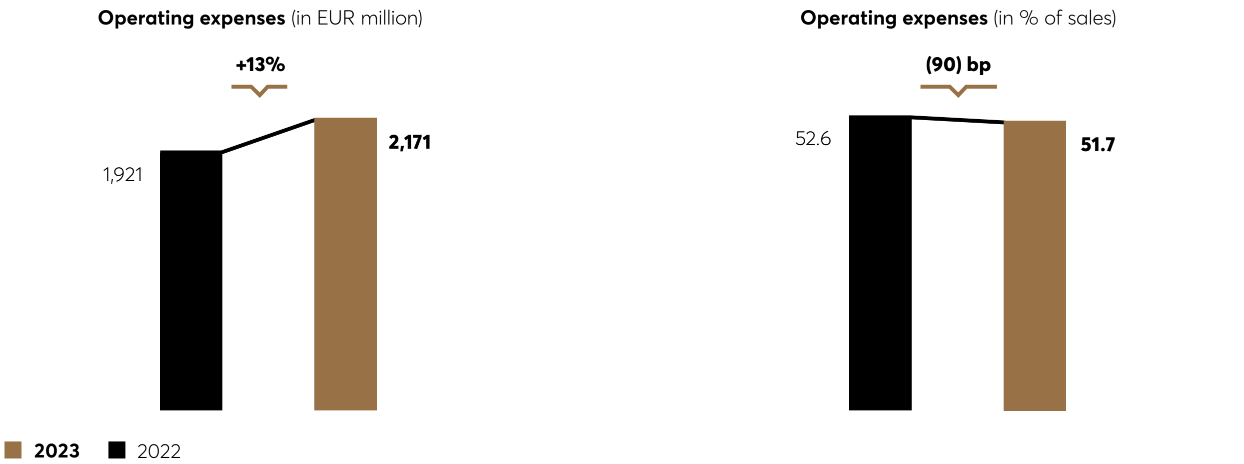
At 61.5%, the **gross margin** in fiscal year 2023 was slightly below the prior-year level (2022: 61.8%). Positive impacts from lower freight cost levels were more than offset by unfavorable currency effects as well as an increasingly promotional environment towards the end of 2023. With regard to the latter, promotional activity at HUGO BOSS was particularly low in the prior year, reflecting the exceptionally strong development of our full-price business in 2022 following the implementation of our comprehensive branding refresh. > Group Strategy

## DEVELOPMENT OF GROSS PROFIT AND GROSS MARGIN




**Operating expenses** increased by 13% in fiscal year 2023, reflecting an increase in both selling and marketing expenses as well as higher administration expenses. As a percentage of sales, however, operating expenses decreased 90 basis points to a level of 51.7% (2022: 52.6%), as further efficiency gains, particularly in brick-and-mortar retail, more than offset important investments into the business as part of "CLAIM 5." > Notes to the Consolidated Financial Statements, Notes 2, 3, and 9

## DEVELOPMENT OF OPERATING EXPENSES




**Selling and marketing expenses** increased by 13% compared to the prior-year period, mainly due to an increase in fulfillment, variable rental, and payroll expenses in light of the strong top-line momentum. Besides that, the development is also attributable to higher **marketing investments**, largely reflecting the successful brand campaigns and fashion events of BOSS and HUGO over the course of the year. Total marketing expenses grew 14% to EUR 328 million, representing 7.8% of Group sales (2022: EUR 288 million; 7.9% of sales). Marketing expenses thus were fully in line with our target corridor of between 7% and 8% as laid out in "CLAIM 5." Selling expenses for our **brick-and-mortar retail business** totaled EUR 870 million in 2023, up 8% compared to the prior year (2022: EUR 807 million). As a percentage of sales, however, they declined by 140 basis points to 20.7% (2022: 22.1%). Overall, as a percentage of sales, selling and marketing expenses decreased by 60 basis points to a level of 41.6% in 2023 (2022: 42.1%). > Notes to the Consolidated Financial Statements, Note 2, > Group Strategy, "Boost Brands"

**Administration expenses** increased by 11% in fiscal year 2023. This development is mainly attributable to higher payroll expenses and an increase in digital investments, both aimed at supporting the successful execution of "CLAIM 5," as well as overall cost inflation. As part of this, **general administration expenses** were up 11% to EUR 336 million (2022: EUR 302 million), while also **research and development expenses** incurring in the collection development increased by 11%, amounting to EUR 89 million (2022: EUR 81 million). Overall, as a percentage of sales, administration expenses decreased by 30 basis points to 10.1% (2022: 10.5%). > Notes to the Consolidated Financial Statements, Note 3, > Product Development and Innovation

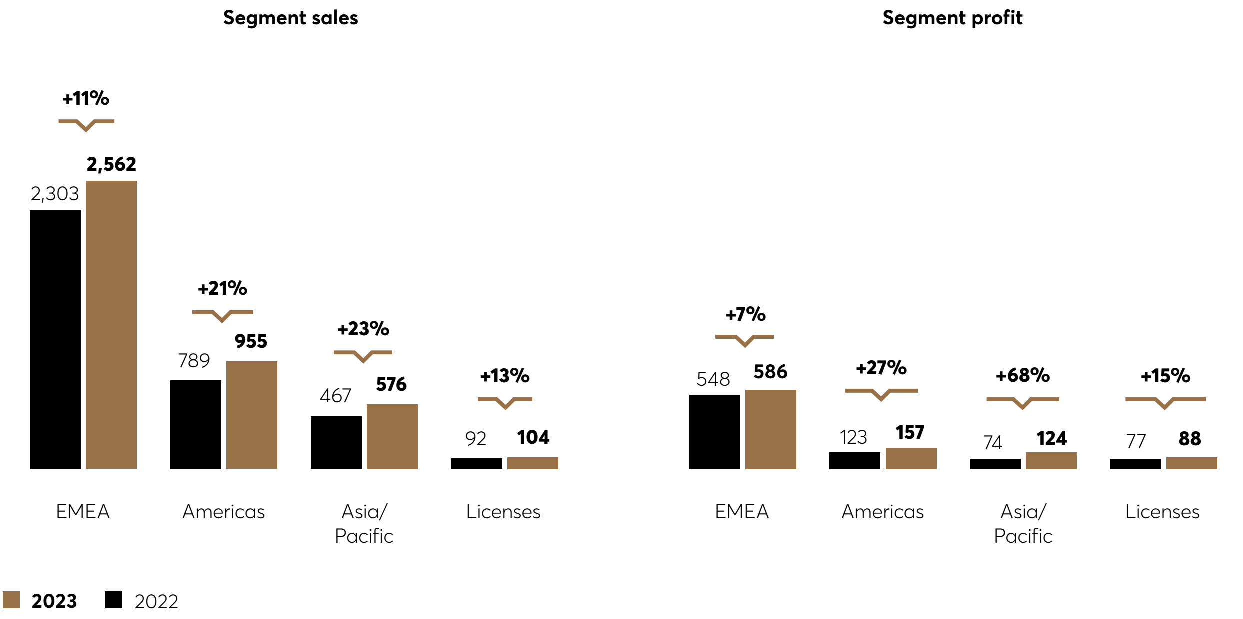
**Operating profit (EBIT)** increased by 22% to EUR 410 million in fiscal year 2023 (2022: EUR 335 million). This development was driven by the strong top-line performance, enabling the Company to generate operating leverage despite ongoing investments into the business as part of "CLAIM 5" as well as the slight decline in gross margin development. Accordingly, the Group's **EBIT margin** increased noticeably, up 60 basis points to 9.8% (2022: 9.2%). Currency effects had a slightly negative impact on EBIT in fiscal year 2023.

**DEVELOPMENT OF EBIT AND EBIT MARGIN**


**Depreciation and amortization** was broadly in line with the prior-year level, amounting to EUR 342 million (2022: EUR 345 million). At EUR 53 million, **net financial expenses (financial result)** in fiscal year 2023 were 7% above the prior-year level (2022: EUR 50 million), as the Company recorded higher interest expense in lease accounting under IFRS 16, reflecting the overall higher interest rate levels. The **Group tax rate** was slightly above the prior year, thus gradually normalizing to a level of 24%. In the prior year, lower-than-anticipated back tax payments and the revaluation of deferred tax assets supported a particularly low tax rate (2022: 22%). Accordingly, the **Group's net income** for fiscal year 2023 amounted to EUR 270 million, up 22% against the prior-year level (2022: EUR 222 million). In this context, net income attributable to shareholders increased by 23% to EUR 258 million (2022: EUR 209 million). Currency effects had a slightly negative impact on the Group's net income in fiscal year 2023. > 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 13% currency-adjusted in fiscal year 2023. This performance was driven by the successful execution of "CLAIM 5" that propelled brand momentum for both BOSS and HUGO, thereby supporting local demand in particular. In addition, business with international tourists picked up noticeably during the course of the year. All channels contributed to growth, with the Group's **brick-and-mortar retail business** posting high single-digit revenue improvements while **brick-and-mortar wholesale** was up double-digit. At the same time, the Group's **digital business** continued its double-digit growth trajectory.

**SALES DEVELOPMENT EMEA** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % | Currency-adjusted change in % |
|---|---|---|---|---|---|---|
| Brick-and-mortar retail | 1,133 | 44 | 1,074 | 47 | 6 | 7 |
| Brick-and-mortar wholesale | 813 | 32 | 716 | 31 | 13 | 16 |
| Digital | 616 | 24 | 513 | 22 | 20 | 22 |
| **Total** | **2,562** | **100** | **2,303** | **100** | **11** | **13** |

Momentum was particularly strong in key European markets as well as in Emerging Markets. **Germany** posted double-digit revenues increases reflecting broad-based growth across all channels. Sales particularly in **France** also recorded double-digit growth, with all channels contributing to growth. Being up against a particularly strong comparison base from the prior year, revenues in the **UK** remained slightly below the prior-year levels. This development also reflects the overall increasingly challenging market environment, which led to a softening in local consumer sentiment. At the same time, momentum in **Emerging Markets**, including Eastern Europe and the Middle East, remained strong throughout 2023, as reflected by significant double-digit improvements compared to the prior-year level.

At EUR 586 million, **segment earnings** in EMEA came in 7% above the prior-year level (2022: EUR 548 million), corresponding to an EBIT margin of 22.9% (2022: 23.8%). Improvements in sales were more than offset by a modest decline in gross margin and higher operating expenses, reflecting a step-up in marketing investments, as well as higher variable rental, fulfillment, and administration expenses. > Notes to the Consolidated Financial Statements, Note 24

## Americas

In the **Americas**, currency-adjusted revenues increased by 23% in 2023. This performance first and foremost reflects the improved perception of BOSS and HUGO following the successful implementation of the 24/7 brand images as part of our "CLAIM 5" strategy, especially in the important U.S. market. Both brands successfully expanded their visibility at key department stores, leading to further market share gains in fiscal year 2023. From a channel perspective, regional growth was broad-based as reflected by double-digit revenue improvements in **brick-and-mortar retail, brick-and-mortar wholesale**, and our **digital business**.

**SALES DEVELOPMENT AMERICAS** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % | Currency-adjusted change in % |
|---|---|---|---|---|---|---|
| Brick-and-mortar retail | 648 | 68 | 551 | 70 | 18 | 20 |
| Brick-and-mortar wholesale | 182 | 19 | 150 | 19 | 21 | 23 |
| Digital | 125 | 13 | 89 | 11 | 41 | 45 |
| **Total** | **955** | **100** | **789** | **100** | **21** | **23** |

Momentum was fueled by double-digit growth across all markets. In the **United States**, the largest market for HUGO BOSS, the development was driven by robust double-digit growth across all consumer touchpoints. While trends were similar in **Canada**, HUGO BOSS continued to record particularly strong momentum in **Latin America**, also reflecting broad-based growth across all channels.

**Segment earnings** in the Americas amounted to EUR 157 million in fiscal year 2023 (2022: EUR 123 million), corresponding to an EBIT margin increase of 80 basis points to a level of 16.4% (2022: 15.6%). In addition to strong sales improvements, this development was supported by a robust increase in gross margin. > Notes to the Consolidated Financial Statements, Note 24

## Asia/Pacific

Revenues in **Asia/Pacific** significantly accelerated in fiscal year 2023, expanding 32% on a currency-adjusted basis. This development was driven by a strong performance in Southeast Asia & Pacific as well as a noticeable recovery of our business in China following the market's reopening in early 2023. All three channels, **brick-and-mortar retail, brick-and-mortar wholesale**, as well as **digital**, posted double-digit sales increases.

**SALES DEVELOPMENT ASIA/PACIFIC** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % | Currency-adjusted change in % |
|---|---|---|---|---|---|---|
| Brick-and-mortar retail | 481 | 83 | 392 | 84 | 23 | 31 |
| Brick-and-mortar wholesale | 39 | 7 | 29 | 6 | 36 | 41 |
| Digital | 56 | 10 | 47 | 10 | 21 | 28 |
| **Total** | **576** | **100** | **467** | **100** | **23** | **32** |

In the wake of the market's reopening following the abandonment of COVID-related restrictions in early 2023, our business in **China** recorded a noticeable recovery, leading to strong double-digit sales improvements in 2023. This performance was driven by broad-based growth across all consumer touchpoints. In addition to a significant improvement in mainland China, business in Hong Kong and Macau has picked up strongly, reflecting a gradual recovery in tourism. At the same time, also **Southeast Asia & Pacific** posted robust double-digit sales improvements in fiscal year 2023, including strong double-digit growth in Japan.

**Segment earnings** in the Asia/Pacific region amounted to EUR 124 million, 68% above the prior-year level (2022: EUR 74 million), translating into an EBIT margin increase of 570 basis points to a level of 21.5% (2022: 15.8%). The strong top-line performances enabled us to generate significant operating leverage, thereby more than offsetting a slight decline in gross margin. > Notes to the Consolidated Financial Statements, Note 24

## Licenses

Sales in our **license business** increased by 13% currency-adjusted compared to the prior year. This performance was fueled by strong double-digit growth in the important fragrance business, also reflecting the strong uptick in international tourism driving revenues in travel retail. In addition, the Company extended its 24/7 lifestyle offering also as part of its global license business, thereby selectively expanding into lifestyle areas such as equestrian or cycling, which further spurred momentum in fiscal year 2023. > Earnings Development, Sales by Distribution Channel

At EUR 88 million, **license segment earnings** increased 15% compared to the prior year (2022: EUR 77 million). > Notes to the Consolidated Financial Statements, Note 24

# Five-year overview of business segments

**DEVELOPMENT OF SEGMENT SALES** (IN EUR MILLION)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| EMEA | 2,562 | 2,303 | 1,742 | 1,231 | 1,803 |
| Americas | 955 | 789 | 543 | 308 | 560 |
| Asia/Pacific | 576 | 467 | 423 | 343 | 438 |
| Licenses | 104 | 92 | 77 | 64 | 84 |

**DEVELOPMENT OF SEGMENT PROFIT** (IN EUR MILLION)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| EMEA | 586 | 548 | 347 | 87 | 456 |
| Americas | 157 | 123 | 61 | (97) | 60 |
| Asia/Pacific | 124 | 74 | 74 | 32 | 94 |
| Licenses | 88 | 77 | 63 | 54 | 70 |

# NET ASSETS

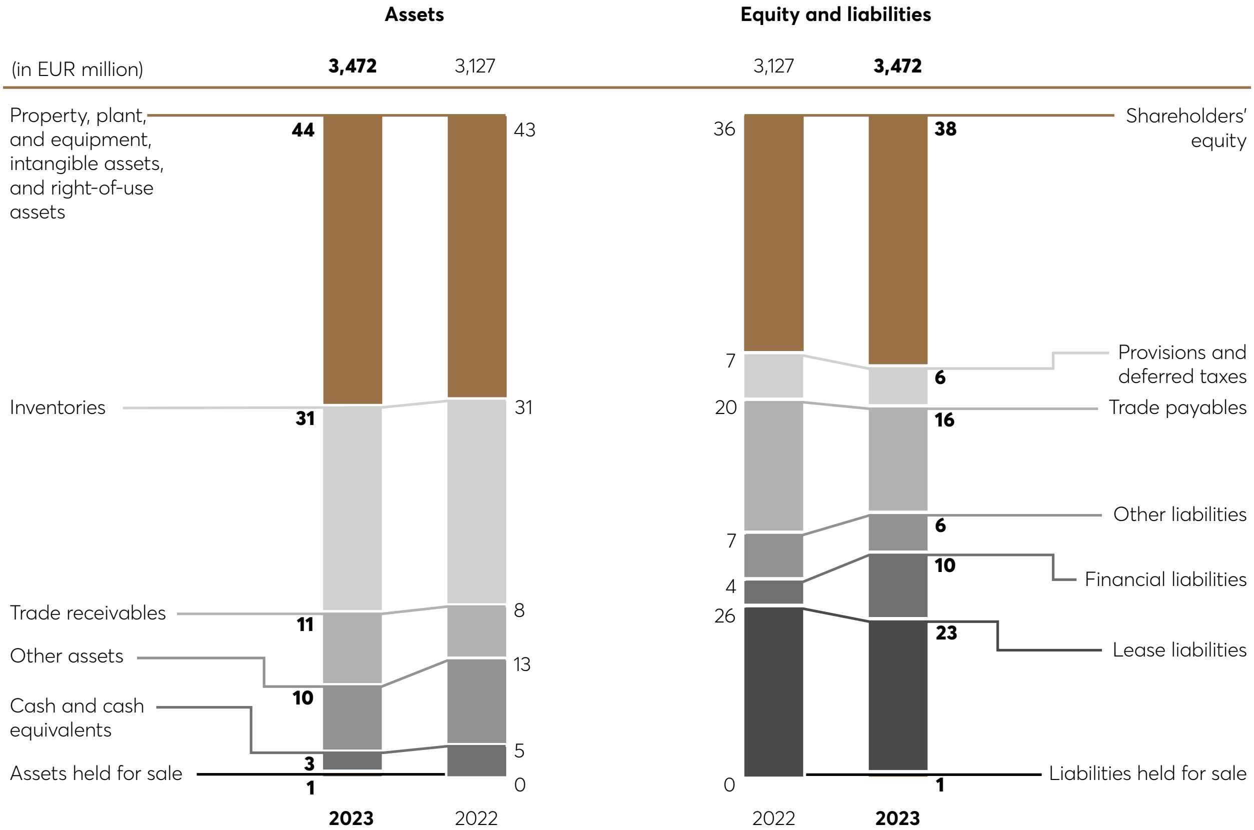
**Increase in total assets reflects strong business performance in 2023**

**Higher inventory position aims to support top-line momentum**

**Trade net working capital as a percentage of sales amounts to 20.8%**

**Total assets** increased by 11% to EUR 3,472 million at the end of fiscal year 2023 (December 31, 2022: EUR 3,127 million), reflecting higher investments in both current and non-current assets, aimed at supporting the Company's top-line momentum and the successful execution of "CLAIM 5" also going forward.

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



The **share of current assets** increased slightly to 52% as of December 31, 2023 (December 31, 2022: 51%), largely reflecting an increase in trade net working capital. Accordingly, the **share of non-current assets** slightly decreased to 48% at the end of fiscal year 2023 (December 31, 2022: 49%). The **equity ratio** increased to a level of 38% by year-end (December 31, 2022: 36%). > Consolidated Financial Statements, Consolidated Statement of Financial Position

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

| | 2023 | 2022 | Change in % | Currency-adjusted change in % |
|---|---|---|---|---|
| Inventories | 1,066 | 974 | 9 | 11 |
| Trade receivables | 376 | 256 | 46 | 47 |
| Trade payables | 572 | 617 | (7) | (8) |
| **Trade net working capital** | **870** | **613** | **42** | **46** |

**Trade net working capital (TNWC)** increased by 46% on a currency-adjusted basis, with the moving average of **TNWC as a percentage of sales** based on the last four quarters amounting to 20.8% (December 31, 2022: 15.0%). As part of this, **inventories** were up 11% currency-adjusted. The vast majority of the Company's inventories reflects core merchandise as well as fresh merchandise for current and upcoming collections, aimed at supporting the top-line momentum. In light of implemented measures to reduce inventory levels, the Company recorded a gradual normalization of inventories towards the end of fiscal year 2023. Consequently, at 25.4%, inventories as a percentage of Group sales were well below the prior-year level (2022: 26.7%). Based on this, HUGO BOSS remains confident of improving inventories to a level below 20% of Group sales by 2025. At the same time, **trade receivables** were up 47%, mainly reflecting our strong performance in both brick-and-mortar and digital wholesale as well as the ongoing expansion of our global franchise business as part of "CLAIM 5." **Trade payables**, on the other hand, came in moderately below the prior-year level. This development primarily reflects lower order volumes as part of our measures to reduce core merchandise inflow going forward, which more than compensated for positive effects in connection with a higher utilization of our supplier financing program. > Notes to the Consolidated Financial Statements, Notes 12 and 13

**Property, plant, and equipment, intangible assets, and right-of-use assets** increased by 12% compared to the prior-year level, totaling EUR 1,521 million at year-end (December 31, 2022: EUR 1,356 million). This mainly reflects the ongoing strong investment activity, aimed at supporting the successful execution of "CLAIM 5" also going forward. **Other assets** were down 8% to EUR 363 million (December 31, 2022: EUR 393 million), mainly due to a decrease in deferred tax assets. **Cash and cash equivalents** amounted to EUR 118 million at the end of fiscal year 2023 (December 31, 2022: EUR 147 million). As previously disclosed during the year, HUGO BOSS is currently revisiting its business model in Russia, which includes considerations to convert it into a wholesale business. Accordingly, the Company classified all respective assets, amounting to EUR 27 million, as **assets held for sale** as of December 31, 2023. > Notes to the Consolidated Financial Statements, Accounting Policies, Notes 8 and 14

The total of **current and non-current lease liabilities**, primarily relating to the rental of retail store locations as well as logistics and administration properties, decreased by 1% to EUR 793 million as of the reporting date (December 31, 2022: EUR 804 million). At year-end, **current and non-current financial liabilities** amounted to EUR 340 million (December 31, 2022: EUR 122 million), including EUR 175 million of proceeds from the Company's first Schuldschein loan issued in 2023. **Provisions and deferred tax liabilities** slightly decreased to EUR 220 million compared to the prior-year level (December 31, 2022: EUR 225 million). **Other liabilities** amounted to EUR 216 million at the end of the fiscal year, and were thus 3% below the prior-year level (December 31, 2022: EUR 223 million), mainly driven by lower income tax liabilities. **Liabilities held for sale**, related to the Group's business in Russia, amounted to EUR 19 million as of December 31, 2023. > Notes to the Consolidated Financial Statements, Accounting Policies, Notes 9, 17, 19, and 20, > Financial Position, Capital Structure and Financing

# FINANCIAL POSITION

**ESG-linked syndicated loan provides high level of financial flexibility**

**HUGO BOSS raises EUR 175 million with first-time Schuldschein transaction**

**Investment activity centered around optimization and modernization of store network**

## 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** that 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 considered 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 account for 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 optimizes 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, plain-vanilla options, and interest rate swaps, is intended to secure HUGO BOSS against unfavorable interest rate and currency developments. > Risk Report, Financial Risks

The **counterparty risk** to banks mainly results from the investment of liquid funds as part of cash and liquidity management and from the use of derivative financial instruments as part of interest rate and currency 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 received strong **investment-grade inaugural ratings** from 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. Both ratings were reconfirmed in mid-2023. 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, thereby further **strengthening the Company's financing flexibility**.

The most important component in the financing structure of HUGO BOSS is an ESG-linked **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 or guarantees. 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. Both extension options have 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, 2023, financial leverage totaled 1.3, thus broadly on the prior-year level and well below the maximum permissible level (December 31, 2022: 1.1). The syndicated loan is based on variable interest rates with applicable credit margins depending on the external credit rating and fulfillment of defined **ESG criteria**. At the end of fiscal year 2023, the **utilization of the revolving syndicated loan** totaled EUR 92 million of which EUR 83 million was used for general corporate purposes and EUR 9 million for bank guarantees (December 31, 2022: utilization of EUR 82 million of which EUR 22 million for bank guarantees, EUR 60 million for supplier financing program).

In 2023, HUGO BOSS expanded its **supplier financing program** in order to meet the ongoing high demand for the program. In addition to its existing single-bank program, HUGO BOSS launched a separate bank-independent platform in 2023. In this context, the combined credit limit for both programs increased to EUR 251 million (December 31, 2022: EUR 120 million), with EUR 107 million utilized at the end of 2023 (December 31, 2022: EUR 60 million).

In October 2023, HUGO BOSS issued its first **Schuldschein loan**. Driven by strong demand, the Schuldschein reached a total volume of EUR 175 million, thereby strongly exceeding the initial target volume of EUR 100 million. It comprises four tranches with maturities of three and five years, each of which was offered with fixed and variable interest rates. The proceeds from the Schuldschein will be used for general corporate purposes and thus, in particular, to finance further investments as part of "CLAIM 5." This mainly includes investments into our global logistics framework as part of the strategic claim "Organize for Growth."

To further secure liquidity, HUGO BOSS possesses committed and uncommitted **bilateral credit lines** totaling EUR 153 million (December 31, 2022: EUR 191 million), of which EUR 63 million was utilized at the end of fiscal year 2023 (December 31, 2022: EUR 102 million). In addition, HUGO BOSS had at its disposal **cash and cash equivalents** in the amount of EUR 118 million at year-end (December 31, 2022: EUR 147 million). > Notes to the Consolidated Financial Statements, Note 14, > Financial Position, Consolidated Statement of Cash Flows and Free Cash Flow

Overall, the Group's **liabilities** totaled EUR 2,161 million at the end of the fiscal year (December 31, 2022: EUR 1,991 million), corresponding to a 62% share of total assets (December 31, 2022: share of 64%). Of this amount, EUR 793 million was attributable to **current and non-current lease liabilities** (December 31, 2022: EUR 804 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 340 million at the end of fiscal year 2023 (December 31, 2022: EUR 122 million), including EUR 175 million of proceeds from the Schuldschein loan. > Net Assets, > Notes to the Consolidated Financial Statements, Notes 9 and 20

## Statement of cash flows and free cash flow

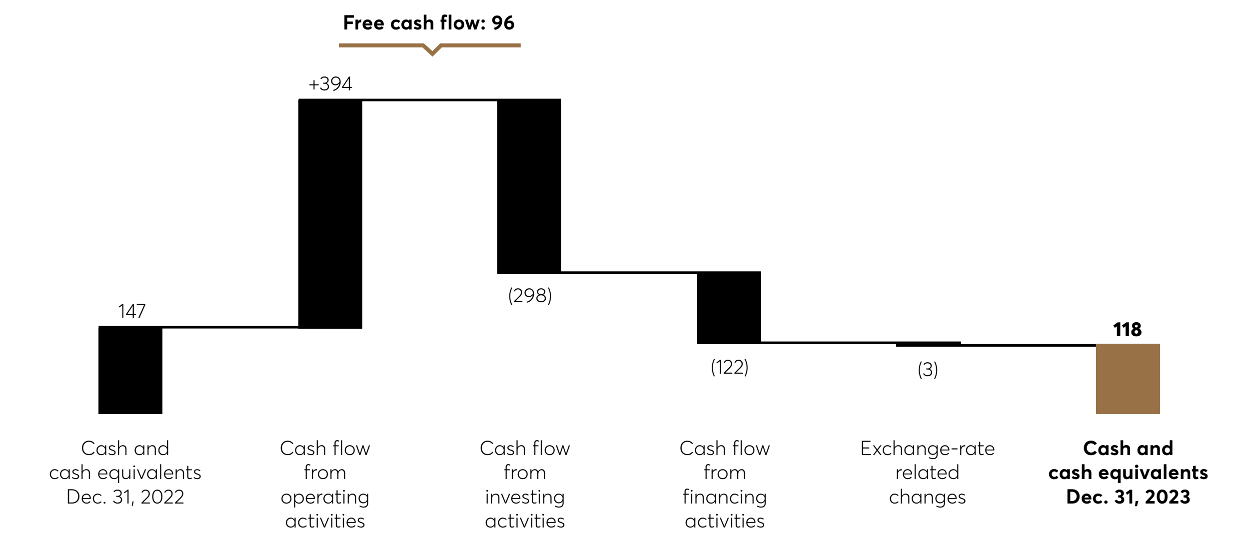
**STATEMENT OF CASH FLOWS[1]** (IN EUR MILLION)

| | **2023** | 2022 |
|---|---|---|
| Cash flow from operating activities | 394 | 357 |
| Cash flow from investing activities | (298) | (192) |
| Cash flow from financing activities | (122) | (307) |
| **Change in cash and cash equivalents** | **(29)** | **(137)** |
| Cash and cash equivalents at the beginning of the period | 147 | 285 |
| Cash and cash equivalents at the end of the period | 118 | 147 |

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.

**Free cash flow** amounted to EUR 96 million in fiscal year 2023 compared to EUR 166 million in the prior-year period. The year-over-year decline particularly reflects our significant step-up in investments, which was only partially offset by improvements in EBIT. 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 394 million, **cash flow from operating activities** was 10% above the prior-year level (2022: EUR 357 million), largely reflecting improvements in EBIT. Trade net working capital, on the other hand, had no material impact on cash flow development in 2023. The significant increase in **cash flow from investing activities** to a level of EUR 298 million (2022: EUR 192 million) mainly reflects the step-up in capital expenditure in fiscal year 2023, aimed at supporting the successful execution of "CLAIM 5" through increased investments in our global store network, the further digitalization of our business model, as well as the expansion of our global logistics capacities. > Financial Position, Capital Expenditure

At EUR 122 million, **cash flow from financing activities** decreased compared to the prior year (2022: EUR 307 million), mainly reflecting the higher cash inflow in connection with the issue of the Company's first Schuldschein loan in 2023. > Financial Position, Capital Structure and Financing

# Net financial position

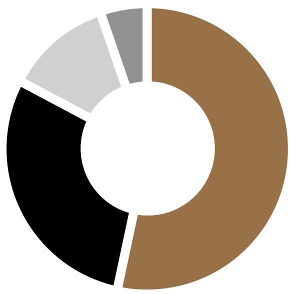
The **net financial position** is measured as the total of all financial and lease liabilities less cash and cash equivalents. **Excluding the impact of IFRS 16**, the net financial position of HUGO BOSS at the end of fiscal year 2023 totaled minus EUR 213 million (December 31, 2022 excluding IFRS 16: plus EUR 38 million). **Including the impact of IFRS 16**, the net financial position at the end of fiscal year 2023 totaled minus EUR 1,006 million (December 31, 2022: minus EUR 767 million). > Financial Position, Capital Structure and Financing, > Notes to the Consolidated Financial Statements, Note 9

# Capital expenditure

In fiscal year 2023, HUGO BOSS invested EUR 298 million in **property, plant, and equipment, and intangible assets**, representing a strong increase of 55% as compared to the prior-year level (2022: EUR 192 million). The further step-up in capital expenditure aims to support the ongoing successful execution of "CLAIM 5" by increasing investments in our global store network, further digitalizing our business model, and expanding our logistics capacities. Consequently, as a percentage of sales, capital expenditure amounted to 7.1% (2022: 5.2%), and thus at the upper end of our mid-term target corridor as laid out in "CLAIM 5" (target range for 2023–2025: 6% to 7% of sales).

**CAPITAL EXPENDITURE** (IN %)

**By functional area**



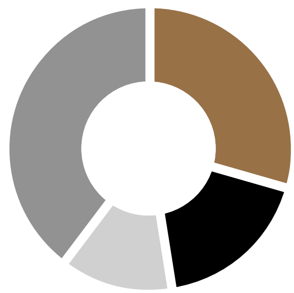
**Own retail business**
**53** (54)

**Administration (incl. IT)**
**29** (34)

**Logistics**
**12** (3)

**Other capital expenditure**
**5** (9)

**By region**



**EMEA**
**30** (31)

**Americas**
**18** (14)

**Asia/Pacific**
**13** (17)

**Corporate units**
**40** (38)

**2023** (2022)

In line with our strategic claim "Drive 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. Consequently, we plan to invest a total of EUR 600 million in the further optimization and modernization of our store network between 2021 and 2025. Our **latest store concepts** are intended to make a significant contribution in upgrading our points of sale. At the end of 2023, around 200 of our freestanding BOSS and HUGO stores were already comprehensively refreshed or equipped with the latest store concepts, including important BOSS halo stores in Dubai and London. Consequently, capital expenditure on our own retail network amounted to EUR 157 million in fiscal year 2023 (2022: EUR 104 million). Investments in the continuous **optimization and modernization of existing locations** thereby totaled EUR 118 million (2022: EUR 79 million). At the same time, we invested EUR 40 million in the **opening of new retail points of sale** across all three regions (2022: EUR 25 million), with new BOSS and HUGO stores in Milan (Italy) and Guangzhou (China), among others. > Group Strategy, "Drive Omnichannel"

Capital expenditure on **administration** amounted to EUR 88 million in the past fiscal year (2022: EUR 65 million). This primarily includes investments of EUR 55 million in our global **IT infrastructure** (2022: EUR 47 million). In line with our strategic claim "Lead in Digital," these investments mainly relate to the further digitalization of our business model, including important initiatives of the HUGO BOSS Digital Campus as well as the Company-wide rollout of our next-generation ERP system as part of a multiyear project. At the same time, in 2023, we also increased investments to further expand and enhance our Group's headquarters in Metzingen (Germany). As part of our "CLAIM 5" growth strategy, we also aim to step up investments with regards to the expansion of our global **logistics capacities**. Capital expenditure in this context thus amounted to EUR 36 million in the past fiscal year (2022: EUR 5 million), also including initial expenditure for the expansion of our distribution center for flat-packed goods in proximity to our headquarters in Metzingen, which is scheduled for completion in 2026. **Other capital expenditure** on the Company's production, distribution structure, and research and development amounted to EUR 16 million in 2023 and was thus at around the prior-year level (2022: EUR 17 million). > Group Strategy, "Lead in Digital," "Organize for Growth," > Sourcing and Production

**Accumulated depreciation and amortization** on property, plant, and equipment, and intangible assets, including own capitalized cost, totaled EUR 1,204 million in fiscal year 2023 (2022: EUR 1,175 million). Existing **obligations from investment projects** amounted to EUR 33 million as of December 31, 2023 (December 31, 2022: EUR 2 million), mainly relating to the ongoing expansion of our logistics network. > 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**

**Annual financial statements are prepared in accordance with the provisions of the HGB**

HUGO BOSS AG is the **parent company of HUGO BOSS Group**. Its annual financial statements are prepared in accordance with the provisions of 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. A material item in this context is the allocation of costs for services rendered to Group companies.

## Earnings development

**INCOME STATEMENT HUGO BOSS AG** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % |
|---|---|---|---|---|---|
| **Sales** | **2,297** | **100.0** | **1,815** | **100.0** | **27** |
| Cost of sales | (1,562) | (68.0) | (1,277) | (70.4) | (22) |
| **Gross profit** | **735** | **32.0** | **538** | **29.6** | **37** |
| Distribution expenses | (459) | (20.0) | (357) | (19.7) | (29) |
| General administrative expenses | (178) | (7.8) | (150) | (8.3) | (19) |
| Other operating income | 149 | 6.5 | 68 | 3.8 | >100 |
| Other operating expenses | (96) | (4.2) | (115) | (6.3) | 17 |
| **Operating result** | **151** | **6.6** | **(16)** | **(0.9)** | **>100** |
| Income from investments | 0 | 0.0 | 84 | 4.6 | (100) |
| Net interest income/expenses | (15) | (0.7) | (6) | (0.3) | <(100) |
| Income from profit and loss transfer agreements | 89 | 3.9 | 81 | 4.5 | 10 |
| Depreciation of financial assets and securities held as current assets | 0 | 0.0 | 0 | 0.0 | n.a. |
| Taxes on income and other taxes | (16) | (0.7) | (8) | (0.4) | (96) |
| **Net income** | **209** | **9.1** | **136** | **7.5** | **54** |
| Transfer to (–)/from (+) other revenue reserves | (105) | (4.6) | (68) | (3.7) | (54) |
| Accumulated income previous year | 34 | 1.5 | 35 | 2.0 | (3) |
| **Unappropriated income** | **139** | **6.0** | **103** | **5.7** | **34** |

**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)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % |
|---|---|---|---|---|---|
| EMEA | 1,775 | 77 | 1,393 | 77 | 27 |
| Americas | 316 | 14 | 271 | 15 | 16 |
| Asia/Pacific | 206 | 9 | 151 | 8 | 36 |
| **Total** | **2,297** | **100** | **1,815** | **100** | **27** |

The strong business performance of HUGO BOSS in fiscal year 2023, fueled by the successful execution of "CLAIM 5," also had a very positive impact on HUGO BOSS AG. Growth was broad-based across all regions, with **EMEA**, the **Americas**, and **Asia/Pacific** posting double-digit sales increases compared to the prior year. Sales generated by HUGO BOSS AG in **Germany** were also up noticeably as compared to the prior year.

**SALES BY BRAND** (IN EUR MILLION)

| | 2023 | In % of sales | 2022 | In % of sales | Change in % |
|---|---|---|---|---|---|
| BOSS | 1,627 | 71 | 1,281 | 71 | 27 |
| HUGO | 380 | 17 | 292 | 16 | 30 |
| Other services | 289 | 13 | 242 | 13 | 20 |
| **Total** | **2,297** | **100** | **1,815** | **100** | **27** |

While both brands, **BOSS** and **HUGO**, posted significant double-digit sales growth, supported by the ongoing brand momentum in 2023, the Company also recorded a noticeable 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 32.0%, the **gross margin** of HUGO BOSS AG was well above the prior-year level (2022: 29.6%), mainly reflecting lower freight cost levels. 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" as well as overall cost inflation. The increase in **other operating income** was largely due to higher income from charging costs and services to affiliated companies. **Other operating expenses** came in below the prior-year level, mainly reflecting lower research and development costs as well as lower allowances for doubtful accounts and exchange rate effects.

The **income from investments** is attributable to affiliated companies. In previous years, it primarily reflected the annual profits of HUGO BOSS Trade Mark Management GmbH & Co. KG, which were credited to the loan account of its limited partner HUGO BOSS AG in accordance with Company regulations. However, effective September 1, 2023, HUGO BOSS Trade Mark Management GmbH & Co. KG was merged into HUGO BOSS AG and, as a result, the trademark rights and all associated rights and obligations were transferred to HUGO BOSS AG. In this context, global marketing activities are now consolidated and carried out centrally at our headquarters in Metzingen (Germany), while activities as part of the licensing business continue to be carried out under the HUGO BOSS AG, D-Metzingen, Branch CH. **The income from profit and loss transfer agreements** of EUR 89 million is attributable to HUGO BOSS Internationale Beteiligungs-GmbH (2022: EUR 81 million).

## Net assets and financial position

**Property, plant and equipment, and intangible assets of HUGO BOSS AG** increased by 4% compared to the prior year totaling EUR 1,012 million (December 31, 2022: EUR 969 million). This development mainly reflects the step-up in investment activity in fiscal year 2023.

**TRADE NET WORKING CAPITAL** (IN EUR MILLION)

| | **2023** | 2022 | Change in % |
|---|---|---|---|
| Inventories | 262 | 283 | (7) |
| Trade receivables | 116 | 26 | >100 |
| Trade payables | 242 | 236 | 3 |
| **Trade net working capital** | **135** | **73** | **85** |

The decrease in **inventories** mainly reflects lower order volumes as part of our measures to reduce core merchandise inflow. HUGO BOSS AG is the main supplier for the Group's global distribution companies. **Trade receivables** of HUGO BOSS AG were well above the prior-year level, mainly reflecting our strong performance in both brick-and-mortar wholesale and digital business generated with wholesale partners. At the same time, the Company recorded a slight increase in **trade payables**. Consequently, and driven by the strong increase in trade receivables, **trade net working capital (TNWC)** of HUGO BOSS AG ended fiscal year 2023 above the prior-year level.

At EUR 74 million, **receivables from affiliated companies** at the end of fiscal year 2023 were above the prior-year level (December 31, 2022: EUR 61 million). **Liabilities to affiliated companies** decreased to EUR 103 million, mainly due to repayments of loans to HUGO BOSS International B.V. (December 31, 2022: EUR 289 million). **Provisions** modestly increased to EUR 186 million at the end of the year (December 31, 2022: EUR 154 million), mainly reflecting higher marketing provisions following the merger of HUGO BOSS Trade Mark Management GmbH & Co. KG into HUGO BOSS AG. At EUR 177 million, **liabilities to credit institutions** were above the prior-year level (December 31, 2022: EUR 60 million), mainly reflecting EUR 175 million of proceeds from the issue of the Schuldschein loan.

As of December 31, 2023, **cash and cash equivalents**, defined as the total of cash on hand and bank balances, amounted to EUR 2 million and were thus broadly in line with the prior-year level (December 31, 2022: EUR 3 million). A higher **cash flow from operating activities**, reflecting the strong business performance, was largely offset by an increase in **cash flow from investing activities** due to higher capital expenditure.

## Outlook, risks, and opportunities

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 this context, the **net income** of HUGO BOSS AG, which represents the Company's key performance indicator, is expected to increase moderately in fiscal year 2024. 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 within the Group's Report on Risks and Opportunities also apply to HUGO BOSS AG. > Outlook, > Report on Risks and Opportunities

# OUTLOOK

**Industry outlook for 2024 marked by elevated macro-economic uncertainty**

**Successful execution of "CLAIM 5" remains primary focus also in 2024**

**Top- and bottom-line improvements targeted for 2024**

## Subsequent events

Between the end of fiscal year 2023 and the preparation of this report on February 21, 2024, there were no material macroeconomic, sociopolitical, 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 2024. 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** can 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 2024, **global growth** is anticipated to remain muted as the global economy continues to face major challenges such as elevated inflation and interest rate levels, mounting geopolitical tensions, and overall weak global trade and investment flows. This thesis is also supported by the International Monetary Fund (IMF), which in its publication of January 30, 2024, expects the impact of macroeconomic challenges and geopolitical tensions to have an increasingly negative impact on global business and consumer confidence, thus weighing on the global economy. As interest rates appear to remain close to their peaks in most economies, monetary policy is likely to remain restrictive until there are clear signs that inflationary pressures are durably reduced. Thus, the global economy's future health depends crucially on the successful calibration of monetary policy during the year while also the further course of military conflicts such as those in Ukraine and the Middle East should continue to add uncertainty. According to the IMF, global growth is thus forecast to stay at 3.1% in 2024 (2023: 3.1%). > Risk Report, External Risks

By region, the IMF expects economic growth in the **eurozone** to slightly increase to 0.9% in 2024 (2023: 0.5%), as domestic demand is set to pick up, driven by real wage increases and recovering foreign demand. With wage growth slowing, savings accumulated during the pandemic running out, and the Federal Reserve maintaining tight monetary policy, growth in the **U.S.** is expected to slow to 2.1% in 2024 (2023: 2.5%). According to the IMF, the economy of **China** is forecasted to grow by 4.6% in 2024, but remain below the prior-year level (2023: 5.2%), amid lower investments in light of China's property market crisis and a higher household savings rate.

**Risks and uncertainties** associated with these assumptions remain fundamentally high. Geopolitical tensions remain a key source of uncertainty and have risen further as a result of the evolving conflict in the Middle East and the associated impact on global supply chains. Additionally, tight labor markets and wage demands to compensate for cost-of-living increases could contribute to persistent underlying inflationary pressures, dragging down economic growth. While financing conditions for emerging market and developing economies remain high, they are constraining priority spending and could trigger widespread emerging market debt distress. In China, contraction in the real estate sector and weaker consumption in the context of subdued consumer confidence pose downside risks. On the **upside**, stronger consumer spending could support growth if households make greater use of the savings accumulated during the COVID-19 pandemic, though this could also increase the persistence of inflation.

## Industry outlook

For the **global apparel industry**, fiscal year 2024 is expected to be shaped by the ongoing high levels of macroeconomic and geopolitical uncertainty, which are expected to continue weighing on global consumer sentiment. In a joint study published in November 2023, The Business of Fashion and consulting firm McKinsey & Company estimate that revenue growth of the global apparel industry (excluding the luxury segment) in 2024 will remain relatively constant year-on-year in the range of between 2% to 4%. According to the study, global tourism is set to recover further, with global travel levels in 2024 projected to exceed those of 2019 for the first time. At the same time, Chinese travel to overseas destinations is not expected to fully return to pre-pandemic levels.

In **Europe**, industry growth (excluding the luxury segment) is expected to come in between 1% and 3% in 2024, thus broadly in line with subdued trends observed in the second half of 2023 (H1 2023: 5%; H2 2023: 1% to 3%). This first and foremost reflects ongoing weak consumer confidence and declining household savings in light of elevated inflation levels of the past two years. With consumer sentiment remaining weak, industry growth (excluding the luxury segment) in the **U.S.** is expected to recover only slightly, projected to come in at a level of between 0% and 2% in 2024 (H1 2023: –1%; H2 2023: –2% to 0%). However, a clearer than expected improvement in the inflation rate could also lead to slightly more positive growth and a "soft landing" scenario. Industry growth in **China** is expected to remain relatively weak compared to historical growth rates, as demand is projected to remain subdued in 2024, reflecting economic uncertainty and softer consumer confidence. Overall, The Business of Fashion and McKinsey & Company expect industry growth in China (excluding the luxury segment) to improve to a level of 4% to 6% in 2024 (H1 2023: 10%; H2 2023: 1% to 3%).

## Outlook for HUGO BOSS

Following more than two years of successful execution of its "CLAIM 5" strategy and significantly above-average growth compared to the industry, HUGO BOSS will continue to build on its brand momentum also in 2024, aimed at continuing its growth trajectory and driving additional market-share gains. Against the backdrop of a persistently challenging global market environment, in 2024 our primary focus will therefore be on further **executing our "CLAIM 5"** strategy to continue leveraging the brand power of BOSS and HUGO built up in prior years. Our clear goal is to continue captivating consumers worldwide with compelling marketing campaigns, engaging brand events, and inspiring collections and collaborations. We are committed to further **investing in brand-building initiatives** as well as **enhancing our product offerings** to reinforce brand relevance and fortify our brands' 24/7 lifestyle images. Additionally, we will continue to drive the **digitalization of our business model** and further **expand our comprehensive omnichannel activities**, including the ongoing modernization and selective expansion of our global store network. All together, these strategic initiatives will provide a robust foundation to achieve further robust top- and bottom-line improvements, thus enabling us to outperform our industry also in 2024. This in turn will take us another step closer towards our mid-term financial ambition. > Group Strategy, 2025 Financial Ambition

Taking into account the ongoing heightened macroeconomic and geopolitical uncertainties as well as anticipated industry-specific conditions as outlined in this chapter, HUGO BOSS expects **Group sales** in reporting currency to increase within a range of 3% to 6% in 2024 (2023: EUR 4,197 million), with all segments contributing to growth. We expect sales in the **EMEA** region to grow in the low to mid-single-digit range, while sales in the **Americas** are forecast to increase at a mid- to high single-digit percentage rate. For **Asia/Pacific**, HUGO BOSS is confident of achieving growth in the high single- to low double-digit range in 2024.

In fiscal year 2024, the Company anticipates **operating profit (EBIT**) to grow by between 5% and 15% to a level of around EUR 430 million to EUR 475 million in 2024 (2023: EUR 410 million), with all our segments expected to contribute to the increase in EBIT. Consequently, the EBIT margin is expected to improve noticeably to a level between 10.0% and 10.7% (2023: 9.8%), with strong support coming from expected gross margin improvements in 2024. The **Group's net income** is expected to develop broadly in line with EBIT and is thus also expected to increase by between 5% and 15% (2023: EUR 270 million).

**Trade net working capital as a percentage of sales** is expected to slightly improve, approaching a level of 20% in 2024 (2023: 20.8%). In particular, HUGO BOSS aims to further optimize its inventory position in 2024, thus making further strides towards its mid-term ambition of bringing inventories down to a level of below 20% of Group sales by 2025. **Capital expenditure** is forecast to increase to a level of between EUR 300 million and EUR 350 million in 2024 (2023: EUR 298 million). Investment activity will continue to be focused on the modernization and selective expansion of our global store network and the further digitalization of our business model. At the same time, and fully in line with our strategic claim "Organize for Growth," we will put strong emphasis on the expansion of our logistics capacities and headquarters. Consequently, capital expenditure for 2024 is expected to slightly exceed our mid-term target range of between 6% and 7% of Group sales as laid out in "CLAIM 5." As in the previous year, the majority of our investments will be allocated to our Corporate Units and the EMEA segment.

In view of the strong operational and financial performance in 2023, the very solid financial position, and management's confidence in the Company's long-term growth opportunities, the Managing Board and the Supervisory Board intend to propose to the Annual General Meeting on May 14, 2024, a **dividend** of EUR 1.35 per share for fiscal year 2023, corresponding to an increase of 35% year over year (2022: EUR 1.00). The proposal is equivalent to a **payout ratio** of 36% of the Group's net income attributable to shareholders in fiscal year 2023, in line with the Company's mid-term target payout ratio of between 30% and 50%, as laid out in "CLAIM 5" (2022: 33%). Assuming that the shareholders approve the proposal, the dividend will be paid out on May 17, 2024 equaling EUR 93 million (2022: EUR 69 million).

**OUTLOOK FOR FISCAL YEAR 2024**

| | Results 2023 | Outlook 2024 |
|---|---|---|
| Group sales | Increase by 15% to EUR 4,197 million | Increase within a range of 3% to 6% |
| Sales by region | | |
| EMEA | Increase by 11% to EUR 2,562 million | Increase in the low to mid-single-digit percentage range |
| Americas | Increase by 21% to EUR 955 million | Increase in the mid- to high single-digit percentage range |
| Asia/Pacific | Increase by 23% to EUR 576 million | Increase in the high single-digit to low double-digit percentage range |
| Operating result (EBIT) | Increase by 22% to EUR 410 million | Increase within a range of 5% and 15% to a level of around EUR 430 million to EUR 475 million |
| Group's net income | Increase by 22% to EUR 270 million | Increase within a range of 5% and 15% |
| Trade net working capital as a percentage of sales | 20.8% | Improvement to a level approaching 20% |
| Capital expenditure | Increase by 55% to EUR 298 million | Increase to a level of EUR 300 million to EUR 350 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 is aimed at achieving the Group's strategic and financial objectives. In addition to pursuing the target of securing the Group's continuation as a going concern, it is therefore primarily aimed at successfully executing the "CLAIM 5" growth 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

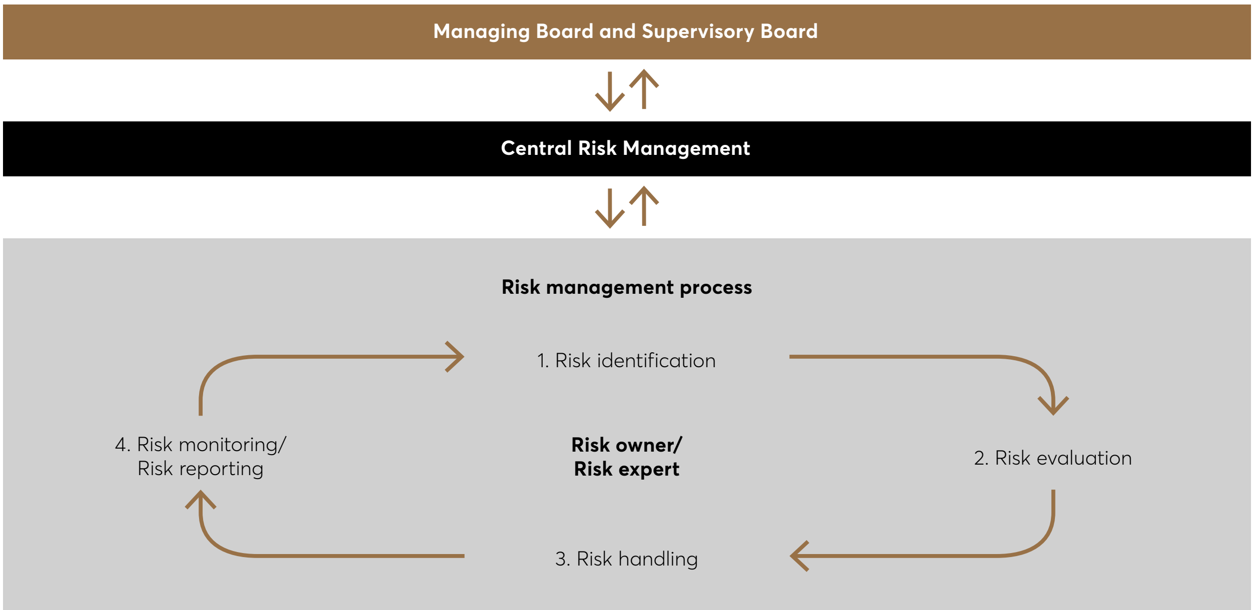
HUGO BOSS is exposed to a variety of risks. Its **risk management system** comprises all measures of a systematic and transparent approach towards risks. It aims at identifying risks as early as possible, evaluating them adequately, limiting or avoiding them through suitable measures, as well as monitoring and documenting them. In this context, risks are defined as possible future developments or events that 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**. On its behalf, the central Risk Management & Internal Controls department coordinates the execution and continuous 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 the systematic handling of 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 evaluation. Risk experts are supported by the central risk management, which also includes regular training, at least once per year, on risk management principles and topic-specific focus areas. Individual risks are evaluated by assessing their likelihood of occurrence and systematically analyzing their potential impact on the planned operating result (EBIT). Tax risks and interest rates risks, however, are evaluated based on their potential impact on cash flow. > Outlook

**RISK MATRIX** (AGGREGATED RISKS)

| Potential impact (in % of planned EBIT) | remote ≤10% | unlikely >10%–25% | possible >25%–50% | probable >50%–90% | certain >90% |
|---|---|---|---|---|---|
| >30% very high | | Politics and society, suppliers and sourcing markets, sales and distribution | | | |
| >15%–30% high | | Overall economy, collection, governance and compliance, IT, logistics | | | |
| >5%–15% essential | Environment and health | Brand and corporate image, investments, personnel, quality | Taxes | | |
| >2.5%–5% moderate | | Competition, financing and liquidity | | Currencies | |
| ≤2.5% low | Counterparties, facilities, occupational health and safety | Product piracy, vision and direction | Changes in interest rates, legal | | |

Likelihood (within 1 year)

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 provide support in 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.

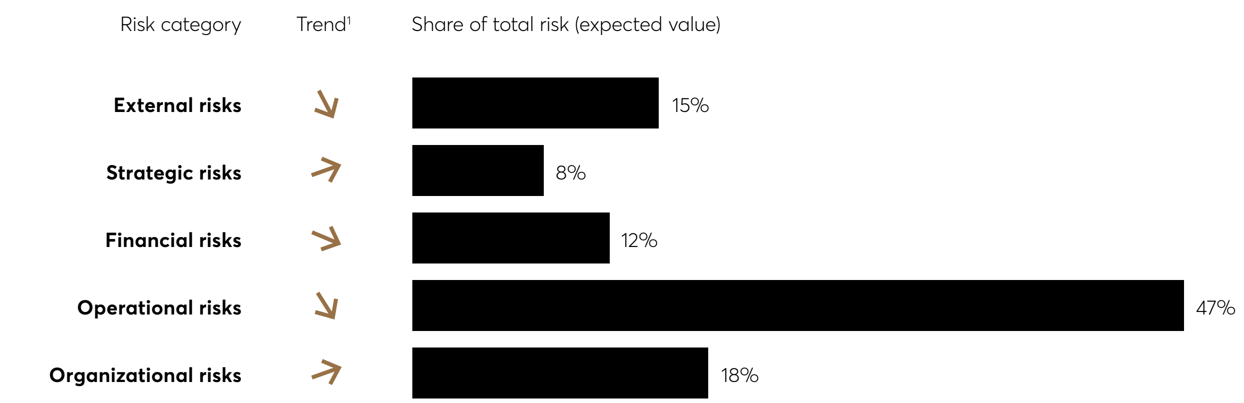
Preparing and implementing appropriate risk mitigation measures is the responsibility of the respective risk owner. In general, **risks are handled** in four different ways: risk avoidance, risk reduction, risk transfer to third parties, and risk acceptance. One component of risk management is thus the transfer of risk to insurance companies, which is intended to offset 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. In close cooperation with the risk owners, the central risk management monitors the progress and effectiveness of planned and already implemented measures.

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 to ensure a timely response in the event of a risk occurring. > Group Management

As part of the **regular risk reporting**, risk owners report all risks identified to the central risk management, 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 2024 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 implemented risk management system forms the basis for the assessment of the risk situation by the Managing Board, which reviews the system on a regular basis. Risks with a potential impact 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 2023 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 | | Changes in interest rates | | 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 the overall economy, politics and society, 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 top- and bottom-line performance. Economic effects can occur globally as well as regionally, and may influence each other.

In order to reduce the impact of economic volatility, as part of its "CLAIM 5" strategy, HUGO BOSS aims to further **balancing its global footprint** across regions but also between developed and emerging markets. 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 of trade net working capital, further optimizing the global distribution network, increasing cost controlling, and implementing price adjustments. > Group Management, > Group Strategy, "Organize for Growth"

In its publication in January 2024, the IMF anticipates **global growth** at a level of 3.1% in fiscal year 2024 and thus on the prior-year level (2023: 3.1%; 2022: 3.5%). This forecast reflects ongoing **elevated inflation and interest rate levels**, mounting **geopolitical tensions**, and overall **weak global trade and investment flows**, all weighing on the global economic outlook. As interest rates appear to remain close to their peak in most economies, **monetary policy** is likely to remain restrictive until there are clear signs that inflationary pressures are durably cooling off. As a result, the global economy's future health depends crucially on the successful calibration of monetary policy during the course of the year while also the further development of military conflicts such as those in Ukraine and the Middle East are likely to add further uncertainty. > Outlook

### Political and social risks

HUGO BOSS is exposed to **political and social risks**, reflecting 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' global business activities, with distribution in more than 130 markets, the Company is **naturally hedged** to a certain extent 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 2024. In this context, geopolitical tensions, including **those in Ukraine and the Middle East**, the potential escalation of trade conflicts, the outcome of key elections, 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. Geopolitical tensions in particular might result in the temporary loss of important trade routes such as the Red Sea route, leading to rising transportation costs or possible shortages due to longer lead times. In addition, a significant escalation or further expansion of ongoing conflicts may 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 increasing importance in the medium and long-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. Due to this broad spectrum of risks, future developments are characterized by a high level of uncertainty, which might lead to unknown, potentially significant effects in the long term. 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 & Internal Controls department 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, environmental and natural disasters, as well as the consequences of climate change and the loss of biodiversity. With regards to the outbreak of future pandemics, HUGO BOSS has drawn up appropriate emergency plans, building on the experience gained from the COVID-19 pandemic. As part of a climate risk analysis, we regularly assess risks to our business arising from climate change enabling us to take appropriate countermeasures in good time.

HUGO BOSS has implemented a **central emergency management system** in order to be able to react promptly and appropriately to all kinds of emergencies, including 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 involve, above all, recognizing trends in a timely manner as part of creative management and incorporating these as quickly as possible into commercially successful collections. > Product Development and Innovation

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. On top of that, fully in line with their 24/7 lifestyle approach, both BOSS and HUGO offer a **highly diversified product range** covering all wearing occasions, appealing to a wide audience of different age groups, thus further reducing collection risks. In addition, capsule collections are aimed at bringing further newness to our product offering, incorporating current consumer trends. Beyond that, direct **customer interaction** in our own brick-and-mortar retail and digital business, feedback from wholesale partners, and insights gathered from our **customer relationship management (CRM) system** as well as on our social media platforms 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 our collection development process** enables HUGO BOSS to further shorten lead times in order to respond even more quickly to global trends. > Product Development and Innovation, > Group Strategy, “Product is Key”

### 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 that may not lead to the targeted operational improvements.

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 retail stores, this also includes an analysis of each project’s net present value. The central **Business Planning & Analysis department** 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 financial and operational performance 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, negative social media discussions, or non-compliance with laws or social standards could have a negative impact on the brand and corporate image.

For this reason, **protecting and maintaining the brand image** is a top priority at HUGO BOSS. Ensuring a globally consistent and seamless brand and shopping experience across all touchpoints, strict quality controls, a centrally managed pricing policy, an active compliance management system, training employees who are in direct contact with customers, 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, BOSS and HUGO further increased **brand relevance** among consumers in 2023 with exciting marketing campaigns and spectacular fashion events, each featuring diverse all-star casts, thereby positively impacting the brand image. Consequently, these initiatives inevitably contributed to the Company's strong top- and bottom-line performance in 2023, with broad-based growth across brands, regions, and channels.

The corporate image of HUGO BOSS is reflected in how it is **perceived by its stakeholders**. External communication activities are primarily managed by the central divisions Corporate Communications and Investor Relations, 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** that 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 assessments of existing topics by tax authorities or tax field audits. There are also 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 management of currency risks, implying the strategic 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 through **natural hedges**, which are used to minimize the complexity of the exposure, the scope of hedging measures, and associated costs. In this way, foreign currency exposures from business operations across the Group are to be offset as far as possible. **Foreign exchange forwards and swaps** as well as **plain vanilla options** can be used 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 mainly occur 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)**. While the translation risk is monitored on an ongoing basis, 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** nominated in Turkish lira may be hedged by using forward transactions. The corresponding future cash flows are thus designated as an effective hedging relationship recognized on the balance sheet (hedge accounting). As of December 31, 2023, there were no hedging transactions for future cash flows from own production activities in Turkey in place.

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, 2023. The exposures include cash, receivables, and liabilities, as well as intercompany loans and deposits 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 amounted to EUR 11 million in fiscal year 2023 (2022: EUR 22 million). Hedging costs and returns for concluding forward exchange transactions are not included. The largest foreign currency exposure results from the balance sheet exposure towards the pound sterling, chinese renminbi, Swiss franc, and Japanese yen.

## 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 an operational shortcoming. 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 2023, both the largest external supplier as well as the largest single external production site accounted for 4% of the total sourcing volume (2022: 5% each).

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 2023, 52% of our merchandise was sourced in EMEA, representing a noticeable increase compared to last year (2022: 46%). In this context, our own production in Izmir (Turkey), meanwhile accounting for 15% of the global sourcing and production volume (2022: 12%), plays a key role. In addition to closer proximity to its most important sales markets, enabling HUGO BOSS a faster replenishment process, the Company also benefits 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 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 markets, 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 margin and ultimately on the Group's profitability. 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 reviews 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. This it to be achieved primarily by further increasing the transparency along the value chain while, at the same time, growing flexibility of merchandise management across distribution channels and markets. In this context, in 2023, HUGO BOSS further pushed ahead with the implementation of its **Digital TWIN** initiative – a smart and tech-driven business operations platform aimed at strongly enhancing real-time data utilization. By creating a digital copy of our supply chain and using artificial intelligence, we aim to further improve demand planning and better align our various planning activities. This, in turn, is intended to provide the most accurate procurement of products and fabrics, both in terms of timing and quantity. > Sourcing and Production

#### 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 potential countermeasure for excess inventory inevitably has a negative impact on the gross margin and ultimately on the Group's profitability, and is therefore constantly monitored by the central Business Planning & Analysis department. A centrally managed pricing policy, differentiated retail formats, and collections tailored to these aim to achieve 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. Following the implementation of an advanced merchandise model, including a redefinition in product life-cycles, HUGO BOSS implemented a change in how **impairments on inventories** are recognized in fiscal year 2023. This refined estimate uses a seasonal approach, reflecting a better devaluation factor. 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 its wholesale business, HUGO BOSS pays close attention to ensuring a balanced customer structure in order to avoid a potential **overdependence on individual customers**. Business Planning & Analysis constantly monitors key performance indicators such as the order intake, sales, and delivery quotas and reports these on a regular basis to the Managing Board. This allows countermeasures to be initiated immediately if potential risks arise. > 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 respective 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 and materials, 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 and mitigate inherent risks. 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. Generally, HUGO BOSS also incorporates risk criteria into its product development, as this can have a direct positive impact on the business performance of HUGO BOSS. A further improvement in product quality, for example, can have a positive impact on the return rate and thus on the sales development. > Product Development and Innovation, > Sourcing and Production

### Logistics risks

HUGO BOSS is exposed to **logistics risks** that relate 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 the wake of the ongoing military conflict in the Middle East and its impact on the important sea freight route in the Red Sea, competition for **global transport and logistics capacity** has intensified noticeably towards the end of 2023, leading to an increase in sea freight rates and an extension of the sea freight route from Asia to Europe by several weeks. Although HUGO BOSS does not anticipate any significant impact on product availability in 2024, it expects the overall increase in sea freight rates to weigh on its input cost to some extent. The Company continues to closely monitor the situation and will take appropriate adjustment measures if necessary. Irrespective of this, however, significant interruptions in product availability and related lost sales opportunities can never be completely ruled out. > Sourcing and Production

In addition, the **temporary downtime or loss of warehouse locations or conveyor systems** may lead to missed sales opportunities. Ensuring sufficient warehouse capacity and a seamless delivery of goods forms an essential aspect as part of Company's strategic claim "Organize for Growth." The storage of the Company's inventories is centered on selected sites, with most of them directly operated by HUGO BOSS. The Group's own central 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. Overall, 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 this context, the strategic expansion of one of our key logistic hubs was initiated in late 2023. This multiyear project aims to significantly increase both shipping as well as storage capacity while also focusing on the further digitalization and automation of key processes. 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. > Sourcing and Production

## Organizational risks

HUGO BOSS considers governance and compliance risks, IT risks, and personnel 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 department and breaches are reported accordingly 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 continuously 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, **cyberattacks** can lead to major and long-lasting system interruptions, loss of confidential data, and the ensuing loss of reputation and liability claims. A long-lasting system interruption might have a significant impact on business operations, for example on the processing of goods in our warehouses. 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 to increase 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 anticipates that global cyberattacks may continue to increase in the long term, especially in the context of mounting geopolitical tensions and the availability of new technologies based on artificial intelligence. The impact is expected to further increase as dependence on technology grows, bringing with it unknown but severe consequences. HUGO BOSS consequently regards them as an **"emerging risk."** With the objective of further improving the ability to respond to potential cyberattacks, the Company aims to keep working on the continuous development of its information security program. In this context, HUGO BOSS 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

Successfully executing our "CLAIM 5" strategy and achieving our 2025 financial ambition is largely dependent on the know-how, commitment, and performance of our global workforce. 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 these risks with a forward-looking personnel planning, comprehensive development and training measures, the continuous development of its performance-based compensation system, as well as 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 2023, the overall satisfaction amounted to 77% (2022: 78%). The Company has set itself the goal of maintaining a strong level of at least 75% of overall satisfaction also in the years to come. > Employees and Teams

# Opportunities report

The **early identification and consistent exploitation of business opportunities** is of particular importance as part of the successful execution of our "CLAIM 5" strategy 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

**Responsibility** for identifying, assessing, and exploiting business opportunities lies with the operational management in the respective regions, individual markets, and central functions due to its direct link to the targets of the respective business divisions. 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 our "CLAIM 5" strategy. 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

Overall, HUGO BOSS continues to see strong growth opportunities across its entire business model and is fully committed to leveraging these across both brands, all channels, and all regions also in the year to come. In particular, HUGO BOSS has identified the following relevant **opportunities** for 2024, 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 normalization of global inflation and interest rate levels or a stronger-than-expected rebound of global trade and investment flows might lead to stronger economic growth overall and thus to a noticeable **uplift in global consumer sentiment**. This, in turn, could have a fundamentally positive impact on the demand for premium apparel and accessories. In addition, **social trends** that emphasize the value of high-quality clothing more strongly than in the past could also support the top-line 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 Group's profitability.

## 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" strategy**, and following the successful implementation of our comprehensive brand refresh in 2022, we aim to further increase the relevance of our two brands BOSS and HUGO and thus keep driving top- and bottom-line growth in the years to come. With a broad range of premium apparel, shoes, 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

Building on the robust top-line momentum recorded over the past years, the successful execution of "CLAIM 5" will remain key in fiscal year 2024 and beyond, to fully exploit opportunities across all business areas. Above all, and fully in line with our strategic claim **"Boost Brands,"** we will continue to build on the strong brand power of BOSS and HUGO and further engage with our customers to retain their loyalty. In particular, we will continue to put strong emphasis on spectacular, high-profile brand campaigns to significantly fuel brand relevance and win over new and younger target groups. On top of that, exceptional events and high-impact collaborations are intended to further increase brand relevance. To support future growth, we remain committed to keeping our **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 a positive impact on consumer demand and thus drive 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. Under the claim **"Product is Key,"** we will continue to focus on strengthening the **24/7 lifestyle brand images** of BOSS and HUGO, thereby further leveraging opportunities to attract new customer groups across all wearing occasions. In this context, fully exploiting the great potential of the BOSS and HUGO brand lines will play a key role also going forward. At **BOSS**, we are operating our brand lines BOSS Black, BOSS Orange, BOSS Green, and BOSS Camel. With the latter being well received across key markets, we plan to further expand the BOSS Camel product offering going forward. At **HUGO**, the launch of HUGO BLUE in early 2024 offers potential to leverage the brands denimwear offering across a new and younger audience. On top of that, further extending our 24/7 lifestyle promise as part of our **global licenses business** offers additional opportunities. In that context, we already expanded into new lifestyle categories such as cycling or equestrian in 2023. Consistent exploitation of the various product-related opportunities may have a direct positive impact on the business performance of HUGO BOSS.

At the same time, we will keep investing in our product assortment to further optimize the **price-value proposition** in the coming years. In doing so, we aim to ensure premium quality, a high level of innovation and sustainability, and clear distinguishing features. We are also committed to exploiting the full potential of **casualwear** in the future, thus leveraging the ongoing casualization trend. At the same time, we aim to further strengthen our 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 us to continue to retain a leading position in the upper premium segment of the global apparel market. > Group Strategy, "Product is Key"

As part of our strategic claim **"Drive Omnichannel,"** we will continue to fully leverage our high-quality channel mix on a global scale. In this context, we see particular opportunities to further drive traffic and conversion rates along all consumer touchpoints. Building on our strong brand power, we aim to further 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, with the global rollout of our latest, much more emotional store concepts for BOSS and HUGO already in full swing, productivity in **brick-and-mortar retail** is aimed to further increase also going forward. Besides optimizing and modernizing our existing store base, we also plan to selectively expand our global retail footprint. We also strive to build on our regained strength in **brick-and-mortar wholesale** and further leverage the 24/7 lifestyle images of BOSS and HUGO, having already successfully increased visibility and market presence since the introduction of "CLAIM 5." In addition, we will further strengthen our global franchise business by increasing the total number of full-price franchise stores over the coming years, with particular emphasis on emerging markets. With regards to our **digital business**, we will focus on further driving traffic and conversion, particularly within our digital flagship hugoboss.com and, at the same time, fostering growth with digital partners. Consistent exploitation of the various sales-related opportunities may have a direct positive impact on the business performance of HUGO BOSS. > Group Strategy, "Drive 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 pushing ahead with the further digitalization of all business activities – from digital trend detection and product creation to AI-enabled pricing, digital showrooms, and innovative experiences in the metaverse. The **HUGO BOSS Digital Campus** is at the heart of our digital journey, expected to further strengthen our digital expertise and take consumer experience to the next level through the targeted use of data. In addition, HUGO BOSS is implementing a digital copy of its value chain – the **Digital TWIN** – a smart and tech-driven business operations platform aimed at strongly enhancing real-time data utilization. This is aimed to further improve demand and logistics planning, inventory allocation, and transparency within the Company's supply chain. Greater than expected successes in these areas 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 overall importance of environmental and climate protection has increased sharply, 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 new, sustainability-oriented consumers, while at the same time having a positive impact on society and environment alike. Sustainability is therefore an integral part of our "CLAIM 5" strategy. In this context, and fully in line with our commitment to strongly support creating a planet free of waste and pollution, we introduced a new sustainability strategy in 2023, aiming to significantly expand our circular product offering in the years to come, among other things. Besides direct opportunities in terms of revenue increases and cost reductions, we regard acting sustainably as an opportunity to further improve 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 of the successful execution of "CLAIM 5." We therefore aim to promote 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 principles 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, equity, and inclusion (DE&I)** are fundamental parts 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. In addition, an internal diversity task force of employees with multiple backgrounds and from various locations and functional areas supports the execution of defined measures and promotes selected topics within our Company. We are convinced that intensifying our activities in the important area of DE&I positively contributes to employee satisfaction and is also considered a relevant factor by potential applicants.

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

# Key aspects of the internal control and risk management system

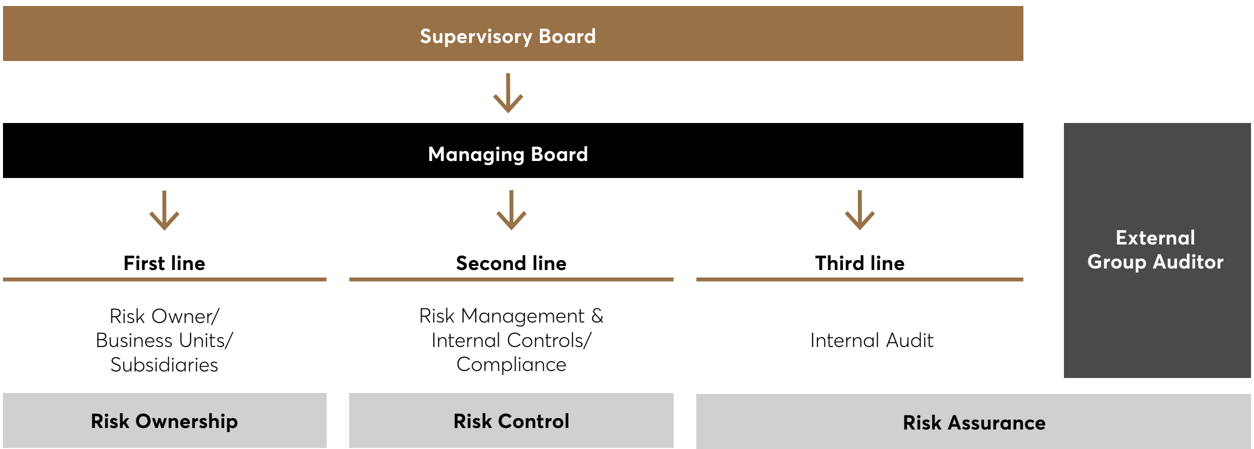
The information provided in this section is extraneous to the management report and therefore not part of the audit.

## Internal control system (ICS) and risk management system (RMS)

The **ICS and RMS of HUGO BOSS** are designed in accordance with the principles, guidelines, and measures defined by the Managing Board, aiming to execute the strategic and operational decisions of the Managing Board from an organizational perspective. It includes the management of risks and opportunities with regard to the achievement of business objectives, the correctness and reliability of internal and external accounting, and compliance with the legal provisions and regulations relevant to HUGO BOSS. This also includes sustainability aspects, which are continuously further developed in accordance with regulatory requirements. Our ICS and RMS are based on the globally recognized **COSO framework** (Committee of Sponsoring Organizations of the Treadway Commission) and are continuously adapted to the specific requirements of HUGO BOSS.

HUGO BOSS has a **comprehensive, integrated ICS and RMS methodology (RIC methodology)** with a standardized procedure according to which necessary controls are defined, documented according to uniform specifications and regularly reviewed for their appropriateness and effectiveness. Further information on our RMS can be found in the Risk Management System section of this Report on Risks and Opportunities.
> Risk Report, Risk Management System

**THREE-LINES MODEL**




HUGO BOSS has implemented the **"Three Lines" model** to clearly define and allocate responsibilities and to effectively defend against risks. In the first line of defense, the **operating units** assume responsibility for defining and implementing appropriate and effective controls to mitigate risks in their respective areas of responsibility in accordance with Group-wide standards. The second line of defense consists of specialized **governance functions**, in particular the central Risk Management & Internal Controls and Compliance & Human Rights departments. These are responsible for the definition and methodology of the internal control framework as well as the management of the assessment and control process, providing objective monitoring and advice independently of the operating units. The Managing Board, the Audit Committee and the Supervisory Board of HUGO BOSS are informed regularly and on an ad hoc basis about potential material control weaknesses, the appropriateness and effectiveness of the controls in place and the Company's risk situation. The Audit Committee and the Supervisory Board of HUGO BOSS AG are responsible for monitoring the ICS and RMS, including their appropriateness and effectiveness. As part of its monitoring function, the third line of defense, **Internal Audit**, reviews compliance with the legal framework and internal Group guidelines for the Group's ICS and RMS, in particular the design, compliance and effectiveness of the controls defined as part of the ICS and RMS. If necessary, appropriate measures are initiated in cooperation with Risk Management & Internal Controls and the relevant specialist department in order to eliminate the identified weaknesses as part of a defined process. Internal Audit regularly reports the results of its work to the Managing Board and the Audit Committee of HUGO BOSS.

As part of the audit of the consolidated financial statements, the external **Group auditor** assesses the suitability of the measures implemented in the Company for the early identification of risks that could jeopardize its continued existence. They also report to the Audit Committee and the Supervisory Board on any material weaknesses identified in the ICS and the accounting-related RMS as part of the audit of the financial statements. The Company continuously monitors the processes and systems for both the ICS and the RMS in order to eliminate identified weaknesses and ensure **continuous improvement of the processes and systems**. In light of the complex process landscape and the rapid pace of change in the legal requirements for non-financial information, the maturity level of the ICS with regard to sustainability-related aspects in particular does not yet correspond to that of the accounting-related ICS.

As of the reporting date, there are **no indications** in all material respects that the ICS and RMS are inadequate or ineffective as a whole. Notwithstanding this, there are inherent limitations to the effectiveness of any ICS and RMS. Even if a system has been assessed as appropriate and effective, there is no guarantee that all risks that actually arise can be identified in advance or that any breaches of processes can be ruled out under all conceivable circumstances.

## Compliance management system (CMS)

The ICS and RMS of HUGO BOSS also include risks and controls from the **CMS**, which are derived from the close cooperation between Risk Management & Internal Controls and Compliance & Human Rights. The CMS is an integral part of the ICS and RMS and is based on the elements of the IDW PS 980 standard. It covers relevant risk areas such as anti-corruption, antitrust law, data protection, money laundering prevention, sanction prevention and the safeguarding of human rights and is based on a comprehensive set of internal guidelines. The **HUGO BOSS Code of Conduct** defines the fundamental principles and standards of behavior that must be observed by all employees in the business units and in dealings with external stakeholders. In addition, there are comprehensive internal **compliance regulations**, including corresponding controls, which oblige all employees to ensure that the CMS is being executed. They contain topic-specific application provisions on compliance processes and tools as well as additional guidelines and information for the individual risk areas.

Compliance risk management and compliance reviews are components of the CMS, aimed at identifying **compliance risks** at an early stage and thus enabling appropriate and effective measures to avoid or minimize these risks. The results of the CMS are incorporated into the Company-wide RMS. The Compliance department uses various measures to ensure that the CMS and the corresponding processes are executed, adhered to and continuously developed throughout the Group. Taking into account the findings of compliance risk management and compliance controls and audits, the **CMS is continuously adapted** to Company-specific risks and local legal requirements in particular. The Managing Board and Supervisory Board are regularly informed about key compliance issues.

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

The system of internal control and risk management of HUGO BOSS, as applied to the (Group) financial reporting process and the financial statements closing process, aims to accurately reflect all business transactions in the accounting records. This is intended to ensure the **reliability of the financial reporting** and that **all accounting-related activities comply with laws and guidelines**. All assets and liabilities should be recorded accurately in the consolidated financial statements with regard to recognition, disclosure and valuation, which should enable a reliable statement to be made on the Group's net assets, financial position, and results of operations. As well as adherence to legal regulations and the Company's internal guidelines, the use of efficient IT systems, a clear definition of responsibilities, and suitable training and development for employees in the Group Finance & Tax and Business Planning & Analysis departments 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 upgrade 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, together with further key performance indicators and explanations, submit these to the **Group Finance & Tax** division. The latter 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. Group Finance & Tax 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 department also aims to show all business transactions in the Group in a uniform manner.

Group Finance & Tax 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. They are also responsible for the continuous monitoring of the most important key performance indicators as well as the monthly reporting of financial KPIs to Group Finance & Tax 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 Group Finance & Tax and Business Planning & Analysis departments 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.

# OVERALL STATEMENT ON THE BUSINESS PERFORMANCE AND SITUATION OF THE GROUP

HUGO BOSS looks back on a successful business performance in fiscal year 2023, with significant top- and bottom-line improvements. This development first and foremost reflects our robust brand momentum, fueled by the continued successful execution of our **"CLAIM 5" growth strategy**. With both BOSS and HUGO continuing their market-share-winning growth trajectories, we achieved **record sales of EUR 4.2 billion** in 2023, representing currency-adjusted growth of 18%. In doing so, we once again strongly outgrew the global premium apparel market, while exceeding our initial 2025 sales target of EUR 4 billion two years ahead of plan. Driven by the strong top-line momentum, we recorded **noticeable bottom-line improvements**, with EBIT up 22% to EUR 410 million. HUGO BOSS thus successfully **achieved its full-year 2023 sales and earnings targets**, which had been revised upwards twice during the year. Our business performance is all the more remarkable considering the high level of macroeconomic and geopolitical uncertainty in fiscal year 2023. > Comparison of Actual and Forecast Business Performance

The **successful execution of several strategic initiatives** as part of "CLAIM 5" spurred our operational and financial performance also in 2023. In line with our strategic claim **"Boost Brands,"** we further drove brand momentum following the comprehensive refresh of BOSS and HUGO in 2022, and created additional excitement with spectacular marketing campaigns and high-impact brand events. At the same time, as part of our claim **"Product is Key,"** we continued to put strong emphasis on further enhancing both brands' 24/7 lifestyle images by increasingly leveraging the BOSS and HUGO brand lines. In 2023, we also achieved important successes with regards to our two strategic claims **"Lead in Digital"** and **"Drive Omnichannel."** To these ends, together with our Digital Campus, we introduced several important digital features to further improve our digital journey as well as the e commerce experience. At the same time, we continued to modernize and optimize our global store network, including the rollout of our latest BOSS and HUGO store concepts, to significantly elevate customer experience. In line with our fifth claim **"Organize for Growth,"** we made further important progress towards driving meaningful efficiencies along our value chain, particularly as part of the ongoing implementation of our Digital TWIN, a smart and tech-driven business operations platform. > Group Strategy

Overall, **Group sales** in fiscal year 2023 increased by 18% on a currency-adjusted basis. In Group currency, sales grew by 15% to a record level of EUR 4,197 million (2022: EUR 3,651 million), thus exceeding the EUR 4 billion threshold for the first time in the history of HUGO BOSS. Growth in 2023 was broad-based with both our brands, BOSS and HUGO, as well as all regions and distribution channels recording double-digit growth. At the same time, HUGO BOSS recorded robust bottom-line improvements in fiscal year 2023, with the strong top-line performance more than compensating for further investments into the business as part of "CLAIM 5" as well as a slight decline in gross margin. Consequently, the Group's **operating profit (EBIT)** increased by 22% to an amount of EUR 410 million in fiscal year 2023 (2022: EUR 335 million). > Earnings Development

In **fiscal year 2024**, our focus remains on further executing our "CLAIM 5" strategy. By building on our robust brand momentum, we are committed to continue leveraging the strong brand power of BOSS and HUGO. This in turn, should enable us to continue our growth trajectory and realize additional market-share gains. At the same time, the macroeconomic backdrop remains challenging, as reflected by elevated inflation and interest rate levels, a weakening global consumer sentiment, and mounting geopolitical tensions. Against this backdrop, we expect **Group sales** in reporting currency to increase within a range of 3% to 6% in 2024 (2023: EUR 4,197 million). At the same time, we anticipate **EBIT** to grow between 5% and 15% to a level of around EUR 430 million to EUR 475 million in 2024 (2023: EUR 410 million). Consequently, the EBIT margin is expected to improve noticeably to a level between 10.0% and 10.7% (2023: 9.8%), with strong support coming from expected gross margin improvements in 2024. Overall, fiscal year 2024 will thus mark another milestone towards our mid-term financial ambition as part of "CLAIM 5." > Outlook

In view of the strong operational and financial performance in 2023, the very solid financial position, and management's confidence in the Company's long-term growth opportunities, the Managing Board and the Supervisory Board intend to propose to the Annual General Meeting on May 14, 2024, a **dividend** of EUR 1.35 per share for fiscal year 2023, corresponding to an increase of 35% year over year (2022: EUR 1.00). 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 21, 2024

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 2023, the Managing Board and Supervisory Board dealt in detail with compliance with the requirements of the German Corporate Governance Code (GCGC) and, as a result, issued the **Declaration of Compliance** dated December 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 business success. Consequently, HUGO BOSS not only places the highest demands on innovation and the quality of its products, but also takes environmental and social factors into account in all activities along the value chain. With sustainability being an integral part of its business activities, HUGO BOSS developed its new **Sustainability Strategy** in 2023, focusing on five strong pillars all aimed at actively driving change within the fashion industry and supporting the creation of a planet free of waste and pollution. 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 frameworks. 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 policies, 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 and antitrust 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 form of deliberate misconduct or persistent violations of the Code of Conduct and the Group policies.

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 **ombudsperson system**. Employees, suppliers, and trading partners can contact an external ombudsperson in confidence in case of any indications of fraud, infringements of antitrust law, or breaches of compliance guidelines. If desired, this can also be done anonymously. The ombudsperson'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 "Speak up Channel,"** 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 General 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 all 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 2023. 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 2023, 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 and internal control 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 several 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.
- In addition to the legally required qualifications, the Managing Board should have members with knowledge of branding, supply chain matters, and distribution.
- To ensure long-term succession planning, the Managing Board should have a good 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, 2028, 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 consider all circumstances of the individual case. Except for the target for the proportion of women on the Managing Board, the aforementioned composition targets were achieved throughout the reporting period.

Pursuant to Sec. 111 (5) AktG ["Aktiengesetz": German Stock Corporation Act], the Supervisory Board had set the **target of having at least one woman on the Managing Board** of the Company for the period up to December 31, 2023, but did not meet this target. There were no new appointments to the Managing Board of HUGO BOSS during the reference period. Only the contracts of the existing Managing Board members were extended. The Supervisory Board strives to ensure an appropriate representation of women on the Managing Board. However, when making personnel decisions, the Supervisory Board pays particular attention to maintaining business continuity and continuing the successful cooperation with and within the existing Managing Board. At the same time, the Supervisory Board did not consider it justified to intervene in the composition of the existing Managing Board solely to achieve the target. Consequently, pursuant to Sec. 111 (5) AktG ["Aktiengesetz": German Stock Corporation Act], the Supervisory Board of HUGO BOSS has again set the target of having at least one woman on the Managing Board for the reference period up to December 31, 2028.

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, 2023, the **proportion of women at the first management level below the Managing Board was 29%**, while it was **44% at the second management level below the Managing Board**. Both proportions were hence broadly in line with the prior-year level (December 31, 2022: 28% and 46%, respectively). HUGO BOSS strives to ensure that all genders are adequately represented within its workforce. However, positions are filled solely based on 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, based on 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 2023, the Supervisory Board had three members who were nationals of countries other than Germany. In addition, several 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 2023. 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 is of 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 regarding 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 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 |
|---|---|---|---|---|---|---|---|---|
| **Current members of the Supervisory Board** | | | | | | | | |
| 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 |
| Andreas Flach (since May 2023) | | | | | X | X | X | X |
| Katharina Herzog | X | X | X | | | X | X | X |
| Daniela Liburdi (since May 2023) | | | | | | 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 |
| Bernd Simbeck | | | | | | X | | X |
| Robin J. Stalker | X | X | X | X | X | X | X | X |
| **Former members of the Supervisory Board** | | | | | | | | |
| Anita Kessel (until May 2023) | | | | | | X | | X |
| Martin Sambeth (until May 2023) | | | | | X | X | X | X |

Criterion met, based on a self-assessment by the Supervisory Board. An "X" means at least "good knowledge" based on 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 2023, 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, 2023. 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 General 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 General 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 accounting** and at least one additional member with **expertise in the auditing of financial statements**. According to the GCGC, expertise in accounting consists of specialist knowledge and experience in the application of accounting principles and internal control and risk management systems, while expertise in 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 for 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, 2023, the Audit Committee comprises the following members: Robin J. Stalker (Chairman), Andreas Flach, Gaetano Marzotto, Sinan Piskin, 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, 2023, the Personnel Committee comprises the following members: Hermann Waldemer (Chairman), Daniela Liburdi, 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, 2023, 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 General Meeting.

As of December 31, 2023, 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 if a previous proposal has not received the legally required majority.

As of December 31, 2023, the Mediation Committee comprises the following members: Hermann Waldemer (Chairman), Daniela Liburdi, Gaetano Marzotto, and Sinan Piskin.

# Risk management and risk controlling

HUGO BOSS considers the responsible, systematic, and transparent 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 exploit business opportunities while at the same time identifying and assessing risks as early as possible 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 its 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 in fiscal year 2023. The main features of the compensation systems for the Managing Board and Supervisory Board applicable in fiscal year 2023 are also outlined. > Compensation Report

# Declaration of compliance

In December 2023, the Managing Board and Supervisory Board of HUGO BOSS 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 February 2023, 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:

- The reporting in the management report and the Group management report of HUGO BOSS AG for the financial year 2022 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. Due to the requirements of GCGC 2022 regarding appropriateness and effectiveness, which were unclear at the time of preparation and went beyond the statutory provisions, HUGO BOSS AG declared a deviation from recommendation A.5 of GCGC 2022 in February 2023 as a precautionary measure. This deviation continues to apply to the management report and Group management report for the 2022 financial year. The management report and the Group management report of HUGO BOSS AG for the financial year 2023 will comply with the recommendation in A.5 GCGC 2022.
- 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, December 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 2023. In order to facilitate the context of the disclosures, the main features of the compensation systems for the Managing Board and the Supervisory Board applicable in fiscal year 2023 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 2023

### Resolution on the approval of the compensation report for fiscal year 2022

The report 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 2022 was prepared in accordance with Sec. 162 AktG and **approved by the Annual General Meeting** on May 9, 2023 with a majority of 66.37% of the capital represented in accordance with Sec. 120a (4) AktG. The Managing Board and the Supervisory Board acknowledged this vote while at the same time taking it as an opportunity to discuss the reasons for the comparatively low approval rate directly with key capital market participants. It is the joint understanding of the Managing Board and the Supervisory Board that this vote was neither directly related to the main features of the compensation system nor to the format of the compensation report. Consequently, regarding the latter, the current format in the compensation report for fiscal year 2023 remains unchanged in its fundamental aspects. At the same time, the disclosures provided in the further course of this Compensation Report on the so-called CEO Investment Opportunity, which is explicitly not part of the HUGO BOSS compensation system, were extended compared to the previous year, aimed at further increasing transparency in this regard.

### Application of the compensation system for the Managing Board in fiscal year 2023

The **current compensation system for the Managing Board**, for which the main features are presented later in this report, was approved at the Annual General 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 2023, 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 2023. 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 is considered to be 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 2023. Similarly, no adjustments are planned for fiscal year 2024, apart from any possible adjustments in the context of individual agreement extensions.

In fiscal year 2023, there were **no personnel changes** on the Managing Board of HUGO BOSS AG.

The Company's **"CLAIM 5" growth strategy**, presented on August 4, 2021, aims at driving strong top- and bottom-line growth. At its Capital Markets Day in June 2023, HUGO BOSS presented an update on "CLAIM 5" and, in this context, raised its mid-term financial ambition. This development reflects the very successful execution of all strategic initiatives, which led to a significant acceleration in sales and earnings growth. In this context, the design of the compensation system continues to provide **important incentives for the ongoing successful execution of the Group strategy**. Consequently, the compensation 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 responsibility for environmental, social, and governance topics 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 operative development in fiscal year 2023, once again reflecting the successful execution of the "CLAIM 5" strategy, resulted in the targets set at the beginning of the reporting year for the two financial performance criteria of sales and EBIT for fiscal year 2023 being exceeded. With regard to the third STI component, trade net working capital (TNWC) as a percentage of sales, however, the minimum target was not achieved in 2023. Consequently, the average level of overall target achievement for the STI 2023 amounted to 105%. The payment due for fiscal year 2023 from the **long-term incentive (LTI)** tranche issued in fiscal year 2020 amounts to 159% of the target value (payment in fiscal year 2024).

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 2023

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.

In fiscal year 2023, there were **two personnel changes** on the Supervisory Board of HUGO BOSS AG. Effective May 9, 2023, the two employee representatives Anita Kessel and Martin Sambeth both resigned from the Supervisory Board. Daniela Liburdi joined the Supervisory Board on May 9, 2023, as the successor to Anita Kessel. Andreas Flach joined the Supervisory Board on May 9, 2023, as the successor to Martin Sambeth. As set out in Art. 12 of the Company's Articles of Association, all four receive pro-rata compensation for their activities in fiscal year 2023.

## Compensation of the members of the Managing Board in fiscal year 2023

### 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). It 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 successful long-term 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.

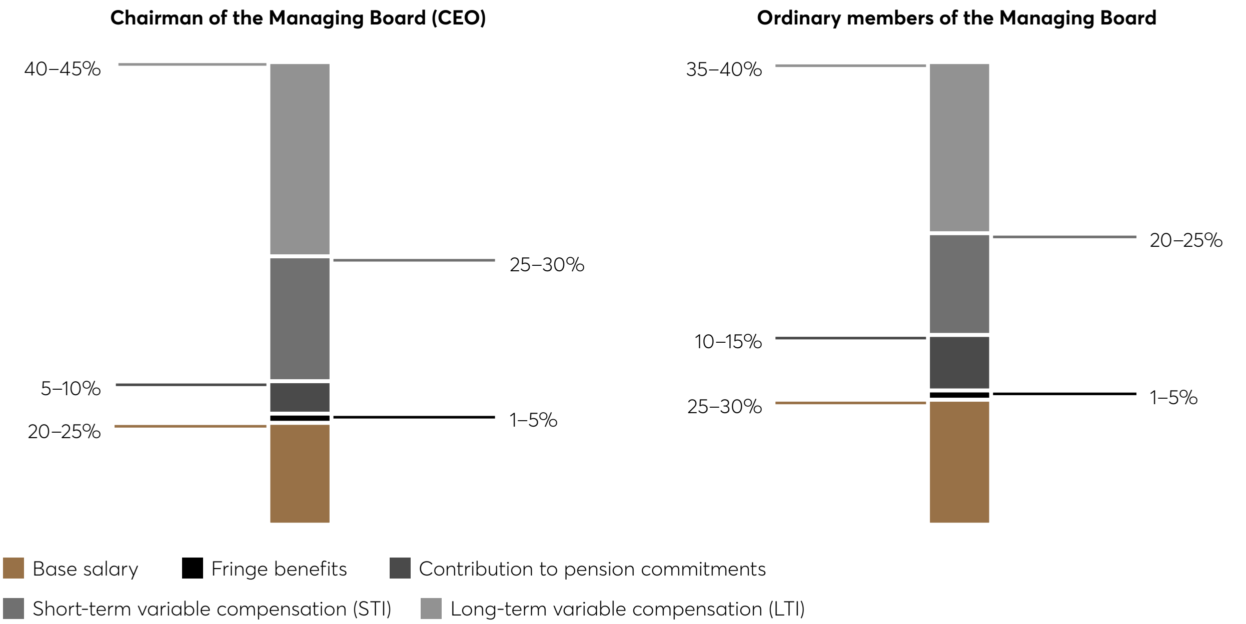
The following table shows the **basic components of the compensation system for the Managing Board and their structure**. The components and their specific application in fiscal year 2023 are explained in detail below.

**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)<br>• Contribution: 40% of the fixed base salary<br>• 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%)<br>• 30% sales (target achievement: 0% – 150%)<br>• 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%)<br>• 1/3 return on capital employed (ROCE) (target achievement: 0% – 200%)<br>• 1/6 employee satisfaction (target achievement: 0% – 200%)<br>• 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<br>• 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)<br>• 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)<br>• 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, 2023 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 (Germany), 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) | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| Service cost under IFRS | 520 | 520 | 300 | 300 | 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** | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | **2022** |
| Service cost under IFRS | 0 | 290 | 0 | 290 | **1,120** | **1,700** |
| 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 2023 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 2023

**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**

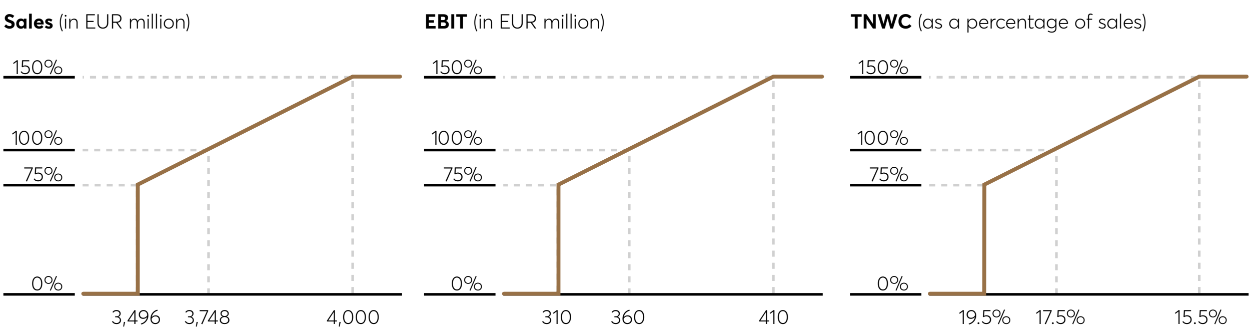
The **maximum payout** from the STI is capped at a total of 150% of the target amount. There is no guaranteed minimum target achievement. Consequently, the payout can also be waived completely. The STI is payable within a week of the Supervisory Board approving the consolidated financial statements for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

**Contribution to the long-term development of the Group**
The STI is intended to ensure the **successful execution of the Company's operational targets**, the achievement of which is of material importance for the long-term success of HUGO BOSS. In light of the "CLAIM 5" strategy, which aims at achieving strong top- and bottom-line improvements, 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 2023, 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 2023**




In the event of **100% target achievement** for the STI 2023, a total amount of EUR 2,800 thousand would be paid out for the Managing Board members active as of December 31, 2023 (Daniel Grieder EUR 1,500 thousand, Yves Müller EUR 650 thousand, and Oliver Timm EUR 650 thousand).

With regard to the financial performance criteria relevant for fiscal year 2023, the Supervisory Board determined the following **target achievement** based on the performance corridors defined at the beginning of the fiscal year:

**TARGET ACHIEVEMENT STI 2023** (IN EUR MILLION)

| Target component | Target weighting | Target value 2023 (based on target achievement of 100%) | Performance corridor (Min/Max) 2023 | Actual value 2023 | Target achievement 2023 |
|---|---|---|---|---|---|
| Sales[1] | 30% | 3,748 | 3,496 to 4,000 | 4,223 | 150% |
| EBIT | 40% | 360 | 310 to 410 | 410 | 150% |
| Trade net working capital as a percentage of sales | 30% | 17.5% | 19.5% to 15.5% | 20.8% | 0% |
| **Total** | **100%** | | | | **105%** |

1 Use of exchange rates underlying the budget.

For fiscal year 2023, **average target achievement** thus amounts to 105%.

### Target achievement STI 2023

The **individual payout amounts** for the STI 2023, which are allocated to the compensation awarded and due in fiscal year 2023, are therefore as follows:

**PAYOUT FOR THE STI 2023**

| | Target amount (in EUR thousand) | Total target achievement | Payout amount (in EUR thousand) |
|---|---|---|---|
| **Members of the Managing Board as of December 31, 2023** | | | |
| Daniel Grieder, Chairman of the Managing Board since June 1, 2021 | 1,500 | 105% | 1,575 |
| Yves Müller, Member of the Managing Board since December 1, 2017 | 650 | 105% | 683 |
| Oliver Timm, Member of the Managing Board since January 1, 2021 | 650 | 105% | 683 |
| **Former Members of the Managing Board** | | | |
| Dr. Heiko Schäfer, Member of the Managing Board from March 16, 2020 until May 31, 2022[1] | 104 | n.a. | 102 |
| **Total** | **2,904** | | **3,042** |

1 To settle the pro-rata entitlement from the STI 2023, Dr. Heiko Schäfer was granted a payment of EUR 102 thousand based on a target compensation of EUR 104 thousand agreed in the separation agreement dated May 2022. The payment became due in September 2022.

### Outlook for the STI for fiscal year 2024

For the **STI for fiscal year 2024**, 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 2024.

## Long-term incentive (LTI) for 2023

### General functioning

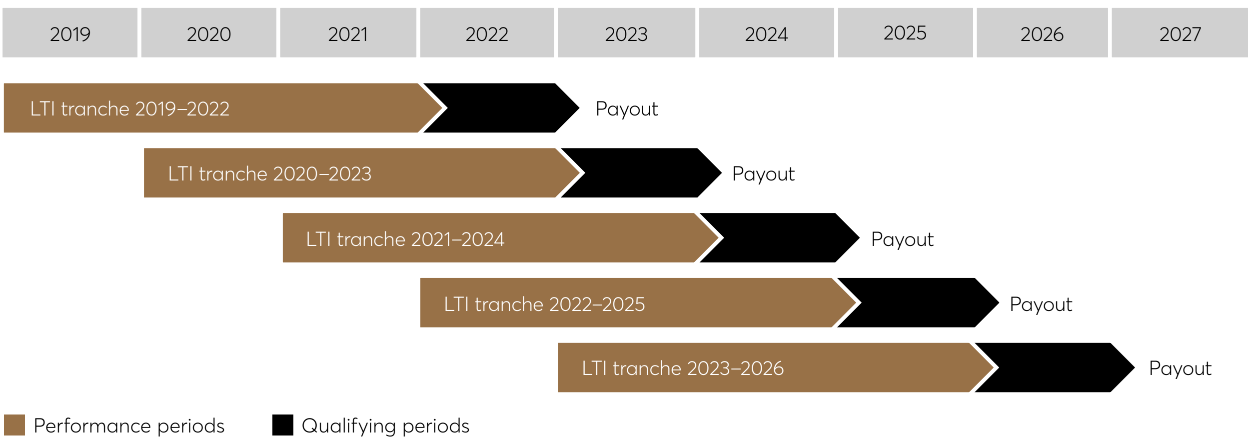
The LTI is the long-term variable compensation component. It is designed in the form of a **performance share plan** that takes into account both financial targets relevant to the Group strategy and non-financial ESG (environment, social, governance) targets. Consequently, the LTI is intended to ensure that the members of the Managing Board of HUGO BOSS pursue sustainable business practices that are 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.

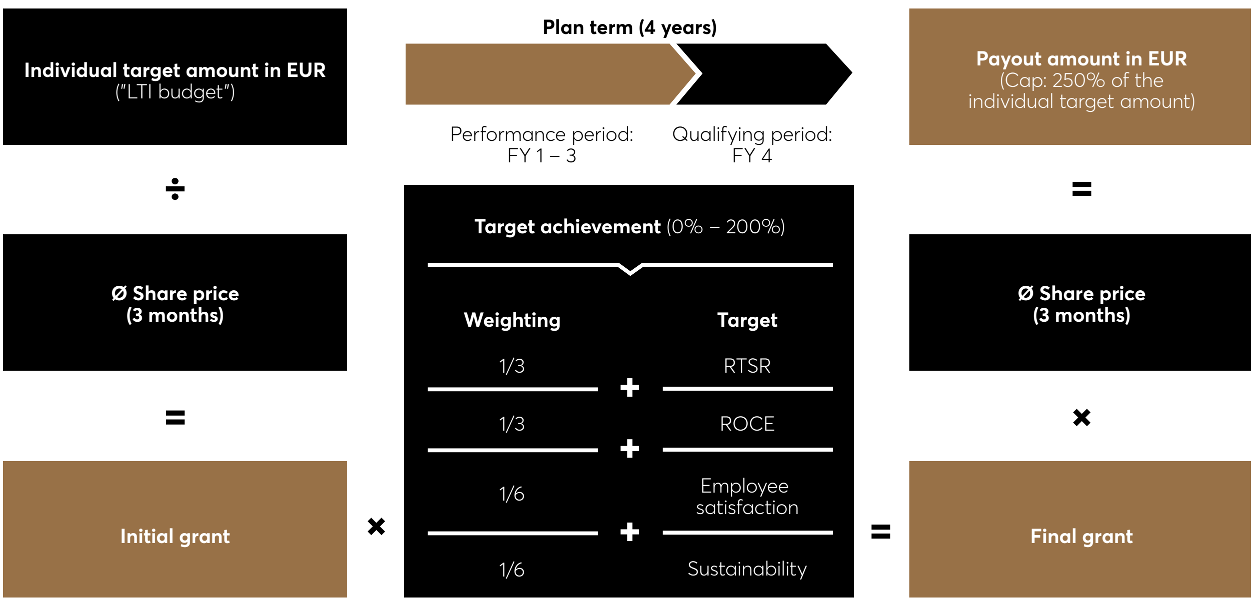
**PERFORMANCE PERIODS AND QUALIFYING PERIOD OF LTI TRANCHES**




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 2023–2026 issued in fiscal year 2023**

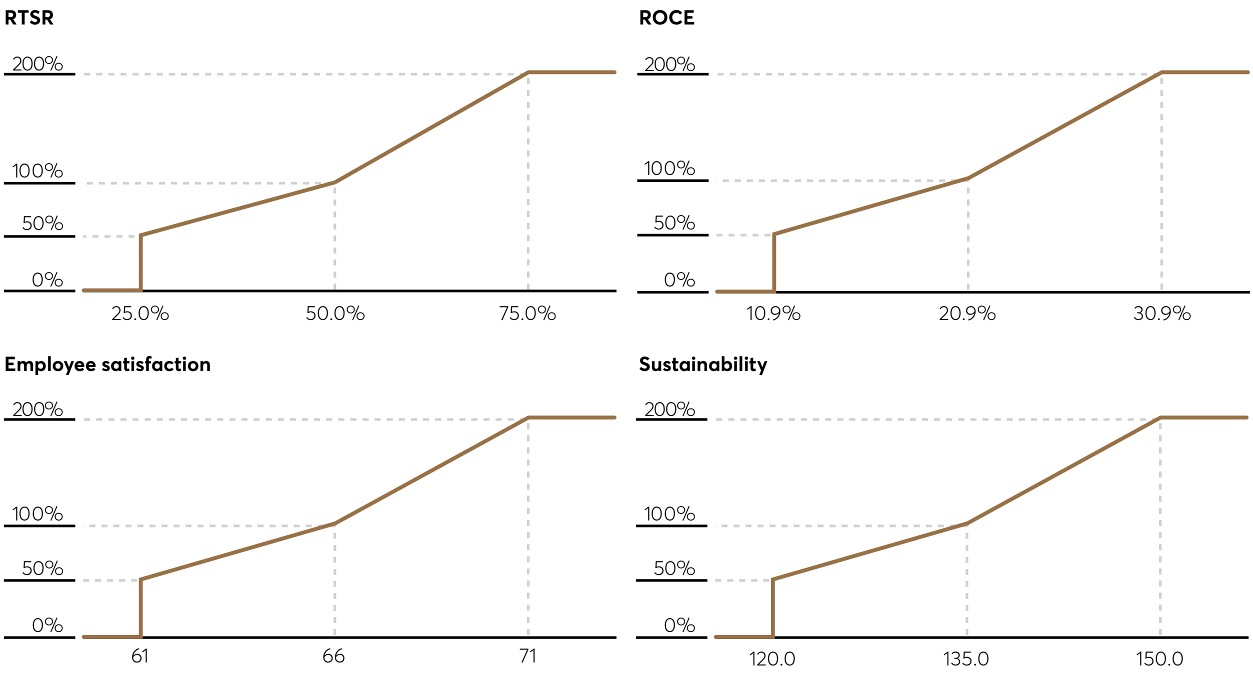
The following table shows the **grants** for the LTI 2023–2026 issued in fiscal year 2023. It includes the target amount, the number of provisionally granted virtual shares, the payout cap, and the fair value at grant date in accordance with "IFRS 2 Share-based Payment."

### ALLOCATION OF LTI 2023–2026

| | Target amount ("LTI budget") in EUR thousand | Average share price of HUGO BOSS in Q4 2022 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, 2023** | | | | | |
| Daniel Grieder, Chairman of the Managing Board since June 1, 2021 | 2,400 | 50.15 | 47,857 | 6,000 | 2,434 |
| Yves Müller, Member of the Managing Board since December 1, 2017 | 1,000 | 50.15 | 19,941 | 2,500 | 1,014 |
| Oliver Timm, Member of the Managing Board since January 1, 2021 | 1,000 | 50.15 | 19,941 | 2,500 | 1,014 |

**Financial and non-financial performance criteria for the LTI 2023–2026 issued in fiscal year 2023**
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 2023–2026



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 50$^{th}$ 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 75$^{th}$ 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 25$^{th}$ percentile is achieved, target achievement corresponds to 50%. If the TSR of HUGO BOSS is below the 25$^{th}$ 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)/Corporate Sustainability Assessment (CSA), in which the sustainability performance of listed companies is assessed by the independent index provider S&P Global.

**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 2023–2026 issued in fiscal year 2023**

As shown, target achievement for the LTI's performance criteria is determined on an annual basis. For fiscal year 2023, the Supervisory Board has determined the following **target achievement for the LTI 2023–2026**:

**TARGET ACHIEVEMENT 2023 OF THE LTI 2023–2026** (ON A PRELIMINARY BASIS)

| Target component | Target weighting | Target value (based on target achievement of 100%) | Performance corridor (Min/Max) | Actual value 2023 | **Target achievement 2023** |
|---|---|---|---|---|---|
| RTSR | 33% | 50.0% | 25.0% to 75.0% | 72.7% | 191% |
| ROCE | 33% | 20.9% | 10.9% to 30.9% | 21.5% | 106% |
| Employee satisfaction | 17% | 66 | 61 to 71 | 70 | 184% |
| Sustainability performance | 17% | 135.0 | 120.0 to 150.0 | 181.3 | 200% |
| **Total** | **100%** | | | | **163%** |

For fiscal year 2023, the **target achievement level** (on a preliminary basis) of the LTI 2023–2026 is 163%.

**Payout from the LTI 2020–2023 issued in fiscal year 2020**

The following table provides an overview of the **overall target achievement** of the LTI 2020–2023 awarded in fiscal year 2023 (payout in fiscal year 2024):

**FINAL TARGET ACHIEVEMENT LTI 2020–2023**

| Target component | Target weighting | Target value (based on target achievement of 100%) | Performance corridor (Min/Max) | Actual value 2020 | Actual value 2021 | Actual value 2022 | Actual value (average 2020–2022) | **Final target achievement** |
|---|---|---|---|---|---|---|---|---|
| RTSR[1] | 33% | 2.5% | –10.0% to 15.0% | –58.8% | 73.4% | 25.3% | 13.3% | 186% |
| ROCE | 33% | 21.0% | 9.0% to 33.0% | 18.8% | 15.2% | 21.6% | 18.5% | 90% |
| Employee satisfaction | 17% | 62 | 57 to 67 | 64 | 71 | 71 | 69 | 200% |
| Sustainability performance | 17% | 105.0 | 92.5 to 117.5 | 130.3 | 148.3 | 183.3 | 154.0 | 200% |
| **Total** | **100%** | | | | | | | **159%** |

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 2020–2023 is 159%. The **individual payout amounts resulting from the LTI 2020–2023** (payout in fiscal year 2024) are as follows:

### PAYOUT FOR THE LTI 2020–2023

| | Target amount ("LTI budget") in EUR thousand | Average share price of HUGO BOSS in Q4 2019 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 2023 in EUR | **Payout amount in EUR thousand** |
|---|---|---|---|---|---|---|---|
| **Members of the Managing Board as of December 31, 2023** | | | | | | | |
| Yves Müller, Member of the Managing Board since December 1, 2017 | 700 | 41.14 | 17,016 | 159% | 27,007 | 61.36 | 1,657 |
| **Former Members of the Managing Board** | | | | | | | |
| Ingo Wilts, Member of the Managing Board from August 15, 2016 until February 28, 2022 | 730 | 41.14 | 17,745 | 159% | 28,164 | 61.36 | 1,728 |
| **Total** | **1,430** | | **34,761** | | **55,171** | | **3,385** |

Current members of the Managing Board Daniel Grieder and Oliver Timm will not receive any payment from the LTI 2020–2023, as they have not been members of the Managing Board of HUGO BOSS AG in fiscal year 2020.

Under the separation agreement dated May 2022, former member of the Managing Board Dr. Heiko Schäfer was entitled to payments for the pro-rata earned tranches of the LTI 2020–2023, LTI 2021–2024, and LTI 2022–2025 totaling EUR 1,357 thousand, which became due in September 2022.

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

Under the separation agreement dated 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 in February 2020.

**Total number of virtual shares outstanding at the end of fiscal year 2023**
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 2023:

**TOTAL NUMBER OF VIRTUAL SHARES (INITIAL GRANT) AT THE END OF FISCAL YEAR 2023** (IN UNITS)

| | LTI 2023–2026 | LTI 2022–2025 | LTI 2021–2024 | LTI 2020–2023 | Balance at the end of fiscal year 2023 |
|---|---|---|---|---|---|
| Daniel Grieder, Chairman of the Managing Board since June 1, 2021 | 47,857 | 44,627 | 57,004 | 0 | 149,488 |
| Yves Müller, Member of the Managing Board since December 1, 2017 | 19,941 | 17,433 | 30,538 | 17,016 | 84,928 |
| Oliver Timm, Member of the Managing Board since January 1, 2021 | 19,941 | 18,595 | 40,717 | 0 | 79,253 |
| **Total** | **87,739** | **80,655** | **128,259** | **17,016** | **313,669** |

**Outlook on the financial and non-financial performance criteria of LTI 2024–2027**
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 2024–2027 to be issued in fiscal year 2024.

## 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 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 of HUGO BOSS AG 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, EUR 100 thousand, and EUR 100 thousand were paid out in fiscal year 2021, fiscal year 2022, and 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 2023, 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 annual 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 of the SOG coming into force for the respective Managing Board member, being built up on a linear basis and reviewed annually by the Group General Counsel. 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, 2023.

**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, 2023 | XETRA closing price on December 29, 2023 | **Total value of shares as of December 31, 2023 (in EUR thousand)** |
|---|---|---|---|---|---|
| Daniel Grieder, Chairman of the Managing Board since June 1, 2021 | 40,000 | 59,000 | 99,000 | 67.46 | 6,679 |
| Yves Müller, Member of the Managing Board since December 1, 2017 | 0 | 19,000 | 19,000 | 67.46 | 1,282 |
| Oliver Timm, Member of the Managing Board since January 1, 2021 | 1,333 | 16,500 | 17,833 | 67.46 | 1,203 |
| **Total** | **41,333** | **94,500** | **135,833** | **67.46** | **9,163** |

For **Daniel Grieder**, the SOG do not apply as of December 31, 2023, as his service contract was concluded prior to the introduction of the current compensation system by resolution of the Annual General Meeting 2021. The SOG will be applied once his service contract is either extended or amended. Irrespective of that, Daniel Grieder has already exceeded the requirements of the SOG in terms of the total period of five years. For **Oliver Timm**, the SOG apply following the extension of his service arrangement in March 2023. As of December 31, 2023, Oliver Timm has already exceeded the requirements of the SOG, both in terms of the review due for the first time in March 2024 and in terms of the total period of five years. For **Yves Müller**, the SOG apply following the extension of his service arrangement in March 2022. As of December 31, 2023, Yves Müller has exceeded the requirements of the SOG, both in terms of the review 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<br>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 2023, 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 2023

| | | Daniel Grieder<br>Chairman of the Managing Board<br>(since June 1, 2021) | | | Yves Müller<br>Member of the Managing Board<br>(since December 1, 2017) | | | Oliver Timm<br>Member of the Managing Board<br>(since January 1, 2021) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in EUR thousand) | | Target compensation | Max. | Payout | Target compensation | Max. | Payout | Target compensation | Max. | Payout |
| Short-term variable compensation | STI 2023 | 1,500 | 2,250 | 1,575 | 650 | 975 | 683 | 650 | 975 | 683 |
| Long-term variable compensation | LTI 2020–2023 | 0 | 0 | 0 | 700 | 1,750 | 1,657 | 0 | 0 | 0 |
| **Total** | | **1,500** | **2,250** | **1,575** | **1,350** | **2,725** | **2,340** | **650** | **975** | **683** |

| | | Dr. Heiko Schäfer<br>Member of the Managing Board<br>(from March 16, 2020 until May 31, 2022) | | | Ingo Wilts<br>Member of the Managing Board<br>(from August 15, 2016 until February 28, 2022) | | |
|---|---|---|---|---|---|---|---|
| (in EUR thousand) | | Target compensation | Max. | Payout | Target compensation | Max. | Payout |
| Short-term variable compensation | STI 2023 | 104 | n.a. | 102 | 0 | 0 | 0 |
| Long-term variable compensation | LTI 2020–2023 | 534 | n.a. | 622 | 730 | 1,825 | 1,728 |
| **Total** | | **638** | **n.a.** | **724** | **730** | **1,825** | **1,728** |

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 2023 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 2023 can only be reported in the compensation report for fiscal year 2026, since the final payout for the LTI 2023–2026 depends on the share price performance of HUGO BOSS in the fourth quarter of 2026.

## 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"). While in the current Managing Board agreements, the period for calculating the severance pay varies, it does not exceed 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 twelve 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 2023 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, 2023) 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 2023 awarded in fiscal year 2023 (payout in fiscal year 2024), the LTI 2020–2023 awarded in fiscal year 2023 (payout in fiscal year 2024), 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) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2023** | | 2022 | | **2023** | | 2022 | |
| | | **in EUR thousand** | **in %** | in EUR thousand | in % | **in EUR thousand** | **in %** | in EUR thousand | in % |
| Fixed compensation | Basic compensation | 1,300 | 43 | 1,300 | 35 | 750 | 24 | 750 | 35 |
| | Fringe benefits | 132 | 4 | 132 | 4 | 22 | 1 | 20 | 1 |
| | Pension allowance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | | **1,432** | **48** | **1,432** | **39** | **772** | **25** | **770** | **36** |
| Short-term incentive | STI 2023 | 1,575 | 52 | 0 | 0 | 683 | 22 | 0 | 0 |
| | STI 2022 | 0 | 0 | 2,250 | 61 | 0 | 0 | 919 | 43 |
| Long-term incentive | LTI 2020–2023 | 0 | 0 | 0 | 0 | 1,657 | 53 | 0 | 0 |
| | LTI 2019–2022 | 0 | 0 | 0 | 0 | 0 | 0 | 466 | 22 |
| **Total** | | **1,575** | **52** | **2,250** | **61** | **2,340** | **75** | **1,385** | **64** |
| Other | Special compensation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total compensation** | | **3,007** | **100** | **3,682** | **100** | **3,111** | **100** | **2,154** | **100** |

| | | Oliver Timm<br>Member of the Managing Board<br>(since January 1, 2021) | | | |
|---|---|---|---|---|---|
| | | 2023 | | 2022 | |
| | | in EUR thousand | in % | in EUR thousand | in % |
| Fixed compensation | Basic compensation | 750 | 48 | 750 | 41 |
| | Fringe benefits | 15 | 1 | 15 | 1 |
| | Pension allowance | 0 | 0 | 0 | 0 |
| **Total** | | **765** | **49** | **765** | **42** |
| Short-term incentive | STI 2023 | 683 | 44 | 0 | 0 |
| | STI 2022 | 0 | 0 | 975 | 53 |
| Long-term incentive | LTI 2020–2023 | 0 | 0 | 0 | 0 |
| | LTI 2019–2022 | 0 | 0 | 0 | 0 |
| **Total** | | **683** | **44** | **975** | **53** |
| Other | Special compensation | 100 | 6 | 100 | 5 |
| **Total compensation** | | **1,548** | **100** | **1,840** | **100** |

## Compensation awarded and due to former members of the Managing Board in fiscal year 2023

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<br>Member of the Managing Board<br>(from March 16, 2020 until May 31, 2022) | | | | Ingo Wilts<br>Member of the Managing Board<br>(from August 15, 2016 until February 28, 2022) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | 2022 | | 2023 | | 2022 | |
| | | in EUR thousand | in % | in EUR thousand | in % | in EUR thousand | in % | in EUR thousand | in % |
| Fixed compensation | Basic compensation | 0 | 0 | 725 | 59 | 0 | 0 | 750 | 38 |
| | Fringe benefits | 0 | 0 | 11 | 1 | 0 | 0 | 10 | 1 |
| | Pension allowance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | | **0** | **0** | **736** | **60** | **0** | **0** | **760** | **38** |
| Short-term incentive | STI 2023 | 102 | 14 | 0 | 0 | 0 | 0 | 0 | 0 |
| | STI 2022 | 0 | 0 | 490 | 40 | 0 | 0 | 750 | 38 |
| Long-term incentive | LTI 2020–2023[1] | 622 | 86 | 0 | 0 | 1,728 | 100 | 0 | 0 |
| | LTI 2019–2022[1] | 0 | 0 | 0 | 0 | 0 | 0 | 473 | 24 |
| **Total** | | **724** | **100** | **490** | **40** | **1,728** | **100** | **1,223** | **62** |
| Other | Pension payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Deferred compensation payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total compensation** | | **724** | **100** | **1,226** | **100** | **1,728** | **100** | **1,983** | **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) | | | |
|---|---|---|---|---|---|
| | | **2023** | | 2022 | |
| | | **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 2023 | 0 | 0 | 0 | 0 |
| | STI 2022 | 0 | 0 | 0 | 0 |
| Long-term incentive | LTI 2020–2023[2] | 464 | 100 | 0 | 0 |
| | LTI 2019–2022[2] | 0 | 0 | 529 | 100 |
| **Total** | | **464** | **100** | **529** | **100** |
| Other | Pension payments | 0 | 0 | 0 | 0 |
| | Deferred compensation payments | 0 | 0 | 0 | 0 |
| **Total compensation** | | **464** | **100** | **529** | **100** |

1 Under the separation agreement dated May 2022, former member of the Managing Board Dr. Heiko Schäfer was entitled to a payment for the pro-rata earned tranches of the LTI 2020–2023, LTI 2021–2024, and LTI 2022–2025 totaling EUR 1,357 thousand, which became due in September 2022.
2 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 became due 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 years 2023 or 2022.

## Target compensation and actual compensation of the current members of the Managing Board for fiscal year 2023

The following table shows the respective **target compensation** of the members of the Managing Board active as of December 31, 2023 for fiscal year 2023. 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 2024 from the STI 2023, and the payout due in March 2024 from the LTI 2020–2023. 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 2023

| | | Daniel Grieder<br>Chairman of the Managing Board<br>(since June 1, 2021) | | | | Yves Müller<br>Member of the Managing Board<br>(since December 1, 2017) | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in EUR thousand) | | Target compen-sation | Minimum compen-sation | Maximum compen-sation | Allo-cation | Target compen-sation | Minimum compen-sation | Maximum compen-sation | Allo-cation |
| Fixed compensation | Basic compensation 2023 | 1,300 | 1,300 | 1,300 | 1,300 | 750 | 750 | 750 | 750 |
| | Fringe benefits 2023 | 132 | 132 | 132 | 132 | 22 | 22 | 22 | 22 |
| | Pension allowance 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | | **1,432** | **1,432** | **1,432** | **1,432** | **772** | **772** | **772** | **772** |
| Short-term incentive | STI 2023 | 1,500 | 0 | 2,250 | 1,575 | 650 | 0 | 975 | 683 |
| Long-term incentive | LTI 2023–2026 | 2,400 | 0 | 6,000 | – | 1,000 | 0 | 2,500 | – |
| | LTI 2020–2023 | – | – | – | 0 | – | – | – | 1,657 |
| **Total** | | **3,900** | **0** | **8,250** | **1,575** | **1,650** | **0** | **3,475** | **2,340** |
| Pension | Service costs 2023 | 520 | 520 | 520 | 520 | 300 | 300 | 300 | 300 |
| Other | Special compensation 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total compensation** | | **5,852** | **1,952** | **10,202** | **3,527** | **2,722** | **1,072** | **4,547** | **3,411** |

| | | Oliver Timm<br>Member of the Managing Board<br>(since January 1, 2021) | | | |
|---|---|---|---|---|---|
| (in EUR thousand) | | Target compen-sation | Minimum compen-sation | Maximum compen-sation | Allo-cation |
| Fixed compensation | Basic compensation 2023 | 750 | 750 | 750 | 750 |
| | Fringe benefits 2023 | 15 | 15 | 15 | 15 |
| | Pension allowance 2023 | 0 | 0 | 0 | 0 |
| **Total** | | **765** | **765** | **765** | **765** |
| Short-term incentive | STI 2023 | 650 | 0 | 975 | 683 |
| Long-term incentive | LTI 2023–2026 | 1,000 | 0 | 2,500 | – |
| | LTI 2020–2023 | – | – | – | 0 |
| **Total** | | **1,650** | **0** | **3,475** | **683** |
| Pension | Service costs 2023 | 300 | 300 | 300 | 300 |
| Other | Special compensation 2023 | 100 | 100 | 100 | 100 |
| **Total compensation** | | **2,815** | **1,165** | **4,640** | **1,848** |

# Compensation of the members of the Supervisory Board in fiscal year 2023

## Principles of the compensation system for the Supervisory Board

The **compensation of the members of the Supervisory Board** as determined by the Annual General 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 General 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 2023

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**<br>EUR 200,000<br>2.5 times the base amount | **Deputy Chairman**<br>EUR 140,000<br>1.75 times the base amount | **Ordinary Member**<br>EUR 80,000<br>Base amount |

| Compensation for membership in a committee | | | |
|---|---|---|---|
| **Working Committee** | **Audit Committee** | **Personnel Committee** | **Nomination Committee** |
| Chairman<br>**EUR 60,000** | Chairman<br>**EUR 60,000** | Chairman<br>**EUR 60,000** | Chairman<br>**–** |
| Ordinary Member<br>**EUR 30,000** | Ordinary Member<br>**EUR 30,000** | Ordinary Member<br>**EUR 30,000** | Ordinary Member<br>**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** following the Annual General Meeting that decides on the approval of the Supervisory Board for the respective past fiscal year. Members of the Supervisory Board who have been members of the Supervisory Board or a committee for only 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 2023, 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 2023, 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 that 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 following the Annual General Meeting that decides on the approval of the Supervisory Board for the respective past fiscal year. The disclosure for fiscal year 2023 relates to the fixed compensation awarded for the Supervisory Board's activities in fiscal year 2023 (payout in fiscal year 2024) and the compensation awarded for committee membership in fiscal year 2023 (payout in fiscal year 2024).

## COMPENSATION AWARDED AND DUE

| | | Fixed compensation (base amount) | | Compensation for committee work | | Total compensation | |
|---|---|---|---|---|---|---|---|
| **Current members of the Supervisory Board** | | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| **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 |
| **Andreas Flach** (since May 9, 2023[1]) | in EUR thous. | 52 | – | 19 | – | 71 | – |
| | in % | 73 | – | 27 | – | 100 | – |
| **Katharina Herzog** | in EUR thous. | 80 | 80 | 30 | 30 | 110 | 110 |
| | in % | 73 | 73 | 27 | 27 | 100 | 100 |
| **Daniela Liburdi** (since May 9, 2023[1]) | in EUR thous. | 52 | – | 19 | – | 71 | – |
| | in % | 73 | – | 27 | – | 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 |
| **Bernd Simbeck** | in EUR thous. | 80 | 80 | 60 | 60 | 140 | 140 |
| | 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** | | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| **Anita Kessel** (until May 9, 2023[1]) | in EUR thous. | 28 | 80 | 11 | 30 | 39 | 110 |
| | in % | 73 | 73 | 27 | 27 | 100 | 100 |
| **Martin Sambeth** (until May 9, 2023[1]) | in EUR thous. | 28 | 80 | 11 | 30 | 39 | 110 |
| | in % | 73 | 73 | 27 | 27 | 100 | 100 |

1 Effective May 9, 2023, the two employee representatives Anita Kessel and Martin Sambeth both resigned from the Supervisory Board. Daniela Liburdi joined the Supervisory Board on May 9, 2023, as the successor to Anita Kessel. Andreas Flach joined the Supervisory Board on May 9, 2023, as the successor to Martin Sambeth. As set out in Art. 12 of the Company's Articles of Association, all four receive pro-rata compensation for their activities in fiscal year 2023.

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 2023 or in fiscal year 2022.

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 %) | 2023 vs. 2022 | 2022 vs. 2021 | 2021 vs. 2020 | 2020 vs. 2019 | 2019 vs. 2018 |
|---|---|---|---|---|---|
| **Key earnings figures** | | | | | |
| Group sales | 15 | 31 | 43 | (33) | 3 |
| Group's operating result (EBIT) | 22 | 47 | 197 | (169) | (1) |
| Group's net income | 22 | 54 | 166 | (207) | (13) |
| Net income of HUGO BOSS AG | 54 | 41 | 163 | (191) | (14) |
| **Employee compensation[1]** | | | | | |
| Employees HUGO BOSS Group | (1)[2] | 14[3] | 9 | – | – |
| **Compensation of the Managing Board** | | | | | |
| **Members of the Managing Board as of December 31, 2023** | | | | | |
| Daniel Grieder (Chairman since 06/2021) | (18) | 81 | – | – | – |
| Yves Müller (since 12/2017; Spokesperson of the Managing Board from 07/2020 until 05/2021) | 44 | (1) | 70 | 7 | (27) |
| Oliver Timm (since 01/2021) | (16) | (8) | – | – | – |
| **Former members of the Managing Board** | | | | | |
| Dr. Heiko Schäfer (from 03/2020 until 05/2022) | (49) | (15) | 59 | – | – |
| Ingo Wilts (from 08/2016 until 02/2022) | (13) | 16 | 36 | 1 | (25) |
| Mark Langer (Chairman from 05/2016 until 07/2020, Ordinary member from 01/2010 until 05/2016) | (12) | (12) | 24 | (46) | (27) |
| Bernd Hake (from 03/2016 until 07/2019) | – | – | – | (48) | (81) |
| Christoph Auhagen (from 12/2009 until 04/2016) | – | – | – | – | – |
| Claus-Dietrich Lahrs (Chairman from 08/2008 until 02/2016) | – | – | – | – | – |

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, the Group-wide average compensation of employees on a full-time equivalent basis remained broadly stable in fiscal year 2023, amounting to EUR 52 thousand (2022: EUR 52 thousand), as salary increases were broadly offset by lower bonus payments and currency effects.
3 The increase largely reflected 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.

| (Annual change in %) | 2023 vs. 2022 | 2022 vs. 2021 | 2021 vs. 2020 | 2020 vs. 2019 | 2019 vs. 2018 |
|---|---|---|---|---|---|
| **Compensation of the Supervisory Board** | | | | | |
| **Members of the Supervisory Board as of December 31, 2023** | | | | | |
| Hermann Waldemer (since 05/2015; Chairman since 05/2020) | 0 | 0 | 57 | 47 | (18) |
| Sinan Piskin (since 11/2008; Deputy Chairman since 05/2020) | 0 | 0 | 62 | 37 | (18) |
| Iris Epple-Righi (since 05/2020) | 0 | 0 | 99 | – | – |
| Andreas Flach (since 05/2023) | – | – | – | – | – |
| Katharina Herzog (since 05/2020) | 0 | 0 | 99 | – | – |
| Daniela Liburdi (since 05/2023) | – | – | – | – | – |
| Gaetano Marzotto (since 02/2010) | 0 | 0 | 80 | 81 | (18) |
| Luca Marzotto (since 02/2010) | 0 | 0 | 45 | (7) | (18) |
| Tanja Silvana Nitschke (since 05/2015) | 0 | 0 | 68 | 64 | (18) |
| Christina Rosenberg (since 05/2020) | 0 | 0 | 106 | – | – |
| Bernd Simbeck (since 09/2021) | 0 | 198 | – | – | – |
| Robin J. Stalker (since 05/2020) | 0 | 0 | 96 | – | – |
| **Former members of the Supervisory Board** | | | | | |
| Antonio Simina (until 08/2021, Deputy Chairman until 05/2020) | – | – | (16) | (44) | (22) |
| Anita Kessel (until 05/2023) | (65) | 0 | 49 | (8) | (18) |
| Kirsten Kistermann-Christophe (until 05/2020) | – | – | – | (75) | (18) |
| Fridolin Klumpp (until 05/2020) | – | – | – | (75) | (18) |
| Michel Perraudin (Chairman until 05/2020) | – | – | – | (72) | (15) |
| Axel Salzmann (until 05/2020) | – | – | – | (75) | (18) |
| Martin Sambeth (until 05/2023) | (65) | 0 | 73 | 59 | (18) |

# CEO Investment Opportunity

While the resolution to approve the compensation system for the members of the Managing Board was passed by a large majority at the 2021 Annual General Meeting (approval rate: 93.83%), the 2022 Compensation Report of HUGO BOSS was resolved with a majority of 66.37% at the 2023 Annual General Meeting. The Supervisory and Managing Board attribute this vote primarily to the existence of the CEO Investment Opportunity, an **agreement established between Daniel Grieder and the Marzotto family** prior to Daniel Grieder assuming the role of Chief Executive Officer at HUGO BOSS in June 2021. At the same time, it is neither perceived as a criticism of the main features of the compensation system nor of the format of the compensation report of HUGO BOSS.

In the following section, HUGO BOSS thus provides a detailed explanation of the main features of the CEO Investment Opportunity, which is explicitly not part of the compensation system. In doing so, the Supervisory Board of HUGO BOSS aims to **further enhance transparency and promote a better understanding** of the CEO Investment Opportunity in general, outlining why in its opinion there is no conflict of interest with other shareholders of HUGO BOSS.

### Third-party agreement and thus not part of the compensation system

Prior to Daniel Grieder assuming his duties, the CEO Investment Opportunity was agreed between Daniel Grieder and the Marzotto family, aimed at providing an additional incentive for a substantial and sustainable increase in the share price of HUGO BOSS. As such, the CEO Investment Opportunity represents a **third-party agreement** between Daniel Grieder and the Marzotto family and is thus explicitly **not part of the compensation system** in accordance with Sec. 87a AktG. Therefore, it is also not to be included in the maximum compensation of Daniel Grieder.

### No conflicts of interest existing

The Supervisory Board discussed the CEO Investment Opportunity at a plenary meeting on June 16, 2020, and noted it with approval. In the opinion of the Supervisory Board, there are **no conflicts of interest, particularly in regard to any other shareholder of HUGO BOSS**, 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.

### Sustainable increase in share price required

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.

### Liquidity event not occurred as of December 31, 2023

At the end of fiscal year 2023, the share price of HUGO BOSS amounted to EUR 67.46, up 25% on the previous year. This development is mainly attributable to the strong operational business development in the course of the successful execution of the Company's "CLAIM 5" strategy. Despite the strong business performance, no liquidity event has occurred as of the end of fiscal year 2023, as the share price as of December 31, 2023, was below the minimum share price of EUR 75.10 required to exercise the put option. This illustrates the **ambitious nature of the CEO Investment Opportunity**, requiring a sustainable and successful long-term business development, which in turn should have a long-lasting positive impact on the share price performance of HUGO BOSS. In the opinion of the Supervisory Board, there is still a strong incentive not to exercise the put option immediately even after the minimum share price has been reached, as its fair value will continue to rise with a possible increase in the share price. > Our Share

In summary, the Supervisory Board of HUGO BOSS is convinced that the **CEO Investment Opportunity is in the interest of all shareholders** of HUGO BOSS, as it provides an additional incentive for a consistent, successful, and sustainable implementation of the Company's "CLAIM 5" strategy, thus contributing to long-term business success and a significant increase in the share price as well as shareholder value.

Metzingen, March 6, 2024

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 General 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, 2023 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, 2023, 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 2023 can be found in the annual financial statements of HUGO BOSS AG for fiscal year 2023.

## 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 General 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 General 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 General 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 General 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 is not significantly lower than 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 General 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, 2023

**CONSOLIDATED INCOME STATEMENT** (IN EUR THOUSAND)

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Sales** | (1) | **4,197,459** | **3,651,378** |
| Cost of sales | (1) | (1,616,606) | (1,395,052) |
| **Gross profit** | | **2,580,852** | **2,256,326** |
| In % of sales | | 61.5 | 61.8 |
| Selling and marketing expenses | (2) | (1,744,938) | (1,538,506) |
| Administration expenses | (3) | (425,577) | (382,401) |
| **Operating result (EBIT)** | | **410,337** | **335,419** |
| **Net interest income/expenses** | | **(44,861)** | **(23,879)** |
| Interest and similar income | | 978 | 2,200 |
| Interest and similar expenses | | (45,839) | (26,079) |
| **Other financial items** | | **(8,587)** | **(26,245)** |
| **Financial result** | (4) | **(53,448)** | **(50,123)** |
| **Earnings before taxes** | | **356,889** | **285,295** |
| Income taxes | (5) | (87,099) | (63,438) |
| **Net income** | | **269,790** | **221,858** |
| Attributable to: | | | |
| Equity holders of the parent company | | 258,371 | 209,495 |
| Non-controlling interests | | 11,419 | 12,362 |
| **Earnings per share (EUR)[1]** | (6) | **3.74** | **3.04** |
| **Dividend per share (EUR)[2]** | (16) | **1.35** | **1.00** |

1 Basic and diluted earnings per share.
2 2023: Dividend proposal.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## for the period from January 1 to December 31, 2023

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (IN EUR THOUSAND)

| | 2023 | 2022 |
|---|---|---|
| **Net income** | **269,790** | **221,858** |
| **Items that will not be reclassified to profit or loss** | | |
| Remeasurements of defined benefit plans | (10,772) | 11,571 |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency differences | (5,492) | 14,423 |
| Gains/losses from cash flow hedges | (293) | 3,668 |
| **Other comprehensive income, net of tax** | **(16,557)** | **29,662** |
| **Total comprehensive income** | **253,233** | **251,520** |
| Attributable to: | | |
| Equity holders of the parent company | 242,533 | 238,538 |
| Non-controlling interests | 10,700 | 12,981 |
| **Total comprehensive income** | **253,233** | **251,520** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as of December 31, 2023

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (IN EUR THOUSAND)

| **Assets** | Notes | **2023** | 2022 |
|---|---|---|---|
| Property, plant, and equipment | (8) | 603,533 | 471,182 |
| Intangible assets | (8) | 195,770 | 176,619 |
| Right-of-use assets | (9) | 722,101 | 708,198 |
| Deferred tax assets | (5) | 130,496 | 150,636 |
| Non-current financial assets | (11), (22) | 26,637 | 26,474 |
| Other non-current assets | (11) | 2,057 | 1,706 |
| **Non-current assets** | | **1,680,594** | **1,534,815** |
| Inventories | (12) | 1,066,044 | 973,560 |
| Trade receivables | (13) | 375,620 | 256,430 |
| Current tax receivables | (5) | 23,148 | 23,074 |
| Current financial assets | (11), (22) | 54,132 | 41,341 |
| Other current assets | (11) | 126,867 | 149,980 |
| Cash and cash equivalents | (14) | 118,327 | 147,403 |
| Assets held for sale | | 26,936 | 0 |
| **Current assets** | | **1,791,073** | **1,591,787** |
| **Total** | | **3,471,667** | **3,126,602** |

| **Equity and liabilities** | | | |
|---|---|---|---|
| Subscribed capital | (15) | 70,400 | 70,400 |
| Own shares | (15) | (42,363) | (42,363) |
| Other capital reserve | | 4,107 | 1,582 |
| Retained earnings | | 1,200,765 | 1,022,142 |
| Accumulated other comprehensive income | | 59,753 | 64,820 |
| **Equity attributable to equity holders of the parent company** | | **1,292,663** | **1,116,581** |
| Non-controlling interests | | 18,114 | 18,852 |
| **Group equity** | | **1,310,777** | **1,135,433** |
| Non-current provisions | (17), (18), (19) | 108,801 | 91,895 |
| Non-current financial liabilities | (20), (22) | 316,428 | 88,894 |
| Non-current lease liabilities | (9) | 624,234 | 604,928 |
| Deferred tax liabilities | (5) | 18,969 | 10,337 |
| Other non-current liabilities | (21) | 2,313 | 1,703 |
| **Non-current liabilities** | | **1,070,746** | **797,756** |
| Current provisions | (17) | 92,448 | 122,647 |
| Current financial liabilities | (20), (22) | 23,721 | 32,807 |
| Current lease liabilities | (9) | 169,010 | 199,290 |
| Income tax payables | (5) | 7,214 | 20,407 |
| Trade and other payables | | 571,822 | 617,110 |
| Other current liabilities | (21) | 206,569 | 201,152 |
| Liabilities held for sale | | 19,360 | 0 |
| **Current liabilities** | | **1,090,144** | **1,193,413** |
| **Total** | | **3,471,667** | **3,126,602** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the period from January 1 to December 31, 2023

**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, 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** |
| | | | | | | | | | | |
| **January 1, 2023** | **70,400** | **(42,363)** | **1,582** | **6,641** | **1,015,501** | **64,527** | **293** | **1,116,581** | **18,852** | **1,135,433** |
| Net income | | | | | 258,371 | | | 258,371 | 11,419 | 269,790 |
| Other income | | | | | (10,772) | (4,773) | (293) | (15,838) | (719) | (16,557) |
| **Comprehensive income** | | | | | **247,599** | **(4,773)** | **(293)** | **242,533** | **10,700** | **253,233** |
| Dividend payment | | | | | (69,016) | | | (69,016) | (11,444) | (80,460) |
| Share based payments | | | 2,526 | | | | | 2,526 | | 2,526 |
| Changes in basis of consolidation | | | | | 40 | | | 40 | 5 | 45 |
| **December 31, 2023** | **70,400** | **(42,363)** | **4,107** | **6,641** | **1,194,123** | **59,754** | **0** | **1,292,663** | **18,114** | **1,310,777** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the period from January 1 to December 31, 2023

**CONSOLIDATED STATEMENT OF CASH FLOWS** (IN EUR THOUSAND)

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | (23) | | |
| Net income | | 269,790 | 221,858 |
| Depreciation/amortization | (8) | 341,697 | 345,026 |
| Gain/loss on the monetary positions under IAS 29 | | 1,129 | (730) |
| Unrealized net foreign exchange gain/loss | | 13,132 | 12,930 |
| Other non-cash transactions | | 3,701 | 8,837 |
| Income tax expense/income | (5) | 87,099 | 63,438 |
| Interest expenses/income | (4) | 44,861 | 23,879 |
| Change in inventories | | (99,592) | (361,281) |
| Change in receivables and other assets | | (123,472) | (83,509) |
| Change in trade payables and other liabilities | | (50,964) | 182,074 |
| Result from disposal of non-current assets | | 5,223 | (6,170) |
| Change in provisions for pensions | (19) | (9,770) | (4,543) |
| Change in other provisions | | (18,429) | 30,808 |
| Income taxes paid | | (70,762) | (75,357) |
| **Cash flow from operating activities** | | **393,643** | **357,259** |
| Investments in property, plant, and equipment | (8) | (247,385) | (151,395) |
| Investments in intangible assets | (8) | (50,123) | (38,849) |
| Equity investments | | 0 | (4,430) |
| Cash receipts from sales of property, plant, and equipment and intangible assets | | (1,610) | 186 |
| Interest received | | 1,479 | 2,790 |
| **Cash flow from investing activities** | | **(297,638)** | **(191,698)** |
| Dividends paid to equity holders of the parent company | (16) | (69,016) | (48,311) |
| Dividends paid to non-controlling interests | | (11,444) | (8,436) |
| Proceeds from current financial liabilities | (22) | 2,000 | 0 |
| Repayment of current financial liabilities | (22) | (60,554) | (10,809) |
| Proceeds from non-current financial liabilities | (22) | 279,473 | 0 |
| Repayment of lease liabilities | | (221,577) | (215,888) |
| Interest paid | | (41,327) | (23,856) |
| **Cash flow from financing activities** | | **(122,445)** | **(307,300)** |
| Exchange-rate related changes in cash and cash equivalents | | (2,636) | 4,448 |
| **Change in cash and cash equivalents** | | **(29,076)** | **(137,291)** |
| Cash and cash equivalents at the beginning of the period | | 147,403 | 284,694 |
| **Cash and cash equivalents at the end of the period** | (14) | **118,327** | **147,403** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2023

## General information

HUGO BOSS AG is a publicly listed stock corporation with its registered offices in Holy-Allee 3, 72555 Metzingen, Germany (previously Dieselstrasse 12, 72555 Metzingen, Germany). The Company is registered 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 apparel, shoes, and accessories in the premium segment of the global apparel industry and other lifestyle products.

The consolidated financial statements of HUGO BOSS AG as of December 31, 2023, 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 21, 2024.

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 2023 do not have a material impact on the presentation of the Group's financial position and results of operations. This includes:

- Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendment to IAS 8: Definition of Accounting Estimates
- Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendment to IAS 12: International Tax Reform – Pillar Two Model Rules

- Amendment to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9
- IFRS 17: Insurance Contracts
- Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The following new standards, interpretations and amendments to existing standards, and interpretations issued by the International Accounting Standards Board (IASB), partially endorsed by the EU, and that are effective for fiscal years beginning after January 1, 2024, have not been applied in preparing these consolidated financial statements. These amendments either do not have a material impact on the presentation of the Group's financial position and results of operations or are currently in the process of being reviewed for their application:

- 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 IAS 7 and IFRS 7: Supplier Finance Arrangements (IASB effective date: January 1, 2024)
- Amendment to IAS 21: Lack of Exchangeability (IASB effective date: January 1, 2025)
- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback (IASB effective date: January 1, 2024)

## 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 impact on the Group's net assets, financial position, and results of operations are not included in the consolidated financial statements. The impact is considered immaterial if the aggregated 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 of January 1 to December 31, 2023, the number of consolidated companies totaled 65 and thus remained unchanged from the consolidated financial statements as of December 31, 2022.

HUGO BOSS AG increased its shares and ownership in the company YOURDATA HB DIGITAL CAMPUS, Unipessoal Lda. based in Porto, Portugal to 42% in fiscal year 2023. Based on the agreements, HUGO BOSS AG has a contractual right to acquire the outstanding shares of the company 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 (the call option) is assessed to be nil and there are no financial liabilities to it as of December 31, 2023. During fiscal year 2023, YOURDATA HB DIGITAL CAMPUS was included in the consolidated financial statements for the first time, as HUGO BOSS AG has the decisive voting rights in the company.

In line with the Company's strategic claim "Organize for Growth," HUGO BOSS implemented an organizational change within the Group in fiscal year 2023, merging HUGO BOSS Trade Mark Management GmbH & Co. KG into HUGO BOSS AG.

## 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 are recognized in profit or loss as incurred.

## 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 the 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 changes in general purchasing power retrospectively since January 1, 2022. The financial statements are based on a historical cost approach. All prior-year amounts have been translated into the Group currency (euro) at the closing rate as of December 31, 2021. Pursuant to IAS 21 "The Effects of Changes in Foreign Exchange Rates" paragraph 42, comparative amounts of the previous reporting period have not been restated.

Additionally, in order to reflect the changes in general 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, as well as for monetary items, carried at amounts current at the end of the balance sheet date, such as net realizable value or fair value, as they represent money held, to be received, or to be paid. All items in the statement of profit and loss have to be expressed in terms of the measuring unit applicable at the balance sheet date.

Non-monetary assets that have been restated following IAS 29 are still subject to an impairment assessment in accordance with relevant IFRS.

For translation into the Group currency (euro), all amounts were translated at the closing rate as at December 31, 2023. The application of IAS 29 resulted in a loss on the net monetary position of EUR 1,129 thousand (2022: gain of EUR 730 thousand) in the Group's financial position and result of operations for fiscal year 2023.

The table below details the specific inputs used to apply IAS 29 for fiscal year 2023:

| Input parameters | Turkey |
|---|---|
| Date of IAS 29 initial application | January 1, 2022 |
| Consumer Price Index | Tüketici fiyat endeks rakamları |
| Index at December 31, 2023 | 1,859.38 |
| Index at December 31, 2022 | 1,128.45 |
| Adjustment Factor | 1.6477 |

Furthermore, HUGO BOSS Textile Industry Ltd. in Turkey, comprising the Group's production facility in Izmir, is not affected by IAS 29 as its functional 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 = | **2023** | 2022 | **2023** | 2022 |
| Canada | CAD | 1.4662 | 1.4367 | 1.4642 | 1.4440 |
| China | CNY | 7.7934 | 7.3872 | 7.8509 | 7.3582 |
| Dubai | AED | 4.0075 | 3.8846 | 4.0603 | 3.9307 |
| Great Britain | GBP | 0.8620 | 0.8692 | 0.8691 | 0.8869 |
| Mexico | MXN | 18.7799 | 20.7201 | 18.7231 | 20.8560 |
| Switzerland | CHF | 0.9445 | 0.9863 | 0.9260 | 0.9847 |
| Turkey | TRY | 31.7068 | 19.7164 | 32.5739 | 19.9349 |
| USA | USD | 1.0917 | 1.0582 | 1.1050 | 1.0666 |

# 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. Product 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 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. In line with IAS 20 "Accounting for Government Grants," investment grants received are offset against the acquisition or production costs of the corresponding asset.

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 "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 asset 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 as if no impairment loss had 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. 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.

## 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 HUGO BOSS, 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. |
| **FVTOCI** (Fair value through other comprehensive income) | Financial assets valued at fair value through other comprehensive income. |

Financial assets and financial liabilities are classified into the above categories upon initial recognition, except that no financial liabilities are classified under FVTOCI.

## Financial assets

There are three classification categories for financial assets: debt instruments, equity instruments, and derivatives. For debt instruments, they 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 loss allowances) using the effective-interest rate method. For the reporting period, expected losses from the simplified approach of the expected credit loss model under IFRS 9 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 a loss allowance according to the expected credit loss model under IFRS 9 for all financial instruments that are not classified as FVTPL, and except for trade receivables, which is explained above. 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 by considering reasonable and supportable information available 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, except for equity instruments that do not have to be accounted for at FVTPL but also at FVTOCI. Furthermore, financial assets that are held in a business model, including "hold to collect" or "hold to collect and sell," can be presented at FVTPL. In addition, derivatives including embedded derivatives separated from a 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 on the principal amount outstanding, which are held with the aim of collecting the contractual cash flows, such as trade receivables or cash and cash equivalents (the 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 on financial assets are recognized in the statement of income.

HUGO BOSS recognizes a doubtful debt provision on receivables when a debtor does not settle contractual payments that are more than 90 days overdue. When a doubtful debt provision is recognized, the Group continues to conduct recovery measures to collect the receivables due. In some cases, a financial instrument may, nevertheless, also be treated as being 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 then 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 payables with a supplier are transferred to a financial intermediary, so 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, and on financial liabilities for which the FVTPL option was elected, 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 as 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. Cash flow hedges are utilized to hedge the variability of cash flows to be received or paid from expected transactions or a highly probable forecasted transaction. 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.

## 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 connection with 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.

Equity-settled share-based payments, forming part of the Restricted Stock Units Program for eligible senior management are measured at the fair value of the equity instruments at the grant date. The fair value at the 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 and middle 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.

The share-based program associated with the CEO Investment Opportunity is measured at the fair value of the equity instruments at the grant date.

## 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, such as inflation, global supply chain disruptions, and geopolitical risks, Management monitors the current development closely. In light of the high level of geopolitical and macroeconomic uncertainty, there is a particularly close dialog between the Managing Board, Business Planning and Analysis, the management of the central divisions, and the Group's subsidiaries. Corporate planning is regularly reviewed and updated throughout the year.

In 2023, HUGO BOSS revisited its business model in Russia, including considerations to convert it into a wholesale business. Accordingly, the Company classified the respective assets and liabilities as assets and liabilities held for sale as of March 31, 2023. The asset and liabilities held for sale relate to the EMEA segment. As of December 31, 2023, HUGO BOSS reviewed the subsequent measurements of the assets and liabilities held for sale, resulting in net assets of EUR 7,576 thousand.

Additionally, HUGO BOSS has adopted the following estimates and assumptions:

- Inventories were measured taking into account risk provisions appropriate to the current business environment. In fiscal year 2023, HUGO BOSS considered the adjusted global merchandise logic catering to customer demand in all regions, channels, and brands, and aiming for one aligned global launch of the seasons. With this change, the merchandise model is redefined, which needs to be reflected in the way the Group assesses the recoverability of inventories. As such, HUGO BOSS has implemented a change in the accounting estimate regarding the valuation technique on inventories. The refined estimate takes a seasonal approach, which reflects a better devaluation factor. The carrying amount of inventories as a result of this change is reflected in the statement of financial position and in the income statement.

- 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.

# Notes to the Consolidated Income Statement

## 1 | Sales and cost of sales

### Sales

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Brick-and-mortar retail | 2,261,757 | 2,015,999 |
| Brick-and-mortar wholesale | 1,033,413 | 894,985 |
| Digital | 797,912 | 648,243 |
| Licenses | 104,375 | 92,151 |
| **Total** | **4,197,459** | **3,651,378** |

Further information on sales by region can be found in Note 24 Segment reporting.

### Cost of sales

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Total cost of sales** | **1,616,606** | **1,395,052** |
| Cost of purchase | 1,465,536 | 1,281,714 |
| Thereof cost of materials | 1,391,805 | 1,249,947 |
| Cost of conversion | 151,070 | 113,339 |

Cost of materials, as part of the cost of sales, include inbound freight and duty costs of EUR 258,144 thousand (2022: EUR 324,587 thousand).

## 2 | Selling and marketing expenses

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Expenses for own retail business and sales organization | 1,250,829 | 1,122,823 |
| Thereof brick-and-mortar retail expenses[1] | 870,179 | 806,643 |
| Marketing expenses | 327,724 | 287,817 |
| Thereof expenses | 333,550 | 294,514 |
| Thereof income from re-invoicing of marketing expense | (5,825) | (6,697) |
| Logistic expenses | 166,385 | 127,866 |
| **Total** | **1,744,938** | **1,538,506** |
| Thereof sundry taxes | 4,333 | 3,383 |

1 Restatement of the prior year figure due to a change in cost allocation.

Expenses for the Company's own retail business and the sales 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 reversals of impairment losses on assets amounting to EUR 3,757 thousand (2022 impairment losses: EUR 17,504 thousand). This item also includes losses from derecognition and impairment losses on trade receivables in the amount of EUR 4,985 thousand (2022: EUR 2,315 thousand).

Logistic expenses mainly include personnel expenses for warehouse logistics, expenses for a full-service agreement with an external provider, and right-of-use depreciation of lease objects.

## 3 | Administration expenses

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **General administrative expenses** | **336,298** | **301,718** |
| **Research and development expenses** | **89,279** | **80,683** |
| Thereof personnel expenses | 63,022 | 57,028 |
| Thereof depreciation and amortization | 3,235 | 2,707 |
| Thereof other operating expenses | 23,022 | 20,948 |
| **Total** | **425,577** | **382,401** |
| Thereof sundry taxes | 3,664 | 5,084 |

Administration expenses mainly comprise personnel expenses of the respective departments, maintenance costs, IT operating expenses, legal and consulting fees as well as depreciation and amortization of non-current assets.

Research and development expenses primarily relate to the collection development.

Administration expenses include other income of EUR 18,915 thousand (2022: EUR 15,526 thousand). This includes reversal of provisions amounting to EUR 6,848 thousand (2022: EUR 3,656 thousand). Furthermore, government grants of EUR 191 thousand for 2023 were received and recognized in profit or loss (2022: EUR 3,221 thousand).

## 4 | Financial result

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Interest and similar income | 978 | 2,200 |
| Interest and similar expenses | (45,839) | (26,079) |
| **Net interest income/expenses** | **(44,861)** | **(23,879)** |
| Exchange rate gains/losses from receivables and liabilities | (3,572) | (8,141) |
| Gains/losses from hedging transactions | (3,061) | (17,401) |
| Other financial expenses/income | (1,954) | (703) |
| **Other financial items** | **(8,587)** | **(26,245)** |
| **Financial result** | **(53,448)** | **(50,123)** |

Interest income includes income from bank deposits amounting to EUR 896 thousand (2022: EUR 1,750 thousand) and other interest income of EUR 82 thousand (2022: EUR 450 thousand).

Interest expenses include expenses from financial liabilities in the amount of EUR 13,594 thousand (2022: EUR 5,883 thousand) and other interest expenses in the amount of EUR 32,245 thousand (2022: EUR 20,196 thousand). These items mainly comprise interest expenses from lease payments of EUR 29,861 thousand (2022: EUR 17,973 thousand), discounted at the incremental borrowing rate. 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 2,385 thousand (2022: EUR 2,223 thousand).

Exchange rate gains and losses from receivables and liabilities comprise exchange rate gains of EUR 80,847 thousand (2022: EUR 72,233 thousand) as well as exchange rate losses of EUR 84,419 thousand (2022: EUR 80,374 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)

| | 2023 | 2022 |
|---|---|---|
| Current taxes | 60,225 | 61,148 |
| Deferred taxes | 26,874 | 2,290 |
| **Total** | **87,099** | **63,438** |

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 amounts to 29.5% (2022: 29.5%). The tax rates abroad range between 0% and 34%.

Current income taxes for fiscal year 2023 include non-current expenses of EUR 3,141 thousand (2022: EUR 1,182 thousand), non-current benefits of EUR 8,807 thousand (2022: EUR 8,443 thousand), and deductible withholding taxes of EUR 1,016 thousand (2022: EUR 3,944 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% (2022: 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% (2022: 15.8%) and a trade tax rate of 13.7% (2022: 13.7%).

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Earnings before taxes** | **356,889** | **285,295** |
| Anticipated income tax | 105,431 | 84,305 |
| Tax effect of permanent items | 219 | 4,827 |
| Tax rate-related deviation | (14,634) | (15,275) |
| Thereof effects of changes in tax rates | (176) | 1 |
| Thereof adjustment of tax amount to diverging local tax rate | (14,458) | (15,276) |
| Tax refund/tax arrears from prior years | (6,682) | (3,317) |
| Deferred tax effects from prior years | 3,707 | (485) |
| Valuation allowance on deferred tax assets | (1,887) | (2,535) |
| Tax effects from distributable profit of subsidiaries | 0 | (2,610) |
| Other deviations | 945 | (1,472) |
| **Income tax expenditure reported** | **87,099** | **63,438** |
| Income tax burden | 24% | 22% |

The tax effect of permanent items relates to a reduction in the income tax burden for tax-free income of EUR 3,270 thousand (2022: EUR 1,058 thousand), offset by tax effects of non-deductible business expenses of EUR 3,489 thousand (2022: EUR 5,885 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 2023, revaluations were recognized for deferred tax assets expected to be realized in the foreseeable future, resulting in a tax benefit of EUR 1,887 thousand (2022: tax benefit of EUR 2,535 thousand).

Other comprehensive income includes deferred tax income of EUR 1,155 thousand (2022: EUR 5,976 thousand expense). As in the prior year, deferred tax income in fiscal year 2023 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)

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Deferred tax assets** | **Deferred tax liabilities** | Deferred tax assets | Deferred tax liabilities |
| Provisions and other liabilities | 30,430 | (4,336) | 29,285 | (3,954) |
| Unused tax losses | 20,945 | 0 | 27,064 | 0 |
| Inventory measurement | 60,201 | (3,266) | 55,312 | (2,935) |
| Recognition and measurement of non-current assets | 32,353 | (46,559) | 42,314 | (33,760) |
| Receivables measurement | 4,393 | (114) | 5,770 | (161) |
| Financial liabilities and financial assets | 14,825 | (756) | 17,011 | (523) |
| Retained earnings of subsidiaries | 0 | (1,115) | 0 | (1,115) |
| Other differences in recognition and measurement | 8,023 | (3,497) | 12,256 | (6,265) |
| **Net amount** | **171,170** | **(59,643)** | **189,012** | **(48,713)** |
| Netting | (40,674) | 40,674 | (38,376) | 38,376 |
| **Total** | **130,496** | **(18,969)** | **150,636** | **(10,337)** |

Of the deferred tax assets, EUR 57,607 thousand (2022: EUR 73,177 thousand) are non-current; at the same time EUR 49,106 thousand (2022: EUR 39,133 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 169,873 thousand (2022: EUR 168,855 thousand) and the deferred tax liability on right-of-use assets is EUR 152,439 thousand (2022: EUR 147,163 thousand), resulting in a net deferred tax asset of EUR 17,434 thousand (2022: EUR 21,692 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 (2022: EUR 865 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 (2022: EUR 250 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 658,365 thousand (2022: EUR 352,423 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 23,333 thousand (2022: EUR 38,702 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 are broken down as follows:

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Expiry within | | |
| 1 year | 175 | 2,838 |
| 2 years | 9 | 121 |
| 3 years | 274 | 2,413 |
| 4 years | 5,756 | 2,427 |
| 5 years | 13,933 | 25,117 |
| After 5 years | 4,503 | 6,673 |
| Unlimited carryforward | 108,911 | 136,148 |
| **Total** | **133,561** | **175,737** |

As in prior years, a corresponding deferred tax asset of EUR 20,945 thousand was recognized on unused tax losses as of December 31, 2023 (2022: EUR 27,064 thousand). In fiscal year 2023, no deferred taxes were recognized for losses carried forward of EUR 49,468 thousand (2022: EUR 64,465 thousand).

The expiration date of these losses is classified as follows:

(in EUR thousand)

| | fiscal year | prior year |
|---|---|---|
| Expiration date | | |
| 2024 | 0 | 2,766 |
| 2025 | 9 | 0 |
| 2026 | 9 | 898 |
| 2027 | 9 | 0 |
| 2028 | 8 | 0 |
| After 5 years | 2,783 | 4,735 |
| Unlimited carryforward | 46,650 | 56,066 |
| **Total** | **49,468** | **64,465** |

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 four 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.

In 2023, an external tax audit has been initiated at HUGO BOSS AG for the 2016-2020 assessment periods. Based on the information available to date, the Company has identified possible tax risks and recognized corresponding provisions.

HUGO BOSS has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

In December 2023, the government of Germany, where HUGO BOSS AG, the parent company, is incorporated, enacted the Pillar Two income taxes legislation effective from January 1, 2024. Under the legislation, the parent company will be required to pay, in Germany, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%.

The effects of the Pillar Two legislation are currently being analyzed internally. Based on the preliminary data of the country-by-country report for fiscal year 2023, the transitional CbCR Safe Harbour rules were initially adopted. As a result, the main jurisdictions in which exposures to this tax may exist include Switzerland and the United Arab Emirates. The data used to determine the potential exposure is not entirely representative of the actual information that will be available for fiscal year 2024. As of December 31, 2023, approximately 21% of the HUGO BOSS Group's pre-tax profit may be subject to the top-up tax, which is currently taxed at the average effective tax rate applicable to those profits of 12%. Only certain adjustments were made in the calculation of this disclosure that would have been required applying the legislation, namely the elimination of dividends, the recast of deferred taxes at the minimum tax rate, as well as the allocation of covered taxes in relation to permanent establishments.

Due to the complexity of the application of the legislation and the calculation rules, the quantitative impact of the Global Minimum Tax cannot yet be reliably estimated. As not all adjustments that would have been required under the legislation have been made, the actual impact that the Pillar Two income taxes legislation would have had on the Group's results if it had been in effect for the fiscal year ending December 31, 2023 may have been significantly different. In addition, it is assumed that the currently planned Qualified Domestic Minimum Top-up Taxes will be introduced accordingly.

Since the Pillar Two regulations will be applied for the first time in fiscal year 2024, HUGO BOSS is currently not subject to any tax burden in this regard. HUGO BOSS continues to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

## 6 | Earnings per share

There were no shares outstanding that could have diluted earnings per share as of December 31, 2023, or December 31, 2022.

(in EUR thousand)

| | **2023** | 2022 |
|---|---|---|
| Net income attributable to equity holders of the parent company | 258,371 | 209,495 |
| Average number of shares outstanding[1] | 69,016,167 | 69,016,167 |
| Earnings per share (EPS) in EUR[2] | 3.74 | 3.04 |

1 Excluding own shares.
2 Basic and diluted earnings per share.

## 7 | Additional disclosures to the consolidated income statement

### Personnel expenses

(in EUR thousand)

| | **2023** | 2022 |
|---|---|---|
| Cost of sales | 118,757 | 89,530 |
| Selling and marketing expenses | 548,001 | 470,985 |
| Administration expenses | 251,388 | 233,100 |
| **Total** | **918,146** | **793,615** |

(in EUR thousand)

| | **2023** | 2022 |
|---|---|---|
| Wages and salaries | 789,186 | 679,781 |
| Social security | 129,743 | 110,272 |
| Expenses and income for retirement and other employee benefits | (783) | 3,563 |
| **Total** | **918,146** | **793,615** |

### Employees

The average headcount for the year was as follows:

| | **2023** | 2022 |
|---|---|---|
| Industrial employees | 6,249 | 5,228 |
| Commercial and administrative employees | 14,493 | 12,572 |
| **Total** | **20,742** | **17,800** |

## Ordinary depreciation

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Cost of sales | 6,282 | 5,407 |
| Selling and marketing expenses | 293,743 | 280,591 |
| Administration expenses | 45,429 | 41,523 |
| **Total** | **345,454** | **327,522** |

## Impairments/write-ups

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Brick-and-mortar retail | (4,996) | (14,005) |
| Intangible assets incl. goodwill | 0 | 224 |
| Right-of-use assets | 8,753 | (3,724) |
| **Total** | **3,757** | **(17,504)** |

*Impairment losses are shown negative (-); Reversals on Impairments losses are shown positive (+)

# Notes to the Consolidated Statement of Financial Position

## 8 | Intangible assets and property, plant, and equipment

(in EUR thousand)

| 2023 | Gross value Jan. 1 | Currency differences | Additions | Disposals | Transfers | Gross value Dec. 31 | Accumulated amortization, depreciation and impairment Jan. 1 | Currency differences | Depreciation | Impairment | Write-up | Disposals | Transfers | Accumulated amortization, depreciation and impairment Dec. 31 | Net value Dec. 31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Software, licenses and other rights | **315,556** | (976) | 50,123 | (2,467) | 5 | **362,241** | **210,503** | (860) | 29,014 | 0 | 0 | (2,442) | 0 | **236,215** | **126,026** |
| Brand rights | **14,992** | 0 | 0 | 0 | 0 | **14,992** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **14,992** |
| Goodwill | **66,667** | (1,901) | 0 | 0 | 0 | **64,766** | **10,093** | (79) | 0 | 0 | 0 | 0 | 0 | **10,014** | **54,752** |
| **Intangible assets** | **397,215** | **(2,877)** | **50,123** | **(2,467)** | **5** | **441,999** | **220,596** | **(939)** | **29,014** | **0** | **0** | **(2,442)** | **0** | **246,229** | **195,770** |
| | | | | | | | | | | | | | | | |
| Lands and buildings | **299,479** | 2,463 | 5,891 | (1,866) | 9,268 | **315,235** | **113,825** | 1,768 | 10,596 | 0 | 0 | (1,866) | 3,604 | **127,927** | **187,308** |
| Technical equipment and machinery | **124,739** | 366 | 4,623 | (391) | 124 | **129,461** | **83,721** | 341 | 7,431 | 0 | 0 | (363) | (6) | **91,124** | **38,337** |
| Other equipment, operating and office equipment | **974,500** | (14,595) | 186,936 | (90,742) | 1,372 | **1,057,471** | **757,116** | (12,448) | 88,624 | 12,242 | (7,246) | (90,064) | (9,206) | **739,018** | **318,453** |
| Construction in progress | **27,125** | (416) | 50,760 | (320) | (17,715) | **59,434** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **59,434** |
| **Property, plant, and equipment** | **1,425,843** | **(12,182)** | **248,210** | **(93,319)** | **(6,951)** | **1,561,601** | **954,661** | **(10,339)** | **106,651** | **12,242** | **(7,246)** | **(92,293)** | **(5,608)** | **958,068** | **603,533** |
| **Total** | **1,823,058** | **(15,059)** | **298,333** | **(95,786)** | **(6,946)** | **2,003,600** | **1,175,257** | **(11,278)** | **135,665** | **12,242** | **(7,246)** | **(94,735)** | **(5,608)** | **1,204,297** | **799,302** |

| 2022 | Gross value Jan. 1 | Currency differences | Additions | Disposals | Transfers | Gross value Dec. 31 | Accumulated amortization, depreciation and impairment Jan. 1 | 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** | 515 | 38,850 | (6,582) | (753) | **315,556** | **190,843** | 441 | 25,908 | 0 | (224) | (6,134) | (331) | **210,503** | **105,053** |
| Brand rights | **14,992** | 0 | 0 | 0 | 0 | **14,992** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **14,992** |
| Goodwill | **66,034** | 633 | 0 | 0 | 0 | **66,667** | **10,077** | 16 | 0 | 0 | 0 | 0 | 0 | **10,093** | **56,574** |
| **Intangible assets** | **364,552** | **1,148** | **38,850** | **(6,582)** | **(753)** | **397,215** | **200,920** | **457** | **25,908** | **0** | **(224)** | **(6,134)** | **(331)** | **220,596** | **176,619** |
| | | | | | | | | | | | | | | | |
| Lands and buildings | **293,747** | 499 | 3,721 | (1,752) | 3,264 | **299,479** | **105,919** | 225 | 9,793 | 118 | (479) | (1,751) | 0 | **113,825** | **185,654** |
| Technical equipment and machinery | **121,108** | 204 | 5,862 | (2,842) | 407 | **124,739** | **78,975** | 194 | 7,312 | 0 | 0 | (2,760) | 0 | **83,721** | **41,018** |
| Other equipment, operating and office equipment | **892,415** | 11,256 | 124,711 | (55,396) | 1,514 | **974,500** | **717,046** | 10,426 | 71,693 | 28,492 | (14,125) | (54,783) | (1,633) | **757,116** | **217,384** |
| Construction in progress | **12,644** | (110) | 18,492 | (7) | (3,894) | **27,125** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **27,125** |
| **Property, plant, and equipment** | **1,319,913** | **11,849** | **152,786** | **(59,997)** | **1,291** | **1,425,843** | **901,940** | **10,845** | **88,798** | **28,610** | **(14,605)** | **(59,294)** | **(1,633)** | **954,661** | **471,182** |
| **Total** | **1,684,465** | **12,997** | **191,636** | **(66,579)** | **538** | **1,823,058** | **1,102,860** | **11,302** | **114,706** | **28,610** | **(14,829)** | **(65,428)** | **(1,964)** | **1,175,257** | **647,801** |

### 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.

The intangible assets mainly relate to software for the Group-wide ERP system in industry solutions SAP AFS and SAP Retail and necessary software solutions for the operational business. The additions of EUR 50,123 thousand (2022: EUR 38,850 thousand) essentially arose from investments in the conversion of the Group-wide ERP system to SAP S/4HANA and software for the future expansion of online trading. In addition, the useful life of ERP software programmes was extended by two years due to longer life cycles.

### Brand rights

The reported brand rights amounting to EUR 14,992 thousand (2022: 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 27,766 thousand (2022: EUR 90,089 thousand).

Impairment losses of EUR 12,242 thousand (2022: EUR 28,610 thousand) and write-ups of EUR 7,246 thousand (2022: EUR 14,605 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 33,497 thousand (2022: EUR 2,296 thousand). Of this amount, EUR 32,831 thousand (2022: EUR 2,228 thousand) is attributable to property, plant, and equipment and EUR 666 thousand to intangible assets (2022: EUR 68 thousand). The obligations as of December 31, 2023 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, 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, 2023, 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, 2023, as follows:

(in EUR thousand)

| | Stores | Warehouse | Offices and others | **Total** |
|---|---|---|---|---|
| **Carrying amount as of January 1, 2023** | **591,667** | **39,645** | **76,886** | **708,198** |
| Changes in the basis of consolidation | 0 | 0 | 0 | 0 |
| Additions | 226,245 | 7,603 | 5,582 | 239,430 |
| Depreciation | (181,957) | (10,896) | (16,935) | (209,788) |
| Impairment | (1,452) | 0 | 0 | (1,452) |
| Write-up | 10,205 | 0 | 0 | 10,205 |
| Disposal | (2,859) | (57) | (132) | (3,048) |
| Transfers | (15,352) | 0 | 0 | (15,352) |
| FX differences | (5,090) | (341) | (661) | (6,092) |
| **Carrying amount as of December 31, 2023** | **621,407** | **35,954** | **64,740** | **722,101** |
| **Carrying amount as of January 1, 2022** | **583,868** | **39,894** | **71,330** | **695,092** |
| Changes in consolidated group | 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** |

## Maturity analysis of lease liabilities

The following table shows the breakdown of lease liabilities according to their maturities:

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Due within one year | 195,053 | 215,247 |
| Due between one and five years | 499,731 | 482,253 |
| Due after five years | 193,270 | 165,061 |
| **Total (undiscounted)** | **888,055** | **862,561** |
| Interests | (94,810) | (58,343) |
| **Total** | **793,245** | **804,218** |

## Leases in the income statement

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **IFRS 16 relevant expenses** | **(227,575)** | **(230,217)** |
| Depreciation right-of-use assets | (209,789) | (212,815) |
| Impairment/write ups of right-of-use assets | 8,753 | (3,724) |
| Net income from disposal of right-of-use assets | 6,486 | 5,207 |
| Interest expenses for lease liabilities | (29,861) | (17,973) |
| Income/expenses from foreign exchange differences on lease liabilities | (3,165) | (912) |
| **Non-IFRS 16 relevant expenses** | **(292,454)** | **(250,548)** |
| Expenses from variable lease payments | (192,213) | (174,737) |
| Expenses for short-term leases | (13,356) | (5,102) |
| Expenses for leases of low-value assets | (5,488) | (4,725) |
| Income from subleases | 42 | 505 |
| Lease expenses for software | (34,534) | (23,481) |
| Other expenses (service costs) | (46,905) | (43,008) |
| **Total expenses from lease agreements** | **(520,029)** | **(480,765)** |

Cash outflows from lease liabilities amounted to EUR 543,892 thousand in 2023 (2022: EUR 484,408 thousand), of which EUR 221,577 thousand relates to the repayment of lease liabilities (2022: EUR 215,888 thousand).

As of the reporting date, there was also EUR 1,000 thousand accrued rent payments (2022: EUR 2,424 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 2024 | Due 2025–2028 | Due after 2028 | Total |
|---|---|---|---|---|
| Variable lease payments | 223,332 | 962,368 | 800,244 | 1,985,944 |
| Payments from uncertain termination options | 1,561 | 18,511 | 13,751 | 33,823 |
| Payments from uncertain extension options | 7,586 | 154,243 | 139,109 | 300,938 |
| **Total lease payments** | **232,479** | **1,135,122** | **953,104** | **2,320,705** |

In addition, payments from short-term leases, leases for software, and for low-value assets are expected, al-though 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 2024 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, 2023, 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.

### Ordinary 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 in a 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 the 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 9.2% and 35.5% (2022: between 8.8% and 33.3%). A maturity-equivalent risk-free interest rate of 2.5% (2022: –2.0%) and a market risk premium of 6.5% (2022: 7.0%) were applied. The calculated pre-tax interest rates are between 12.6% and 48.9% (2022: 10.0% and 43.7%). 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 in the current fiscal year resulted in gross impairment losses on non-current assets of EUR 13,694 thousand (2022: EUR 42,043 thousand), which were recognized in profit or loss under selling and marketing expenses. Of this amount, EUR 12,242 thousand related to property, plant, and equipment and EUR 1,452 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 an extent that a reversal was necessary. Reversal of impairment losses amounting to EUR 17,451 thousand (2022: EUR 24,538 thousand) were recognized in selling and marketing expenses for the fiscal year 2023. Of this amount, EUR 7,246 thousand related to property, plant, and equipment and EUR 10,205 thousand to right-of-use assets. The impairment reversals are attributable to all regions.

Overall, this related to net reversal of impairment losses of EUR 3,757 thousand in fiscal year 2023 (2022: net impairment losses EUR 17,504 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. Years 1–4 from the approved medium-term planning of the respective subsidiary are used for the valuation model, possibly adjusted for future expansion investments such as new store openings. In year 5 and for the terminal value, the sales and cost trends are extrapolated using country-specific growth rates based on year 4. The nominal GDP growth for the respective country from Oxford Economics is used for the extrapolation. The planning of capital expenditure 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 is determined using a WACC model for HUGO BOSS, 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, 2023 is based on a risk-free interest rate of 2.5% (2022: 2.0%) and a market risk premium of 6.5% (2022: 7.0%).

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 |
| **2023** | | | | |
| Sales unit France | 1,759 | 0 | 11.5% | 2.0% |
| Sales unit Italy | 399 | 1,377 | 13.8% | 2.0% |
| Sales unit UK | 3,205 | 0 | 11.5% | 2.0% |
| Sales unit Dubai | 11,263 | 0 | 11.2% | 2.0% |
| Sales unit Mainland China | 8,925 | 0 | 12.8% | 2.3% |
| Sales unit Macau (China) | 6,452 | 0 | 12.7% | 1.9% |
| Sales unit South Korea | 6,586 | 0 | 11.5% | 2.0% |
| Sales unit Thailand | 1,674 | 0 | 12.2% | 1.9% |
| Sales unit USA & Canada | 3,204 | 13,615 | 11.9% | 2.0% |
| Other sales & corporate units | 11,284 | | | |
| **Total** | **54,752** | **14,992** | **11.2%–13.8%** | **1.9%–2.3%** |

(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%** |

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 2023 as well as in the prior period.

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 2023 and 2022, 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/net income
- 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, in the detailed planning phase from 2025 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, 2023, 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 a deceleration (adjustment of −5%) of the Group's sales performance in fiscal year 2023 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 2,117 thousand. A slowdown/decrease in growth rates of 5% would result in additional impairments of EUR 2,865 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 rent level by 5%, an additional impairment loss on right-of-use amounting to EUR 1,691 thousand would be recognized. In the event of a 5% increase in the market rent level, a reversal of impairment losses on right-of-use assets of EUR 22 thousand would be recognized.

In order to review the determined values in use of goodwill, Management of HUGO BOSS considers a deceleration of the sales performance in 2024 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 slowdown 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 was to increase 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 2024 was to decrease by 10%, the values in use of all goodwill would exceed the respective carrying amounts.

If the growth rate of sales was 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)

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | | **Thereof current** | **Thereof non-current** | | Thereof current | Thereof non-current |
| Financial assets | 80,769 | 54,132 | 26,637 | 67,814 | 41,341 | 26,474 |
| Thereof equity investments | 4,430 | 0 | 4,430 | 4,430 | 0 | 4,430 |
| Tax refund claims and prepayments | 33,293 | 33,293 | 0 | 44,534 | 44,534 | 0 |
| Other assets | 95,632 | 93,575 | 2,057 | 107,151 | 105,445 | 1,706 |
| **Total** | **209,693** | **180,999** | **28,694** | **219,499** | **191,320** | **28,180** |

Financial assets include positive market values of currency hedges amounting to EUR 177 thousand (2022: EUR 622 thousand) as well as rent deposits for the Group's own retail stores of EUR 15,649 thousand (2022: EUR 14,479 thousand). Financial assets also include receivables from credit card companies amounting to EUR 46,871 thousand (2022: EUR 32,827 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 37,087 thousand (2022: EUR 43,355 thousand), reimbursement claims from returns in the amount of EUR 26,385 thousand (2022: EUR 27,824 thousand), and receivables from supplier arrangements in the amount of EUR 1,296 thousand (2022: EUR 1,304 thousand).

In fiscal year 2023, HUGO BOSS continued its long-term strategic partnership with HeiQ AeoniQ LLC, a fully owned subsidiary of Swiss innovator HeiQ Plc, with an equity investment of EUR 4,430 thousand made in fiscal year 2022.

## 12 | Inventories

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Finished goods and merchandise | 993,776 | 893,489 |
| Raw materials and supplies | 62,896 | 70,411 |
| Work in progress | 9,372 | 9,659 |
| **Total** | **1,066,044** | **973,560** |

The carrying amount of inventories recorded at net realizable value is EUR 191,624 thousand (2022: EUR 179,525 thousand, with the prior-year figure restated to include all types of inventories, not only finished goods). The impairment reversals on inventories resulted in net income of EUR 35,970 thousand due to an improved inventory aging structure (2022: EUR 4,268 thousand). This is included in the cost of sales.

## 13 | Trade receivables

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Trade receivables, gross** | **393,215** | **272,658** |
| Accumulated allowance | (17,595) | (16,228) |
| **Trade receivables, net** | **375,620** | **256,430** |

As at December 31, 2023, the aging analysis of trade receivables is as follows:

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Trade receivables, net** | **375,620** | **256,430** |
| **Thereof: not overdue** | **313,560** | **202,353** |
| **Thereof: overdue** | **51,271** | **47,987** |
| ≤30 days | 31,933 | 35,231 |
| 31 to 60 days | 15,046 | 8,079 |
| 61 to 90 days | 4,292 | 4,677 |
| 91 to 120 days | 0 | 0 |
| 121 to 180 days | 0 | 0 |
| 181 to 360 days | 0 | 0 |
| >360 days | 0 | 0 |
| **Thereof: impaired** | **10,788** | **6,090** |

Trade receivables are non-interest-bearing and are generally due between 30 and 90 days. The change of allowances for doubtful accounts has developed as follows:

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Allowances for doubtful accounts as of January 1** | **16,228** | **15,762** |
| Additions | 9,388 | 6,609 |
| Use | (2,480) | (432) |
| Release | (5,174) | (5,764) |
| Currency differences | (367) | 54 |
| **Allowances for doubtful accounts as of December 31** | **17,595** | **16,228** |

In fiscal year 2023, an expected credit loss was recognized. In accordance with IFRS 9, this amounted to EUR 3,913 thousand as at December 31, 2023 (2022: EUR 3,195 thousand). For this purpose, trade receivables that are not due of EUR 233,014 thousand (2022: 150,550) 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 evaluated on a case-to-case basis and impaired to the expected receivables recovery amount.

As of December 31, 2023, receivables written off in the amount of EUR 2,802 thousand (2022: EUR 2,509 thousand) were still subject to recovery measures.

The maximum credit risk from trade receivables corresponding to their gross value is EUR 393,215 thousand (2022: EUR 272,658 thousand) as of the reporting date.

## 14 | Cash and cash equivalents

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Balances with banks and other cash items | 102,594 | 134,458 |
| Cheques | 2,744 | 2,132 |
| Cash on hand | 12,989 | 10,812 |
| **Total** | **118,327** | **147,403** |

## 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, 2023 and consists of 70,400,000 no-par value registered ordinary shares. The arithmetical value per share is EUR 1.00.

### Authorized capital

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 fulfill 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 2023.

**Capital management**

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 of being able to safeguard the liquidity of HUGO BOSS at all times and facilitate long-term growth. 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. In order to maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, repay capital to shareholders, or issue new shares. 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 (2023: 36%). 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. Both extension options have 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, 2023, financial leverage totaled 1.3, thus well below the maximum permissible level (December 31, 2022: 1.1). The syndicated loan is based on variable interest rates with applicable credit margins, depending on the external credit rating and the fulfillment of defined ESG criteria. At the end of fiscal year 2023, the utilization of the revolving credit facility totaled EUR 92,393 thousand of which EUR 9,263 thousand was used to issue bank guarantees (December 31, 2022: revolving credit facility EUR 81,886 thousand of which EUR 21,874 thousand was used to issue bank guarantees).

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Liabilities due to banks incl. lease liabilities | 1,124,122 | 914,097 |
| Cash and cash equivalents | (118,327) | (147,403) |
| **Net financial liabilities** | **1,005,795** | **766,694** |
| **Operating profit before depreciation and amortization (EBITDA)** | **752,034** | **680,444** |
| **Total leverage** | **1.34** | **1.13** |

### Own shares

The number of own shares amounts to 1,383,833 (2022: 1,383,833). The overall percentage amounts to 2.0% of subscribed capital (2022: 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 2023, the very solid financial position, and management's confidence in the Company's long-term growth opportunities, the Managing Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 14, 2024, a dividend of EUR 1.35 per share for fiscal year 2023, corresponding to an increase of 35% year over year (2022: EUR 1.00). Thereby, the increase in dividend is higher than the increase in net income of 23%. The proposal is equivalent to a payout ratio of 36% of the Group's net income attributable to shareholders in fiscal year 2023, in line with the Company's mid-term target payout ratio of between 30% and 50%. Assuming that the shareholders approve the proposal, the dividend will be paid out on May 17, 2024. Based on the number of shares outstanding at the end of the year, the amount distributed will total EUR 93,172 thousand (2022: EUR 69,016 thousand).

In 2023, a dividend of EUR 69,016 thousand was paid out for the shares outstanding for fiscal year 2022 (in 2022 for 2021: EUR 48,311 thousand). This corresponds to EUR 1.00 per share for 2022 (2021: EUR 0.70 per share).

## 17 | Provisions

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Provisions for pensions | 33,142 | 27,738 |
| Other non-current provisions | 75,659 | 64,157 |
| **Non-current provisions** | **108,801** | **91,895** |
| **Current provisions** | **92,448** | **122,647** |
| **Total** | **201,249** | **214,542** |

Other provisions of EUR 168,107 thousand (2022: EUR 186,804 thousand) comprise current provisions of EUR 92,448 thousand (2022: EUR 122,647 thousand) and other non-current provisions of EUR 75,659 thousand (2022: EUR 64,157 thousand). These mainly include non-current provisions for personnel expenses in connection with the long-term incentive program (LTI), and further explanations regarding LTI are provided in Note 18 Share-based payment. The risk-free interest rates used to discount other non-current provisions range between 0.1% and 5.3% (2022: between 0.3% and 4.5%) depending on the term and currency in question. In fiscal year 2023, other provisions developed as follows:

(in EUR thousand)

| | Balance on Jan. 1, 2023 | Changes in currency and the consolidated group | Compounding | Addition | Use | Release | Balance on Dec. 31, 2023 |
|---|---|---|---|---|---|---|---|
| Provisions for personnel expenses | 115,190 | (189) | 363 | 77,816 | (75,210) | (7,093) | 110,877 |
| Provisions for deconstruction obligations | 25,881 | (327) | 147 | 6,291 | (3,516) | (1,349) | 27,126 |
| Costs of litigation, pending legal disputes | 12,349 | (277) | 0 | 3,243 | (4,094) | (2,838) | 8,383 |
| Provisions for restructuring | 4,913 | (122) | 0 | 437 | (3,340) | (1,080) | 808 |
| Other provisions | 28,471 | (8) | 0 | 3,738 | (8,746) | (2,542) | 20,913 |
| **Total** | **186,804** | **(923)** | **510** | **91,525** | **(94,906)** | **(14,902)** | **168,107** |

## 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 47,683 thousand (2022: EUR 39,049 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 rights. 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 is granted options to purchase ordinary shares of HUGO BOSS in fiscal year 2022. 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 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, 2023 is 159,890 (2022: 153,500). The aggregate of the estimated fair values of the options granted totals EUR 7,567 thousand (2022: EUR 7,264 thousand). The following inputs for the binomial model were made on July 1, 2022:

| | 2023 |
|---|---|
| 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, the fair values are reviewed.

The Group recognized total personnel expenses of EUR 2,526 thousand (2022: EUR 1,182 thousand) related to equity-settled share-based payment transactions in 2023.

## Cash-settled share-based payment

A large part of the long-term provisions for personnel expenses consists of the Long-Term Incentive Program (LTI), as 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 and middle management staff of HUGO BOSS. As of December 31, 2023, there are four tranches in the LTI:

- 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)
- 2023–2026 LTI tranche (issued on January 1, 2023)

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 for the last three months prior to the date of granting the initial grant.

The number of virtual shares issued as of December 31, 2023, and the remaining terms of each plan are as follows:

| LTI tranche | Number of virtual shares (Initial Grant) | Remaining terms |
|---|---|---|
| 2020–2023 | 157,391 | 0 years |
| 2021–2024 | 391,917 | 1 year |
| 2022–2025 | 221,463 | 2 years |
| 2023–2026 | 263,619 | 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 Corporate Sustainability Assessment (CSA)/ Dow Jones Sustainability Index (DJSI)

(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 2023, 2024, 2025, and 2026, respectively. Accordingly, the LTI tranche 2020–2023 will be paid out in fiscal year 2024.

The Long-Term Incentive Program is to be classified as a share-based cash-settled compensation and is therefore accounted for pursuant to the standards of IFRS 2. The expected entitlement of a 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 four plans as of December 31, 2023, as compared to the previous year, are as follows:

| LTI tranche | Fair values per share option 2023 | Fair values per share option 2022 |
|---|---|---|
| 2020–2023 | EUR 97.38 | EUR 75.99 |
| 2021–2024 | EUR 59.34 | EUR 53.53 |
| 2022–2025 | EUR 91.16 | EUR 65.98 |
| 2023–2026 | EUR 73.86 | n.a. |

The fair value measurement for the respective plans is based on the following parameters:

| | 2023 | 2022 |
|---|---|---|
| HUGO BOSS share price at reporting date in EUR | 67.46 | 54.16 |
| Expected dividend return in % | 2.00 | 2.00 |
| Expected volatility in % | 37.02 | 38.06 |
| Risk free interest rate in % (LTI tranche 2020-2023) | n.a. | 2.23 |
| Risk free interest rate in % (LTI tranche 2021–2024) | 3.04 | 2.38 |
| Risk free interest rate in % (LTI tranche 2022–2025) | 2.42 | 2.34 |
| Risk free interest rate in % (LTI tranche 2023–2026) | 2.09 | n.a. |

As of December 31, 2023, four tranches totaling EUR 47,552 thousand (2022: EUR 28,866 thousand) were recognized as provisions. Therefore, a total expense for cash-settled share-based payment pursuant to IFRS 2 of EUR 18,686 thousand (2022: EUR 5,698 thousand) was recognized in personnel expenses in fiscal year 2023.

## CEO Investment Opportunity

While the resolution to approve the compensation system for the members of the Manging Board was passed by a large majority at the 2021 Annual General Meeting (approval rate: 93.83%), the 2022 Compensation Report of HUGO BOSS was resolved with a majority of 66.37% at the 2023 Annual General Meeting. The Supervisory and Managing Board attribute this vote primarily to the existence of the CEO Investment Opportunity, an agreement established between Daniel Grieder and the Marzotto family prior to Daniel Grieder assuming the role of Chief Executive Officer at HUGO BOSS in June 2021. At the same time, it is neither perceived as a criticism of the main features of the compensation system nor of the format of the compensation report of HUGO BOSS.

In the following section, HUGO BOSS thus provides a detailed explanation of the main features of the CEO Investment Opportunity, which is explicitly not part of the compensation system. In doing so, the Supervisory Board of HUGO BOSS aims to further enhance transparency and promote a better understanding of the CEO Investment Opportunity in general, outlining why in its opinion there is no conflict of interest with other shareholders of HUGO BOSS.

**Third-party agreement and thus not part of the compensation system**
Prior to Daniel Grieder assuming his duties, the CEO Investment Opportunity was agreed between Daniel Grieder and the Marzotto family, aimed at providing an additional incentive for a substantial and sustainable increase in the share price of HUGO BOSS. As such, the CEO Investment Opportunity represents a third-party agreement between Daniel Grieder and the Marzotto family and is thus explicitly not part of the compensation system in accordance with Sec. 87a AktG. Therefore, it is also not to be included in the maximum compensation of Daniel Grieder.

**No conflicts of interest existing**
The Supervisory Board discussed the CEO Investment Opportunity at a plenary meeting on June 16, 2020, and noted it with approval. In the opinion of the Supervisory Board, there are no conflicts of interest, particularly in regard to any other shareholder of HUGO BOSS, 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.

**Sustainable increase in share price required**
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.

**Liquidity event not yet occurred as of December 31, 2023**

At the end of fiscal year 2023, the share price of HUGO BOSS amounted to EUR 67.46, up 25% on the previous year. This development is mainly attributable to the strong operational business development in the course of the successful execution of the Company's "CLAIM 5" strategy. Despite the strong business performance, no liquidity event has occurred as of the end of fiscal year 2023, as the share price as of December 31, 2023 was below the minimum share price of EUR 75.10 required to exercise the put option. This illustrates the ambitious nature of the CEO Investment Opportunity, requiring a sustainable and successful long-term business development, which in turn should have a long-lasting positive impact on the share price performance of HUGO BOSS. In the opinion of the Supervisory Board, there is still a strong incentive not to exercise the put option immediately even after the minimum share price has been reached, as its fair value will continue to rise with a possible increase in the share price.

In summary, the Supervisory Board of HUGO BOSS is convinced that the CEO Investment Opportunity is in the interest of all shareholders of HUGO BOSS, as it provides an additional incentive for a consistent, successful, and sustainable implementation of the Company's "CLAIM 5" strategy, thus contributing to long-term business success and a significant increase in the share price as well as shareholder value.

As the fair value at the grant date was closely aligned with the nominal value of the co-investment shares acquired by the CEO, it is concluded not to result in any expenses according to the accounting implications under IFRS 2.

## 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 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 senior management 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"*: The 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 | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| Germany | 92,589 | 84,888 | 87,960 | 83,035 | 4,629 | 1,853 |
| Switzerland | 58,860 | 56,453 | 47,382 | 46,471 | 11,478 | 9,982 |
| Others[1] | 17,035 | 15,903 | 0 | 0 | 17,035 | 15,903 |
| **Total** | **168,484** | **157,244** | **135,342** | **129,506** | **33,142** | **27,738** |

1 Additional defined benefit plans are in place in Austria, France, Italy, Mexico, and Turkey.

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 2023, the funding status of benefit obligations pursuant to IAS 19 was as follows:

| (in EUR thousand) | 2023 | 2022 |
|---|---|---|
| **Change in present value of benefit obligation** | | |
| Present value of benefit obligation on January 1 | 157,244 | 185,778 |
| Currency differences | (1,167) | 1,977 |
| Service cost | 8,077 | 5,516 |
| Interest expense | 5,603 | 2,523 |
| Payments from settlements | (5,796) | (1) |
| Remeasurement of the carrying amount | | |
| Actuarial gains/losses due to changes in financial assumptions | 7,369 | (40,799) |
| Actuarial gains/losses due to changes in demographic assumptions | 5,392 | 0 |
| Actuarial gains/losses due to experience adjustments | 4,294 | 4,505 |
| Benefits paid | (11,760) | (5,697) |
| Contribution by participants of the plan | 3,223 | 5,017 |
| Past service cost | (2,140) | (1,575) |
| Other changes in benefit obligation | (1,855) | 0 |
| **Present value of benefit obligation as at December 31** | **168,484** | **157,244** |
| **Changes in plan assets** | | |
| Fair value of plan assets on January 1 | 129,506 | 139,462 |
| Currency differences | 2,906 | 2,207 |
| Expected return on plan assets | 3,992 | 1,479 |
| Expected return on plan assets (without interest income) | 4,026 | (19,051) |
| Payments from settlements | 0 | 0 |
| Benefits paid | (10,298) | (4,295) |
| Contribution by the employer | 4,025 | 4,687 |
| Contribution by participants of the plan | 3,223 | 5,017 |
| Other changes in benefit obligation | (2,038) | 0 |
| **Fair value of plan assets as at December 31** | **135,342** | **129,506** |
| **Funding status of the benefits funded by plan assets** | **33,142** | **27,738** |

As of December 31, 2023, EUR 90,693 thousand (2022: EUR 83,035 thousand) of the present value of the defined benefit obligation is financed through employer's pension liability insurance and EUR 58,860 thousand (2022: EUR 56,453 thousand) through foundation assets; while the remaining EUR 18,931 thousand (2022: EUR 17,756 thousand) was unfunded.

### Actuarial assumptions underlying the calculation of the present value of the pension obligations as of December 31, 2023

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 | 2023 | 2022 |
|---|---|---|
| **Discount rate** | | |
| Germany | 3.75% | 4.20% |
| Switzerland | 1.40% | 2.25% |
| **Future pension increases** | | |
| Germany | 2.50% | 2.50% |
| Switzerland | 0.00% | 0.00% |
| **Future salary increases** | | |
| Germany | 3.00% | 3.00% |
| Switzerland | 3.00% | 3.00% |

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, 2023.

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** | **2023** | 2022 |
|---|---|---|
| **Discount rate December 31** | | |
| Increase of 75 basis points | (14,166) | (13,085) |
| Decline of 75 basis points | 16,990 | 15,108 |
| **Future pension increases December 31** | | |
| Increase of 25 basis points | 3,872 | 3,580 |
| Decline of 25 basis points | (2,452) | (2,326) |
| **Future salary increases December 31** | | |
| Increase of 50 basis points | 1,275 | 1,138 |
| Decline of 50 basis points | (1,174) | (1,013) |
| **Life expectancy December 31** | | |
| Increase of 10 percent | (4,077) | (3,699) |
| Decline of 10 percent | 4,018 | 4,003 |

## Breakdown of the pension expenses in the period

The pension expenses of the period are composed of the following items:

(in EUR thousand)

| | **2023** | 2022 |
|---|---|---|
| Current service costs | 8,077 | 5,516 |
| Past service costs | (2,140) | (1,575) |
| Net interest costs | 1,611 | 1,044 |
| **Recognized pension expenses in the comprehensive statement of income** | **7,548** | **4,985** |
| Expense from plan assets (without interest effects) | (4,026) | 19,051 |
| Recognized actuarial (gains)/losses | 17,055 | (36,294) |
| **Recognized remeasurement of the carrying amount in the comprehensive statement of income** | **13,029** | **(17,243)** |

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 2023, the Group expects employer contributions to plan assets of EUR 5,540 thousand (2022: EUR 4,754 thousand).

### Duration

The duration of the benefit-based plans on December 31, 2023, is 14 years for Germany (2022: 14 years) and 14 years for Switzerland (2022: 15 years).

### Defined contribution plans

Employer contributions to contribution-based plans totaled EUR 32,793 thousand in fiscal year 2023 (2022: EUR 27,717 thousand) and are reported under personnel expenses. The main contribution-based plan of HUGO BOSS is in Germany. The contribution-based plans 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 are broken down as follows:

(in EUR thousand)

| | 2023 | With remaining term up to 1 year | 2022 | With remaining term up to 1 year |
|---|---|---|---|---|
| Financial liabilities due to banks | 330,877 | 14,449 | 109,880 | 21,348 |
| Lease liabilities | 793,245 | 169,010 | 804,218 | 199,290 |
| Other financial liabilities | 9,272 | 9,272 | 11,821 | 11,459 |
| Thereof: non IFRS 16 relevant rental contracts for own retail | 8,802 | 8,802 | 9,594 | 9,594 |
| **Total** | **1,133,394** | **192,732** | **925,918** | **232,097** |

Other financial liabilities include negative market values from derivative financial instruments amounting to EUR 727 thousand (2022: EUR 1,866 thousand).

The following tables show the terms and conditions of financial liabilities:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| **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 | 4.11% | 14,449 | 5.59% | 21,348 |
| 1 to 5 years | 4.07% | 316,428 | 5.17% | 88,532 |
| More than 5 years | 0.00% | 0 | 0.00% | 0 |
| **Other financial liabilities** | | | | |
| Up to 1 year | 0.00% | 9,272 | 0.05% | 11,459 |
| 1 to 5 years | 0.00% | 0 | 5.77% | 361 |
| More than 5 years | 0.00% | 0 | 0.00% | 0 |

HUGO BOSS has a revolving syndicated loan of EUR 600,000 thousand at its disposal, providing 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. Both extension options have already been exercised successfully.

At the end of fiscal year 2023, the utilization of the revolving credit facility totaled EUR 92,393 thousand of which EUR 9,263 thousand was used to issue bank guarantees (December 31, 2022: revolving credit facility EUR 81,886 thousand of which EUR 21,874 thousand was used to issue bank guarantees).

In October 2023, a Schuldschein loan was recognized at a settlement amount of EUR 175,000 thousand. It is divided into four tranches with different maturities and with floating-rate or fixed-rate coupons:
- two tranches totaled EUR 87,500 thousand maturing in October 2026, and
- two tranches totaled EUR 87,500 thousand maturing in October 2028.

The funds were used for general corporate purposes. Directly attributable transaction costs of EUR 451 thousand were incurred in connection with the issuance of the Schuldschein loan. These were deducted from the fair value on initial recognition and are expensed over subsequent periods.

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)

| **2023** | | | **Expected cash flows** | | |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | **Carrying amount** | **Total cash flows** | **<1 year** | **1–5 years** | **>5 years** |
| Financial liabilities due to banks | 330,877 | 301,210 | 8,299 | 292,911 | 0 |
| Lease liabilities | 793,245 | 888,055 | 195,053 | 499,731 | 193,270 |
| Other financial liabilities | 8,545 | 8,545 | 8,545 | 0 | 0 |
| **Derivative financial liabilities** | | | | | |
| Undesignated derivatives | 727 | 727 | 727 | 0 | 0 |
| Derivatives subject to hedge accounting | 0 | 0 | 0 | 0 | 0 |
| **Total** | **1,133,394** | **1,198,537** | **212,624** | **792,642** | **193,270** |
| 2022 | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| 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** |

## 21 | Other liabilities

(in EUR thousand)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Total** | **Current** | **Non-current** | Total | Current | Non-current |
| Other liabilities | 208,881 | 206,569 | 2,313 | 202,855 | 201,152 | 1,703 |
| Thereof indirect taxes | 65,237 | 65,237 | 0 | 78,052 | 78,052 | 0 |
| Thereof social security, accrued vacation, wages and salaries | 56,114 | 56,114 | 0 | 36,810 | 36,810 | 0 |
| Thereof right of return | 47,305 | 47,305 | 0 | 48,177 | 48,177 | 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)

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **Assets** | **IFRS 9 category** | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| Cash and cash equivalents | AC | 118,327 | 118,327 | 147,403 | 147,403 |
| Trade receivables | AC | 375,620 | 375,620 | 256,430 | 256,430 |
| Financial assets | | 80,768 | 80,768 | 67,814 | 67,814 |
| Thereof: | | | | | |
| Equity investments | FVTPL | 4,430 | 4,430 | 4,430 | 4,430 |
| Undesignated derivatives | FVTPL | 177 | 177 | 329 | 329 |
| Derivatives subject to hedge accounting | Hedge Accounting | 0 | 0 | 293 | 293 |
| Other financial assets | AC | 76,161 | 76,161 | 62,762 | 62,762 |
| **Liabilities** | | | | | |
| Financial liabilities due to banks | AC | 330,877 | 342,440 | 109,880 | 112,620 |
| Trade and other payables | AC | 571,822 | 571,822 | 617,110 | 617,110 |
| Thereof Reverse Factoring | AC | 106,986 | 106,986 | 99,096 | 99,096 |
| Lease liabilities | n.a. | 793,245 | 793,245 | 804,218 | 804,218 |
| Other financial liabilities | | 9,272 | 9,272 | 11,821 | 11,821 |
| Thereof: | | | | | |
| Undesignated derivatives | FVTPL | 727 | 727 | 1,866 | 1,866 |
| Derivatives subject to hedge accounting | Hedge Accounting | 0 | 0 | 0 | 0 |
| Other financial liabilities | AC | 8,545 | 8,545 | 9,955 | 9,955 |

HUGO BOSS has implemented a supplier financing program to support its suppliers. Under this program, outstanding trade payables can be settled with the supplier before maturity via the use of a credit institution. Within the program, the original liability owed to the supplier remains unaffected on the basis of an unchanged acknowledgment of debt and is shown as a trade payable. In this context, the credit institution pays the invoice amount less a discount to the supplier, whereas HUGO BOSS pays the full invoice amount when due to the credit institution.

In fiscal year 2023, HUGO BOSS launched a separate bank-independent platform in addition to its existing single-bank program. The nature of the trade payables is assessed to remain unaffected under this program. HUGO BOSS has included the amounts from the reverse factoring program in working capital. The total reverse factoring credit limit as of the reporting date amounts to EUR 251,097 thousand (2022: EUR 120,000 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, 2023, 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, 2023, 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 2023, 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. The assets amounted to EUR 177 thousand (2022: EUR 622 thousand) and liabilities amounted to EUR 727 thousand (2022: EUR 1,866 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 fiscal year 2023, no circumstances occurred that 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 | 2023 | 2022 |
|---|---|---|---|---|---|---|---|
| Derivatives (FVTPL) | 0 | (6,129) | 0 | 0 | 3,165 | (2,964) | (16,940) |
| Financial Assets Measured at Amortized Cost (AC) | 978 | 0 | (1,535) | (4,985) | 0 | (5,542) | (5,171) |
| Financial Liabilities Measured at Amortized Cost (AC) | (13,594) | 0 | 1,128 | 0 | 0 | (12,466) | (8,056) |

Interest on financial instruments is reported in the interest result in Note 4 Financial result.

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 items.

## Changes in liabilities from financial activity

(in EUR thousand)

| | Gross value Jan. 1 | Cash flows | Changes in portfolio | Change in the maturity | Currency translation effects | Gross value Dec. 31 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| **Liabilities arising from financing activities** | | | | | | |
| Short-term financial liabilities due to banks | 21,347 | (57,409) | 0 | 50,567 | (57) | 14,449 |
| Long-term financial liabilities due to banks | 88,532 | 279,473 | 0 | (50,567) | (1,010) | 316,428 |
| Lease liabilities | 804,218 | (221,577) | 222,231 | 0 | (11,627) | 793,245 |
| **Total** | **914,097** | **487** | **222,231** | **0** | **(12,693)** | **1,124,123** |
| 2022 | | | | | | |
| **Liabilities arising from financing activities** | | | | | | |
| Short-term financial liabilities due to banks | 14,524 | (6,748) | 0 | 13,639 | (68) | 21,347 |
| Long-term financial liabilities due to banks | 103,202 | 0 | 0 | (13,639) | (1,030) | 88,532 |
| Lease liabilities | 794,585 | (215,888) | 225,170 | 0 | 351 | 804,218 |
| **Total** | **912,311** | **(222,636)** | **225,170** | **0** | **(747)** | **914,097** |

## 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 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Trade receivables | 396,103 | (20,484) | 375,620 | 0 | 0 | 375,620 |
| Other financial assets | 80,769 | 0 | 80,769 | (40) | 0 | 80,728 |
| Thereof derivates | 177 | 0 | 177 | (40) | 0 | 137 |
| **Total** | **476,872** | **(20,484)** | **456,388** | **(40)** | **0** | **456,348** |
| 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** |

(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 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Trade payables | 606,119 | (34,297) | 571,822 | 0 | 0 | 571,822 |
| Other financial liabilities | 9,272 | 0 | 9,272 | (40) | 0 | 9,232 |
| Thereof derivates | 727 | 0 | 727 | (40) | 0 | 686 |
| **Total** | **615,391** | **(34,297)** | **581,094** | **(40)** | **0** | **581,054** |
| 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** |

The liabilities of EUR 20,484 thousand (2022: EUR 16,500 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 outstanding credit notes from suppliers. These amounted to EUR 34,297 thousand (2022: EUR 39,843 thousand).

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 or liability.

## Hedging policy and financial derivatives

The following presentation shows the nominal amounts and the fair value of derivative financial instruments:

(in EUR thousand)

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Nominal values** | **Fair values** | Nominal values | Fair values[1] |
| **Assets** | | | | |
| Currency hedging contracts | 104,235 | 177 | 61,422 | 622 |
| **Liabilities** | | | | |
| Currency hedging contracts | 253,826 | (727) | 345,267 | (1,769) |
| Interest hedging contracts | 0 | 0 | 4,721 | (97) |
| **Total** | **358,061** | **(550)** | **411,410** | **(1,244)** |

1 Due to a change in presentation, the values shown differ from the reported figures in the previous year

The nominal values are the amounts 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 (550) thousand (2022: EUR (1,537) thousand) stems from financial assets and liabilities that were classified as held for trading.

The effects from the fair value measurement of currency hedges of EUR 0 were recognized in other comprehensive income as of December 31, 2023 (2022: gains of EUR 293 thousand). Of the amount recognized in other comprehensive income, net losses of EUR 1,443 thousand were reclassified to operating earnings in fiscal year 2023 (2022: EUR 3,631 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 operates 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 not 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.

Based on historical experience, HUGO BOSS anticipates all hedged items currently designated as cash flow hedges to accrue as of the reporting date.

As of December 31, 2023, there are no open forward exchange contracts for hedging future cash flow in TRY.

Hedging instruments that the Company has designated in hedging relationships have the following impact on the balance sheet as of December 31, 2023:

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Balance sheet item | Derivatives subject to hedge accounting | Derivatives subject to hedge accounting |
| Carrying amount assets | – | 293 |
| Carrying amount liabilities | – | – |
| Change in fair value of hedging instruments held as of the reporting date | – | 293 |
| Nominal volume | – | 13,830 |

The hedging relationships shown above have the following impact on the income statement or other comprehensive income (OCI):

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| Change in fair value of the underlying transaction | 0 | (293) |
| Cash flow hedge reserve from existing hedges | 0 | 293 |
| Amount reclassified from OCI due to maturity of underlying transaction | (1,443) | (3,631) |

As of the reporting date, EUR 0 thousand (2022: EUR 4,721 thousand) in variable interest financial liabilities without designation was secured as a hedging relationship.

For additional information and a detailed description of other financial risks, please refer to the Risk and Opportunities Report in the Combined Management 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 Note 14 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 global 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 on resources to be allocated to segments is the EBIT. The segment result is thus defined as the EBIT of sales units plus the gross margin of 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, intangible assets, as well as right-of-use assets are 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 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| **Sales** | **2,562,016** | **954,624** | **576,443** | **104,375** | **4,197,459** |
| **Segment profit** | **585,845** | **156,666** | **123,992** | **88,277** | **954,779** |
| In % of sales | 22.9 | 16.4 | 21.5 | 84.6 | 22.7 |
| Segment assets | 502,048 | 387,116 | 229,545 | 29,950 | 1,148,659 |
| Capital expenditure | 79,275 | 53,771 | 37,647 | 9 | 170,702 |
| Impairments | 1,401 | 1,138 | 1,219 | 0 | 3,757 |
| Thereof property, plant, and equipment | (10,781) | (909) | (552) | 0 | (12,242) |
| Thereof intangible assets | 0 | 0 | 0 | 0 | 0 |
| Thereof rights-of-use assets | (1,452) | 0 | 0 | 0 | (1,452) |
| Thereof write-up | 13,633 | 2,047 | 1,771 | 0 | 17,451 |
| Depreciation/amortization | (151,892) | (64,931) | (69,293) | 0 | (286,116) |
| 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) |

## Reconciliation

The reconciliation of segment figures to Group figures is presented below.

### Sales

(in EUR thousand)

| | **2023** | 2022 |
|---|---|---|
| **Sales – operating segments** | **4,197,459** | **3,651,378** |
| Corporate units | 0 | 0 |
| Consolidation | 0 | 0 |
| **Total** | **4,197,459** | **3,651,378** |

## Operating income

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Segment profit (EBIT) – operating segments** | **954,779** | **822,049** |
| Corporate units | (544,487) | (484,816) |
| Consolidation | 45 | (1,815) |
| **EBIT HUGO BOSS** | **410,337** | **335,419** |
| Net interest income/expenses | (44,861) | (23,879) |
| Other financial items | (8,587) | (26,245) |
| **Earnings before taxes HUGO BOSS** | **356,889** | **285,295** |

## Segment assets

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Segment assets – operating segments** | **1,148,659** | **865,184** |
| Corporate units | 293,005 | 364,806 |
| Consolidation | 0 | 0 |
| Current tax receivables | 23,148 | 23,074 |
| Current financial assets | 54,132 | 41,341 |
| Other current assets | 126,867 | 149,980 |
| Cash and cash equivalents | 118,327 | 147,403 |
| Non-current assets held for sale | 26,936 | 0 |
| **Current assets HUGO BOSS** | **1,791,073** | **1,591,787** |
| Non-current assets | 1,680,594 | 1,534,815 |
| **Total assets HUGO BOSS** | **3,471,667** | **3,126,602** |

## Capital expenditure

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Capital expenditure – operating segments** | **170,702** | **122,362** |
| Corporate units | 126,805 | 69,273 |
| Consolidation | 0 | 0 |
| **Total** | **297,507** | **191,635** |

## Impairments/Write-ups

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Impairments/Write-ups – operating segments** | **(3,757)** | **17,502** |
| Corporate units | 0 | 2 |
| Consolidation | 0 | 0 |
| **Total** | **(3,757)** | **17,504** |

## Depreciation/amortization

(in EUR thousand)

| | 2023 | 2022 |
|---|---|---|
| **Depreciation/amortization – operating segments** | **286,116** | **273,573** |
| Corporate units | 59,338 | 53,949 |
| Consolidation | 0 | 0 |
| **Total** | **345,454** | **327,522** |

## Geographic information

(in EUR thousand)

| | Third party sales | | Non-current assets[1] | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Germany | 555,227 | 476,644 | 506,517 | 427,136 |
| Other EMEA markets | 2,111,234 | 1,918,371 | 575,485 | 556,850 |
| USA | 608,513 | 528,239 | 235,217 | 169,439 |
| Other North and Latin American markets | 346,111 | 260,938 | 41,125 | 39,642 |
| China | 277,856 | 216,878 | 64,544 | 56,962 |
| Other Asian markets | 298,517 | 250,308 | 105,002 | 112,107 |
| **Total** | **4,197,459** | **3,651,378** | **1,527,891** | **1,362,136** |

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, 2023, the following transactions requiring disclosure were conducted with related-parties:

### Related-parties

Related-parties comprise members of the Managing Board and Supervisory Board.

### Compensation of the Managing Board

The total compensation of the Managing Board amounts to EUR 15,672 thousand (2022: EUR 12,483 thousand). Expenses for short-term benefits totaled EUR 7,624 thousand in 2023 (2022: EUR 7,676 thousand). A service cost of EUR 1,120 thousand (2022: EUR 1,120 thousand) was incurred for company pension plans in 2023. For share-based compensation, the expense in 2023 amounted to EUR 6,929 thousand (2022: EUR 3,687 thousand).

The total compensation of the members of the Managing Board pursuant to Section 314 (1) no. 6 a) of the German Commercial Code (HGB) amounted to EUR 10,429 thousand in fiscal year 2023 (2022: EUR 11,429 thousand). Of this amount, EUR 2,926 thousand related to basic compensation including fringe benefits (2022: EUR 2,966 thousand). Special compensation of EUR 100 thousand (2022: EUR 100 thousand) was granted in the fiscal year. An amount of EUR 2,941 thousand (2022: EUR 4,144 thousand) is attributable to the "Short Term Incentive" (STI) agreed for fiscal year 2023. An amount of EUR 4,462 thousand is attributable to the "Long Term Incentive" (LTI) 2023–2026, resulting from 87,739 subscription rights granted in 2023.

In addition, no loans were granted to members of the Managing Board in fiscal year 2023, nor were any contingent liabilities entered into in favor of these persons. Members of the Managing Board can purchase BOSS or HUGO products 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 1,710 thousand in 2023 (2022: EUR 5,694 thousand). This includes compensation attributable to the "Long Term Incentive" (LTI) and the "Short Term Incentive" (STI) amounting to EUR 1,223 thousand (2022: EUR 5,270 thousand).

Pension obligations for former members of the Managing Board of and their surviving dependents amount to EUR 40,510 thousand (2022: EUR 40,893 thousand). The corresponding plan assets in the form of reinsurance amount to EUR 37,776 thousand (2022: EUR 37,874 thousand).

### Compensation of the Supervisory Board

The Supervisory Board received compensation for its activities in 2022 amounting to EUR 1,790 thousand. For fiscal year 2023, total compensation amounts to EUR 1,790 thousand.

### Other related-party disclosures

Members of the Managing Board and Supervisory Board together held around 1.5% (2022: around 1.5%) of the shares issued by HUGO BOSS AG at the end of fiscal year 2023.

## 26 | Subsequent events

Between the end of fiscal year 2023 and the preparation of these consolidated financial statements on February 21, 2024, there were no material macroeconomic, sociopolitical, 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

In December 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)

| **2023** | Deloitte network | Deloitte GmbH Wirtschafts-prüfungs-gesellschaft |
|---|---|---|
| Audit services | 2,663 | 616 |
| Other assurance services | 130 | 74 |
| Tax advisory services | 15 | 0 |
| Other services | 59 | 0 |
| **Total** | **2,867** | **690** |

| 2022 | Deloitte network | Deloitte GmbH Wirtschafts-prüfungs-gesellschaft |
|---|---|---|
| Audit services | 2,449 | 535 |
| Other assurance services | 95 | 89 |
| Tax advisory services | 9 | 0 |
| Other services | 115 | 0 |
| **Total** | **2,668** | **624** |

In fiscal year 2023, services provided by the Group auditor, beyond those related to the financial statement audit, mainly include 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 related to tax filing in subsidiaries abroad.

# Managing Board

| Member of the Managing Board | Responsibility |
| --- | --- |
| **Daniel Grieder**<br>(Brissago, Switzerland/Metzingen, Germany)<br><br>Chairman of the Managing Board,<br>Member of the Managing Board since June 1, 2021 | Global Marketing & Brand Communication, Creative Direction, Business Unit BOSS Menswear, Business Unit BOSS Womenswear, Business Unit HUGO, Business Unit Footwear, Accessories, Bodywear & Hosiery (incl. Global Licenses), Human Resources, Corporate Communications & Public Affairs, Group Strategy & Corporate Development (incl. Global Corporate Responsibility), and Digital Platform: Brand & Product |
| **Yves Müller**<br>(Hamburg/Metzingen, Germany)<br><br>Member of the Managing Board since December 1, 2017 | Group Finance & Tax, Business Planning & Analysis, Investor Relations & M&A, Operations Excellence Projects, Global Sourcing & Production, Technical Product Development, Global Logistics, IT (incl. Information Security), Legal, Compliance & Data Protection, Internal Audit, Construction & Procurement, and Digital Platform: Finance & Operations |
| **Oliver Timm**<br>(Meerbusch/Metzingen, Germany)<br><br>Member of the Managing Board since January 1, 2021 | Global Sales Development, Global Retail & Wholesale, Customer Relationship Management (CRM), Data & Analytics, Global Merchandise Management, Global Travel Retail, Global Retail Management, Global E-Commerce & Metaverse, and Digital Platform: Omnichannel & Sales |

# Supervisory Board

| Shareholder representatives | Employee representatives |
|---|---|
| **Hermann Waldemer**<br>(Blitzingen, Switzerland)<br>Management Consultant,<br>Chairman of the Supervisory Board (from May 2020),<br>Member since 2015 | **Sinan Piskin**<br>(Metzingen, Germany)<br>Administrative Employee/Chairman of the Works Council,<br>HUGO BOSS AG, Metzingen, Germany,<br>Deputy Chairman of the Supervisory Board,<br>Member since 2008 |
| **Iris Epple-Righi**<br>(Munich, Germany)<br>Management Consultant,<br>Member since 2020 | **Andreas Flach**<br>(Weil der Stadt, Germany)<br>Trade Union Secretary of the German Metalworkers' Union<br>(IG Metall) Baden-Württemberg, Stuttgart, Germany,<br>Member since May 2023 |
| **Gaetano Marzotto**<br>(Milan Italy)<br>Chairman of the Supervisory Board Gruppo Santa Margherita S.p.A.,<br>Fossalta di Portogruaro, Italy,<br>Member since 2010 | **Katharina Herzog**<br>(Reutlingen, Germany)<br>Senior Vice President Group Finance & Tax HUGO BOSS AG,<br>Metzingen, Germany,<br>Member since 2020 |
| **Luca Marzotto**<br>(Venice, Italy)<br>Chief Executive Officer Zignago Holding S.p.A.,<br>Fossalta di Portogruaro, Italy,<br>Member since 2010 | **Daniela Liburdi**<br>(Sindelfingen, Germany)<br>Administrative Employee HUGO BOSS AG,<br>Metzingen, Germany,<br>Member since May 2023 |
| **Christina Rosenberg**<br>(Munich, Germany)<br>Management Consultant innotail,<br>Munich, Germany,<br>Member since 2020 | **Tanja Silvana Nitschke**<br>(Inzigkofen, Germany)<br>Chairperson and Treasurer of the German Metalworkers' Union<br>(IG Metall) Reutlingen-Tübingen,<br>Reutlingen, Germany,<br>Member since 2015 |
| **Robin J. Stalker**<br>(Oberreichenbach, Germany)<br>Chartered Accountant,<br>Member since 2020 | **Bernd Simbeck**<br>(Metzingen, Germany)<br>Administrative Employee HUGO BOSS AG,<br>Metzingen, Germany,<br>Member since 2021 (previously already from 2010 until 2015) |
| | **Anita Kessel**<br>(Metzingen, Germany)<br>Administrative Employee HUGO BOSS AG,<br>Metzingen, Germany,<br>Member from 2015 until May 2023 |
| | **Martin Sambeth**<br>(Tiefenbronn, Germany)<br>Chairperson and Treasurer of the German Metalworkers' Union<br>(IG Metall) Karlsruhe, Karlsruhe, Germany,<br>Member from 2016 until May 2023 |

# Additional disclosures on the members of the Supervisory Board and the Managing Board

The members of the Supervisory Board of HUGO BOSS are also members of a supervisory board at the following companies[1]:

| | | |
|---|---|---|
| **Iris Epple-Righi** | Bambuser AB | Stockholm, Sweden |
| | Global-e Online Ltd. | Petah-Tikva, Israel |
| | Sennheiser electronic GmbH & Co. KG | Wedemark, Germany |
| **Andreas Flach** | Rolls Royce Power Systems AG | Friedrichshafen, Germany |
| | Rolls Royce Solutions GmbH | Friedrichshafen, Germany |
| **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 |
| | Techwald Next S.p.A. | Trissino, 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[3] | 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.
3 Until May 31, 2023.

### Members of the Managing Board

Daniel Grieder is a non-executive member of the board of directors of Rieter Holding AG (Winterthur, Switzerland). No other member of the Manging Board of HUGO BOSS AG holds a mandate on supervisory boards or comparable supervisory bodies of companies not belonging to HUGO BOSS 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 21, 2024

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%. The following companies are fully consolidated.

(in EUR thousand)

| Company[1] | Registered office | Equity 2023 |
|---|---|---|
| HUGO BOSS Holding Netherlands B.V. | Amsterdam, Netherlands | 648,806 |
| HUGO BOSS International B.V. | Amsterdam, Netherlands | 561,285 |
| HUGO BOSS Internationale Beteiligungs-GmbH[2,5,9] | Metzingen, Germany | 524,800 |
| HUGO BOSS USA, Inc.[4] | New York, NY, USA | 209,773 |
| HUGO BOSS China Retail Co. Ltd. | Shanghai, China | 74,279 |
| HUGO BOSS Ticino S.A. | Coldrerio, Switzerland | 72,736 |
| HUGO BOSS UK Limited | London, United Kingdom | 65,889 |
| Lotus (Shenzhen) Commerce Ltd. Shenzhen, China | Shenzhen, China | 58,270 |
| HUGO BOSS Benelux B.V. | Amsterdam, Netherlands | 46,029 |
| HUGO BOSS Benelux B.V. y CIA S.C | Madrid, Spain | 45,728 |
| HUGO BOSS Canada, Inc. | Toronto, Canada | 42,669 |
| HUGO BOSS Mexico S.A. de C.V.[2] | Mexico City, Mexico | 39,538 |
| HUGO BOSS France SAS | Paris, France | 37,808 |
| HUGO BOSS Lotus Hong Kong Ltd. | Hong Kong, China | 34,925 |
| HUGO BOSS AL FUTTAIM UAE TRADING L.L.C.[6] | Dubai, UAE | 33,685 |
| HUGO BOSS do Brasil Ltda. | São Paulo, Brazil | 31,616 |
| HUGO BOSS Textile Industry Ltd.[2] | Izmir, Turkey | 31,591 |
| HUGO BOSS International Markets AG | Zug, Switzerland | 22,630 |
| HUGO BOSS Middle East FZ-LLC | Dubai, UAE | 12,964 |
| HUGO BOSS Holdings Pty. Ltd. | Preston, Australia | 12,363 |
| HUGO BOSS Portugal & Companhia | Lisbon, Portugal | 12,259 |
| HUGO BOSS (Schweiz) AG | Zug, Switzerland | 11,892 |
| HUGO BOSS Shoes & Accessories Italia S.p.A. | Morrovalle, Italy | 10,485 |
| HUGO BOSS Rus LLC[2] | Moscow, Russia | 10,445 |
| HUGO BOSS Scandinavia AB | Stockholm, Sweden | 9,232 |
| HUGO BOSS Australia Pty. Ltd. | Preston, Australia | 8,919 |
| HUGO BOSS Nordic ApS | Copenhagen, Denmark | 7,728 |
| HUGO BOSS Magazacilik Ltd. Sti. | Izmir, Turkey | 7,476 |
| HUGO BOSS Italia S.p.A. | Milan, Italy | 6,888 |
| Lotus Concept Trading (Macau) Co. Ltd. | Macau, China | 6,084 |
| HUGO BOSS Hellas LLC | Athens, Greece | 5,835 |
| HUGO BOSS Belgium BVBA | Diegem, Belgium | 5,636 |
| HUGO BOSS Hong Kong Ltd. | Hong Kong, China | 4,825 |
| HUGO BOSS Guangdong Trading Co. Ltd. | Guangzhou, China | 4,823 |
| HUGO BOSS Ireland Limited | Dublin, Ireland | 4,813 |
| HUGO BOSS South East Asia PTE. LTD. | Singapore | 4,491 |
| HUGO BOSS Vermögensverwaltungs GmbH & Co. KG[2,9] | Metzingen, Germany | 4,260 |

(in EUR thousand)

| Company[1] | Registered office | Equity 2023 |
|---|---|---|
| HUGO BOSS Korea Ltd. | Seoul, South Korea | 4,224 |
| HUGO BOSS Thailand Ltd. | Bangkok, Thailand | 3,497 |
| HUGO BOSS Finland OY | Helsinki, Finland | 2,852 |
| Salam Stores HUGO BOSS WLL[7] | Doha, Qatar | 1,946 |
| HUGO BOSS Stiftung gGmbH[2] | Metzingen, Germany | 2,730 |
| HUGO BOSS Malaysia SDN. BHD. | Kuala Lumpur, Malaysia | 1,870 |
| HUGO BOSS Shoes & Accessories Poland Sp. z o.o. | Radom, Poland | 1,498 |
| ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dieselstrasse KG[2,9] | Metzingen, Germany | 1,376 |
| HUGO BOSS Holding Sourcing S.A. | Coldrerio, Switzerland | 1,151 |
| ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Metzingen KG[2,3,8,9] | Grünwald, Germany | 427 |
| YOURDATA HB DIGITAL CAMPUS, Unipessoal, Lda.[2,10] | Porto, Portugal | 376 |
| HUGO BOSS Estonia OÜ | Tallinn, Estonia | 228 |
| HUGO BOSS Dienstleistungs GmbH[2] | Metzingen, Germany | 136 |
| HUGO BOSS Trade Mark Management Verwaltungs-GmbH | Metzingen, Germany | 45 |
| HUGO BOSS Beteiligungsgesellschaft mbH[2,5,9] | Metzingen, Germany | (85) |
| HUGO BOSS Latvia SIA. | Riga, Latvia | (221) |
| GRAMOLERA Grundstücks-Vermietungsgesellschaft Objekt Ticino mbH[9] | Metzingen, Germany | (499) |
| GRETANA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt D 19 KG[2] | Grünwald, Germany | (557) |
| HUGO BOSS New Zealand Ltd. | Auckland, New Zealand | (2,195) |
| HUGO BOSS Belgium Retail BVBA | Diegem, Belgium | (3,088) |
| HUGO BOSS Benelux Retail B.V. | Amsterdam, Netherlands | (12,597) |
| HUGO BOSS Japan K.K. | Tokyo, Japan | (15,627) |

**1** The figures correspond to the financial statements after possible profit transfer, for subsidiaries according to internally-consolidated IFRS financial statements.
**2** Directly affiliated to HUGO BOSS AG.
**3** Investments with an equity share of 94%.
**4** Subgroup financial statement include the following companies: HUGO BOSS Cleveland Inc., HUGO BOSS Fashion Inc., HUGO BOSS Florida Inc., HUGO BOSS Licensing Inc., HUGO BOSS Retail Inc., and HUGO BOSS USA Inc..
**5** Companies with a profit transfer agreement with HUGO BOSS AG.
**6** Investments with an equity share of 49%, consolidation of IFRS 10.7: Other contractual agreements.
**7** Investments with an equity share of 70%.
**8** Investments with a 94% share in capital and 15% of voting rights, consolidation of IFRS 10.7: Other contractual agreements.
**9** Subsidiaries that exercise the exemption of Section 264 (3) and 264b HGB ["Handelsgesetzbuch": German Commercial Code].
**10** Investments with an equity share of 42%, consolidation of IFRS 10.7: Other contractual agreements.

# 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 – PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023**

| **Financial year 2023** | | **2023** | | **Substantial contribution criteria** | | | | | | **DNSH criteria ("Does Not Significantly Harm")** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Economic activities** | **Codes[1]** | **Turnover** | **Proportion of Turnover[2]** | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | **Minimum Safeguards[3]** | **Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, 2022** | **Category enabling activity[4]** | **Category transitional activity[5]** |
| | | EUR million | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N | 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 | | |
| Of which enabling[4] | | | | | | | | | | | | | | | | | | | |
| Of which transitional[5] | | | | | | | | | | | | | | | | | | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| **A. Turnover of Taxonomy-eligible activities (A.1 + A.2)** | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| **B. Taxonomy-non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| Turnover of Taxonomy-non-eligible activities | | 4,197 | 100 | | | | | | | | | | | | | | | | |
| **Total** | | **4,197** | **100** | | | | | | | | | | | | | | | | |

Y = Yes; N = No; EL = Eligible; N/EL = Not eligible
1 Activity description.
2 No taxonomy-eligible or -aligned sales in fiscal year 2023, as no binding taxonomy criteria are yet available for the core business of HUGO BOSS.
3 Compliance with the social minimum safeguards specified by the Taxonomy Regulation.
4 According to the Taxonomy Regulation, activities that directly enable other activities to make a significant contribution to one or more of the environmental targets.
5 According to the Taxonomy Regulation, activities that support the transition to a climate-neutral economy.

## EU TAXONOMY – DISCLOSURE REGARDING CAPEX FOR FISCAL YEAR 2023

| **Financial year 2023** | **2023** | | | **Substantial contribution criteria** | | | | | | **DNSH criteria ("Does Not Significantly Harm")** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Economic activities** | **Codes**[1] | **CapEx** | **Proportion of CapEx**[2] | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | **Minimum safeguards**[3] | **Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx, 2022** | **Category enabling activity**[4] | **Category transitional activity**[5] |
| | | EUR million | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N | 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 | | |
| Of which enabling[4] | | | | | | | | | | | | | | | | | | | |
| Of which transitional[5] | | | | | | | | | | | | | | | | | | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 0 | 0 | | | | | | | | | | | | | | 2 | | |
| **A. CapEx of Taxonomy-eligible activities (A.1+A.2)** | | 0 | 0 | | | | | | | | | | | | | | 2 | | |
| **B. Taxonomy-non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy-non-eligible activities | | 537 | 100 | | | | | | | | | | | | | | | | |
| **Total** | | **537** | **100** | | | | | | | | | | | | | | | | |

Y = Yes; N = No; EL = Eligible; N/EL = Not eligible

1 Activity description.
2 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.
3 Compliance with the social minimum safeguards specified by the Taxonomy Regulation.
4 According to the Taxonomy Regulation, activities that directly enable other activities to make a significant contribution to one or more of the environmental targets.
5 According to the Taxonomy Regulation, activities that support the transition to a climate-neutral economy.

## EU TAXONOMY – DISCLOSURE REGARDING OPEX FOR FISCAL YEAR 2023

| Financial year 2023 | 2023 | | | Substantial contribution criteria | | | | | | DNSH criteria ("Does Not Significantly Harm") | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Economic activities** | **Codes[1]** | **OpEx** | **Proportion of OpEx[2]** | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | **Minimum safeguards[3]** | **Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, 2022** | **Category enabling activity[4]** | **Category transitional activity[5]** |
| | | EUR million | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N | 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 | | |
| Of which enabling[4] | | | | | | | | | | | | | | | | | | | |
| Of which transitional[5] | | | | | | | | | | | | | | | | | | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| **A. OpEx of Taxonomy-eligible activities (A.1+A.2)** | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| **B. Taxonomy-non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| OpEx of Taxonomy-non-eligible activities | | 135 | 100 | | | | | | | | | | | | | | | | |
| **Total** | | **135** | **100** | | | | | | | | | | | | | | | | |

Y = Yes; N = No; EL = Eligible; N/EL = Not eligible

**1** Activity description.
**2** 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 2023 due to immateriality.
**3** Compliance with the social minimum safeguards specified by the Taxonomy Regulation.
**4** According to the Taxonomy Regulation, activities that directly enable other activities to make a significant contribution to one or more of the environmental targets.
**5** 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 21, 2024

HUGO BOSS AG
The Managing Board

**Daniel Grieder**
**Yves Müller**
**Oliver Timm**

# AUDITOR'S REPORTS

## Independent Auditor's Report

To HUGO BOSS AG, Metzingen/Germany

### Report on the audit of the consolidated financial statements and of the combined 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, 2023, 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, 2023, and the notes to the consolidated financial statements, including a summary of significant accounting 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, 2023. In accordance with the German legal requirements, we have not audited the content of the combined non-financial statement pursuant to Sections 289b to 289e and 315b and 315c German Commercial Code (HGB) included in the combined management report, as well as the corporate governance statement pursuant to Sections 289f and 315d HGB referred to in the section "Legal Disclosures" of the combined management report. Furthermore, we have not audited the marked content of the section "Key aspects of the internal control and risk management system" disclosures extraneous to 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, 2023 and of its financial performance for the financial year from January 1 to December 31, 2023, 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 included in the combined management report and the combined corporate governance statement referred to in section "Legal Disclosures" of the combined management report as well as the above-mentioned unaudited section disclosures extraneous to the combined management report.

Pursuant to Section 322 (3) sentence 1 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, 2023. 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 and lease agreements
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 and lease agreements

a) The consolidated financial statements include right-of-use for leasing objects of mEUR 722.1 and respective current and non-current lease liabilities of mEUR 793.2, which corresponds to approx. 20.8% and 22.8% of the consolidated statement of financial position total, respectively. In particular, the items result from closed rental and lease agreements for HUGO BOSS Group's directly operated stores. The composition of the contract portfolio is regularly subject to significant changes due to contract amendments, 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 of rental and lease agreements to be a key audit matter.

The disclosures on accounting for rental and lease agreements are included in the sections "Accounting and valuation principles" and "9 I 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 rental and lease agreements. 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 assessed new contracts and contract amendments in the 2023 financial year on a sample basis with regard to their accounting treatment in accordance with IFRS 16 and compared the relevant data in the rental and lease agreements with the data used to determine the value in use and lease liabilities. The arithmetical accuracy of the valuation was also checked on a sample basis with regard to the right-of-use assets, lease liabilities, depreciation and interest expenses. In order to assess the completeness of the leases recognized in the balance sheet, we tested the appropriate accounting treatment in accordance with IFRS 16 on a sample basis in addition to performing interviews.

We also assessed the completeness and correctness of the disclosures in the notes to the consolidated financial statements required by IFRS 16.

## 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 rights-to-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 DOS 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 discounted 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 DOS as a key audit matter within the scope of our audit.

The disclosures on the determination, recognition and valuation of the assets allocated to DOS are included in the sections "Accounting and valuation methods" and "10 I 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 experts. To assess the quality and reliability of the corporate planning, we compared the planning for selected financial 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 dis-count rates and their individual components with the involvement of our internal valuation experts, 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 having been netted against deferred tax liabilities in a total amount of mEUR 130.5. 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 21.0 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 their 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 valuation of deferred tax assets to be a key audit matter.

The disclosures on the recognition and valuation of deferred tax assets are included in the sections "Accounting and valuation principles" and "5 I Income taxes" within the notes to the consolidated financial statements.

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 together during the audit the extent to which these can be influenced by subjectivity, complexity or other inherent risk factors. We convinced 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 valuation 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 combined non-financial statement included in the combined management report,
- the combined corporate governance statement, which is referred to in the section "Legal Disclosures" of the combined management report and is additionally shown in the section "Corporate Governance and Corporate Governance Statement" of the annual report,
- the marked unaudited section "Key aspects of the internal control and risk management system" of the combined management report disclosures extraneous to combined management report,
- the remuneration report pursuant to Section 162 German Stock Corporation Act (AktG),
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report except for the section "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 Section 161 AktG, which forms part of the combined corporate governance statement and for the remuneration report included in the section "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 scepticism 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 there-fore 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 514d61497e9f8f714a5891d16e4dfda020f4716607ab888727bba8f6e3fc8bd4, 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, 2023 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 requirements of the IDW quality management standards.

**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 scepticism 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 9, 2023. We were engaged by the supervisory board on October 20, 2023. We have been the group auditor of HUGO BOSS AG, Metzingen/Germany, without interruption 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 1, 2024

**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, 2023, 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 (09.2023)). 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 6, 2024

**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

## Engagement

We have performed a limited assurance engagement on the non-financial statement of HUGO BOSS AG, Metzingen/Germany (hereafter referred to as "the Company"), which is combined with the consolidated 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 to December 31, 2023 (hereafter referred to as "combined non-financial statement").

Our engagement did not cover the disclosures on Scope 3 emissions, which were marked as unaudited, included in the combined non-financial statement as well as external documentation sources and Company websites referenced in the combined non-financial statement.

## 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), Sections 315c in conjunction with 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 the executive directors' 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 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 (i.e. fraudulent non-financial reporting) or error.

The EU Taxonomy Regulation and the delegated acts adopted thereon contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. 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 reporting. They are responsible for the justifiability of this interpretation. The legal conformity of the interpretation is subject to uncertainties due to the immanent risk that undefined legal terms may be interpreted differently.

The preciseness and completeness of the environmental data in the non-financial reporting is 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 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 Quality Management Standards promulgated by the Institut der Wirtschaftsprüfer (IDW), and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, 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 that cause us to believe that the non-financial reporting, with the exception of external sources of documentation or websites of the Company referenced therein, has been prepared, not in all material respects, in accordance with Sections 289c to 289e HGB, Sections 315c in conjunction with 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 October 2023 and March 2024, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the Group's sustainability organization, and of the stakeholders' engagement

- Inquiries of the executive directors and the relevant employees involved regarding the process of preparation, regarding the system of internal control relating to this process, as well as regarding the disclosures contained in the non-financial reporting

- Identification of probable risks of material misstatements in the non-financial reporting

- Analytical evaluation of selected disclosures in the non-financial reporting

- Comparing of selected disclosures with the corresponding data in the annual and consolidated financial statements as well as in the combined management report

- Evaluation 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, 2023 has not been prepared, in all material respects, in accordance with Sections 289c to 289e HGB and Sections 315c in conjunction with 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 conclusion on the disclosures on Scope 3 emissions, which were marked as unaudited, included in the combined non-financial statement. Furthermore, we do not express a conclusion on the external sources of documentation stated in the combined non-financial statement nor on any Company websites referred to 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 that the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for a purpose other than the aforementioned one. 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 1, 2024

**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

| | 2023 | 2022 | 2021 | 2020[1] | 2019[2] | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales (in EUR million)** | 4,197 | 3,651 | 2,786 | 1.946 | 2,884 | 2,796 | 2,733 | 2,693 | 2,809 | 2,572 |
| Sales by brand[3] | | | | | | | | | | |
| BOSS Menswear | 3,256 | 2,868 | 2,181 | 1,530 | 2,488 | 2,422 | 2,336 | 2,313 | 2,522 | 2,328 |
| BOSS Womenswear | 288 | 239 | 192 | 131 | | | | | | |
| HUGO | 653 | 545 | 413 | 285 | 396 | 374 | 397 | 380 | 287 | 243 |
| Sales by segments | | | | | | | | | | |
| EMEA | 2,562 | 2,303 | 1,742 | 1,231 | 1,803 | 1,736 | 1,681 | 1,660 | 1,683 | 1,566 |
| Americas | 955 | 789 | 543 | 308 | 560 | 574 | 577 | 582 | 671 | 587 |
| Asia/Pacific | 576 | 467 | 423 | 343 | 438 | 410 | 396 | 382 | 393 | 361 |
| Licenses | 104 | 92 | 77 | 64 | 84 | 76 | 79 | 69 | 62 | 58 |
| Sales by distribution channel[3] | | | | | | | | | | |
| Brick-and-mortar retail[4] | 2,262 | 2,016 | 1,512 | 1,057 | 1,869 | 1,768 | 1,732 | 1,677 | 1,689 | 1,471 |
| Brick-and-mortar wholesale[5] | 1,033 | 895 | 647 | 472 | 931 | 952 | 922 | 947 | 1,058 | 1,043 |
| Digital | 798 | 648 | 549 | 352 | – | – | – | – | – | – |
| Licenses | 104 | 92 | 77 | 64 | 84 | 76 | 79 | 69 | 62 | 58 |
| **Results of operations (in EUR million)** | | | | | | | | | | |
| Gross profit | 2,581 | 2,256 | 1,721 | 1,187 | 1,875 | 1,823 | 1,808 | 1,777 | 1,853 | 1,699 |
| Gross margin in % | 61.5 | 61.8 | 61.8 | 61.0 | 65.0 | 65.2 | 66.2 | 66.0 | 66.0 | 66.1 |
| EBIT | 410 | 335 | 228 | (236)[6] | 344 | 347 | 341 | 263 | 448 | 449 |
| EBIT margin in % | 9.8 | 9.2 | 8.2 | (12.1)[7] | 11.9 | 12.4 | 12.5 | 9.8 | 15.9 | 17.4 |
| EBITDA | 752 | 680 | 568 | 230 | 707 | 476 | 499 | 433 | 590 | 572 |
| Net income attributable to equity holders of the parent company | 258 | 209 | 137 | (220)[8] | 205 | 236 | 231 | 194 | 319 | 333 |
| **Net assets and liability structure as of December 31 (in EUR million)** | | | | | | | | | | |
| Trade net working capital | 870 | 613 | 376 | 491 | 528 | 537 | 459 | 524 | 528 | 503 |
| Non-current assets | 1,681 | 1,535 | 1,458 | 1,516 | 1,713 | 686 | 662 | 752 | 765 | 660 |
| Equity | 1,311 | 1,135 | 940 | 760 | 1,002 | 981 | 915 | 888 | 956 | 844 |
| Equity ratio in % | 38 | 36 | 34 | 30 | 35 | 53 | 53 | 49 | 53 | 51 |
| Total assets | 3,472 | 3,127 | 2,736 | 2,570 | 2,877 | 1,858 | 1,720 | 1,799 | 1,800 | 1,662 |
| **Financial position and dividend (in EUR million)** | | | | | | | | | | |
| Free cash flow | 96 | 166 | 560 | 164 | 457 | 170 | 294 | 220 | 208 | 268 |
| Net financial liabilities (as of December 31) | 1,006 | 767 | 628 | 1,004 | 1,040 | 22 | 7 | 113 | 82 | 36 |
| Capital expenditure | 298 | 192 | 104 | 80 | 192 | 155 | 128 | 157 | 220 | 135 |
| Depreciation/amortization | 342 | 345 | 339 | 465[9] | 362 | 129 | 158 | 169 | 142 | 123 |
| Total leverage (as of December 31)[10] | 1.3 | 1.1 | 1.1 | (6.7) | 0.2 | 0.0 | 0.0 | 0.2 | 0.1 | 0.1 |
| Amount distributed[11] | 93 | 69 | 48 | 3 | 3 | 186 | 183 | 179 | 250 | 250 |
| **Additional key figures** | | | | | | | | | | |
| Employees (as of December 31)[12] | 18,738 | 16,930 | 14,041 | 13,795 | 14,633 | 14,685 | 13,985 | 13,798 | 13,764 | 12,990 |
| Personnel expenses (in EUR million) | 918 | 794 | 627 | 570 | 640 | 629 | 604 | 605 | 563 | 514 |
| Number of Group's own retail points of sale | 1,418 | 1,316 | 1,228 | 1,157 | 1,113 | 1,092 | 1,139 | 1,124 | 1,113 | 1,041 |
| **Shares (in EUR)** | | | | | | | | | | |
| Earnings per share | 3.74 | 3.04 | 1.99 | (3.18)[13] | 2.97 | 3.42 | 3.35 | 2.80 | 4.63 | 4.83 |
| Dividend per share[11] | 1.35 | 1.00 | 0.70 | 0.04 | 0.04 | 2.70 | 2.65 | 2.60 | 3.62 | 3.62 |
| Last share price (as of December 31) | 67.46 | 54.16 | 53.50 | 27.29 | 43.26 | 53.92 | 70.94 | 58.13 | 76.60 | 101.70 |
| 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** 2023: 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

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# LEGAL NOTICE

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**Release date**
Thursday, March 7, 2024

**Conception and Design**
nexxar GmbH, Vienna
www.nexxar.com

**Photos of the Managing Board**
Andreas Pohlmann

# FINANCIAL CALENDER 2024

| | |
|---|---|
| **May 2, 2024** | First Quarter Results 2024 |
| **May 14, 2024** | Annual General Meeting |
| **August 1, 2024** | Second Quarter Results 2024 & First Half Year Report 2024 |
| **November 5, 2024** | Third Quarter Results 2024 |