

# HUGO BOSS

## BIODIVERSITY STRATEGY

### FOREWORD

As a global company, HUGO BOSS is aware of its responsibility towards people, society, and the environment. As part of this responsibility, we are committed to protecting biodiversity as the fundamental prerequisite for an intact ecosystem.

HUGO BOSS mainly uses natural raw materials in its products such as cotton and wool, which underlines our dependency on biodiversity. At the same time, our business activities, in particular production of raw material and the manufacturing of our products, have an impact on the environment. Consequently, we have made biodiversity one of our priorities in sustainability management.



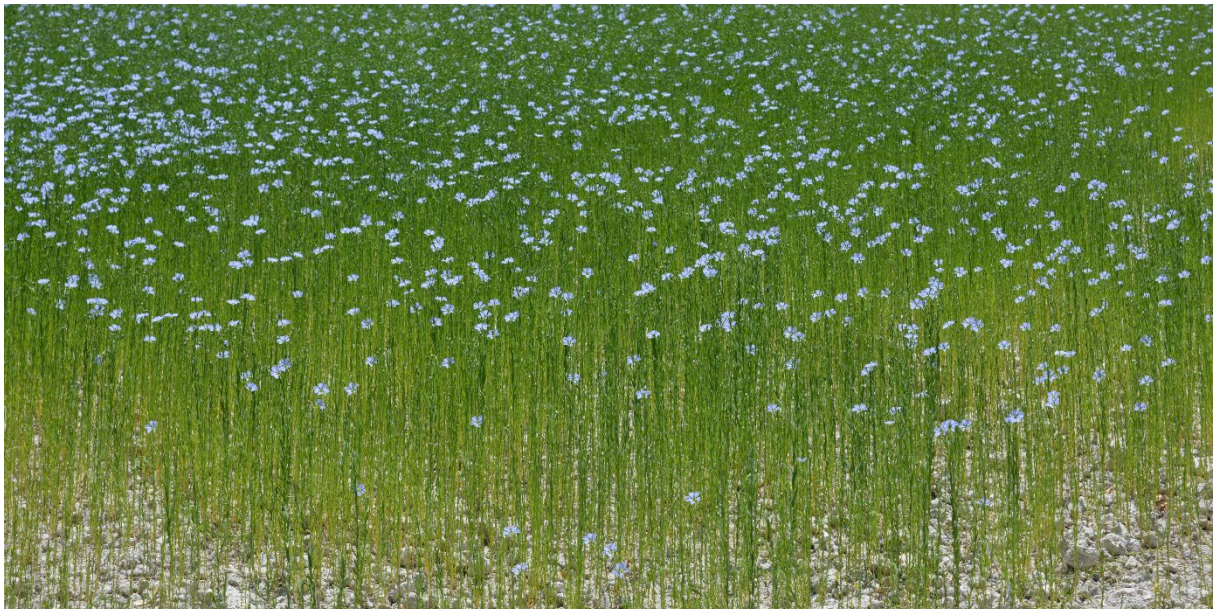
To assume this responsibility, we have taken a close look at our impact on biodiversity in an in-depth study conducted with the International Union for Conservation of Nature (IUCN), which will be outlined more in detail in this document. Based on this and the mitigation hierarchy as a framework for action, we have set ourselves ambitious targets for the protection of biodiversity that are included in this document. Furthermore, this document includes a summary of the measures we are taking at each step of the value chain to specifically address the identified impacts and reach the set targets. To this end, we are working closely with our partners in the supply chain and recognized organizations worldwide, as this complex topic cannot be tackled alone. In particular, we believe that a systemic transition to a circular economy is an important lever for conserving resources and, with it, protecting the environment in the long term.

## BIODIVERSITY IMPACTS

To better understand the specific impacts and influence on biodiversity, we conducted a comprehensive study in cooperation with the International Union for Conservation of Nature (IUCN) back in 2016<sup>1</sup>. The study outlined the impacts of the overall fashion industry on biodiversity in detail. These can generally be grouped as follows:

- **Habitat loss and degradation** (direct conversion, alteration, or fragmentation of natural habitats)
- **Overexploitation** (unsustainable harvesting of wild population of animals, plants, or other organisms)
- **Pollution** (presence in or introduction into the environment of a substance which has harmful or poisonous effects)
- **Climate change** (change of climate due to human activity leading to changes in ecosystem interactions, shifts and declines in species diversity)
- **Invasive alien species** (plants, animals, or other organisms that are non-native to an ecosystem, which can disrupt local ecosystem integrity and function)

The detailed impacts and corresponding measures throughout the value chain are outlined later in this document. The analysis provides a solid basis to target the most important areas for protecting biodiversity in our business operations.



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<sup>1</sup> ["Biodiversity risks and opportunities in the apparel sector"](#) study in cooperation with IUCN (2016)

## MITIGATION HIERARCHY

In developing a sustainability strategy for biodiversity, it is advisable to use the mitigation hierarchy as a framework for action<sup>2</sup>. This calls for four steps:

- 1) **Avoid:** We define impacts that can be avoided and prioritize to address them first (e.g. avoiding the sourcing of wild species that are globally threatened or avoiding the deforestation of ancient and endangered forests)
- 2) **Minimize:** When impacts cannot be avoided, we adhere to best practices for minimizing harm to biodiversity such as environmentally-friendly growing and extraction practices (e.g. sourcing organic or sustainably-certified cotton minimizes the impact of intensive agrochemicals on local biodiversity in production regions)
- 3) **Restore/remediate:** Beyond mitigation, we actively invest in programs and projects with criteria for restoring degraded ecosystems (e.g. regenerative or in-conversion organic farming)
- 4) **Transform:** To make a long-lasting change, we need to accelerate progress across the industry by joining forces (e.g. cooperation in multi-stakeholder partnerships)

In general, these steps provide a guideline in the formulation of strategies and measures. However, it is important to add that initiatives we support and engage in often cover various steps of this hierarchy.

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<sup>2</sup> [Biodiversity risks and opportunities in the apparel sector](#), IUCN (2016); [Biodiversity Benchmark Companion Guide](#), Textile Exchange (2020)

## RISK ASSESSMENT APPROACH

At HUGO BOSS, we are aware of our dependency on a well-functioning natural ecosystem. Therefore, we see a great opportunity to collaborate with nature-positive initiatives for farmers and herders and to mitigate any impact during manufacturing. The LEAP (locate, evaluate, assess, and prepare) process by the Taskforce on Nature-related Financial Disclosures is a perfect tool based on the Continuous Improvement Process ('Plan, Do, Check, Act').

1. **Locate:** the impact and the interface with nature (ecosystem services) are the essential analyses to prioritize the interventions in order to transform the production system. We have carried out analyses with IUCN, HUGO BOSS Natural Capital Evaluation and we update the information using different tools (e.g. <https://framework.tnfd.global/tools-platforms/>) to monitor and update the priorities of interventions
2. **Evaluate:** based on the identified and relevant environmental assets and ecosystem services for which cultivated biological resources, freshwater, and renewable energy are the top priorities and dependencies (see also the whitepapers on public natural capital evaluation). Natural fibers (such as cotton and wool) in climate-sensitive areas (heat, floods, or droughts) were found to have a high 'dependency and impact relationship' for quality and availability. In addition, any water-dependent processing (wet-processes) also has a strong "dependency and impact relation" in most areas.
3. **Assess:** as identified, the highest nature-related risks and opportunities can be attributed to natural fibers and wet processing. The HUGO BOSS sustainability strategy intends to either 'avoid', as an example microplastics by replacing polyester and nylon with HeiQ AeoniQ (a new cellulosic fiber) or similar innovative materials, to 'minimize' the impact on fresh water during the wet processing by collaborating with the initiative Zero Discharge of Hazardous Chemicals but especially to 'restore' and 'transform' raw materials coming from agriculture by going for 100% regenerative or closed-loop recycled raw materials by 2030. Such initiatives are built on a very close relationship with raw material producers that guarantees access to precious feedstock on a long-term relationship. Most of the above initiatives pay into climate-positive results, which means absorbing more CO<sub>2</sub> than emitted. The materiality analysis of risk and opportunity will be regularly updated and synchronized with the TCFD process.

4. **Prepare:** based on the results of the previous three phases, the overall sustainability strategy of HUGO BOSS as well as other material impacts such as climate can be refined, and target settings can be reviewed with an appropriate reporting and disclosure.

## OUR MOST IMPORTANT COMMITMENTS WITH REGARD TO BIODIVERSITY IMPACTS

In order to make continuous progress in our contribution to biodiversity, we have set ourselves ambitious targets based on the mitigation hierarchy<sup>3</sup>. These connect to the biodiversity impacts described above and are implemented throughout the value chain, which is explained in more detail in the following section.

Impact	Target	Year
<b>Climate change</b>	Net zero greenhouse gas emissions throughout the entire value chain (Scope 1-3).	2050
	Reduction of CO <sub>2</sub> emissions (Scope 1 and 2) by at least 50%.	2030
	Reduction of CO <sub>2</sub> emissions (Scope3) by at least 50%.	2030
<b>Pollution</b>	All suppliers with wet processes produce in compliance with the ZDHC MRS� standards.	2030
<b>Habitat loss and degradation</b>	Use of 100% sustainably sourced cotton in accordance with the criteria of the HUGO BOSS Cotton Commitment.	2025
	At least 60% of the product range consists of RESPONSIBLE styles.	2025
	100% of the leather used comes from tanneries certified by the Leather Working Group or a similar standard.	2025
	80% of our products meet the requirements for circular products.	2030
	0% polyester & nylon.	2030

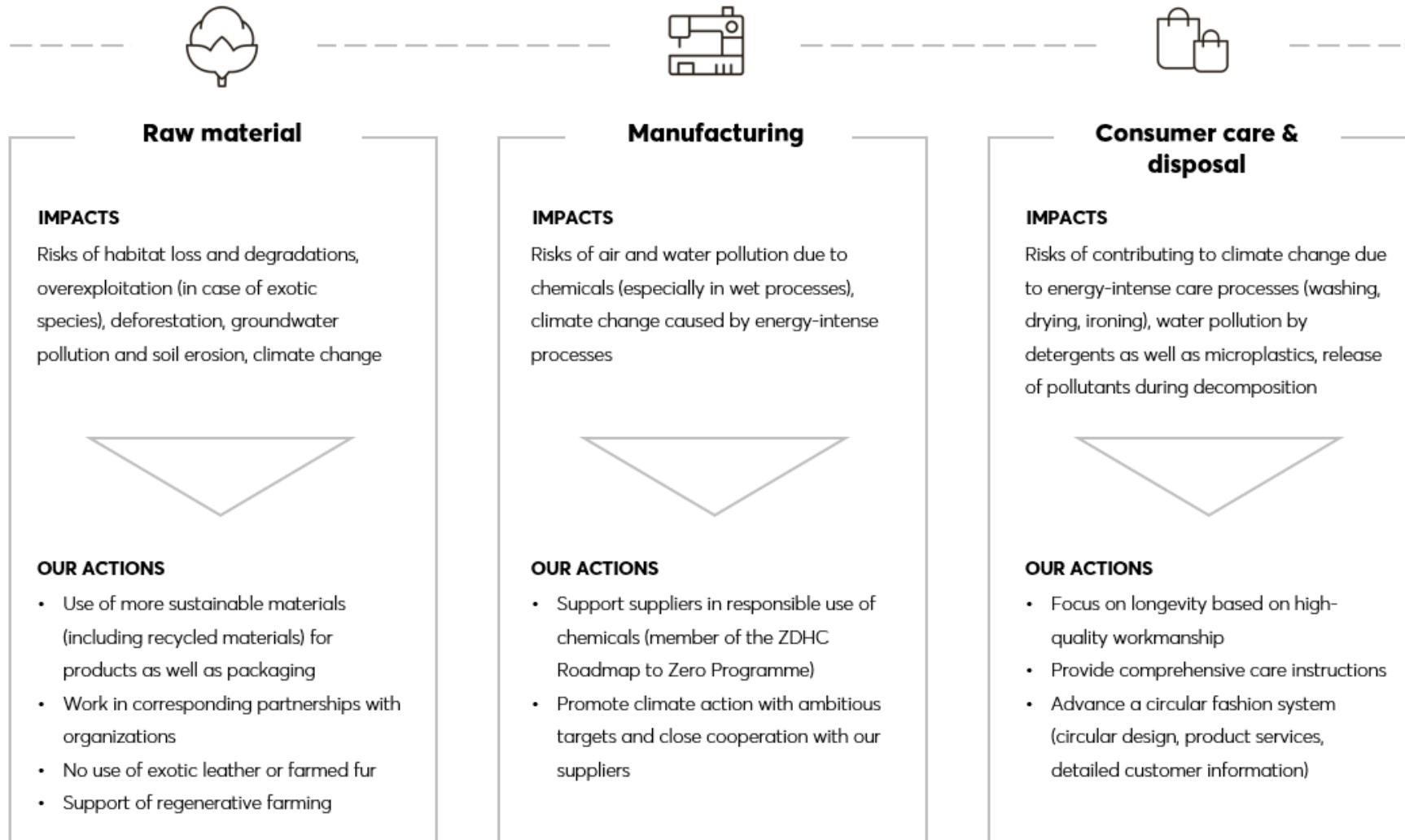
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<b>Overexploitation</b>	No deforestation: Packaging and man-made cellulosic fibers have to comply with <a href="#">Canopy Planet</a> requirements (e.g. min 20 points for MMCF) and the use of Next Gen product (recycled and alternative feedstock).	Starting 2022
	100% regenerative materials sourced to regenerative principles or closed-loop recycling.	2030

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<sup>1</sup> The current status of our target achievements can be found on our [group website](#)

## OVERVIEW: BIODIVERSITY IMPACTS AND CORRESPONDING ACTIONS THROUGHOUT THE HUGO BOSS VALUE CHAIN



## OUR ACTIONS THROUGHOUT THE VALUE CHAIN

Below, we provide a detailed overview of how we address the threats described at each stage of the value chain. We do this with specific measures in line with the above-mentioned mitigation hierarchy (avoid, reduce, and furthermore restore, remediate, and transform).

### Raw materials

**Impacts:** The raw materials we use and their corresponding impact on biodiversity can be grouped in the three areas: Natural raw materials, cellulosic fibers and packaging, as well as synthetic raw materials.

First, natural raw materials require cropland and water. In the case of excessive and unsustainable farming methods (e.g., heavy use of pesticides and fertilizers, monocultures), this can lead to potential habitat loss and degradation of the biosphere's ability to regenerate. With regard to animal fibers and skins, there is also a risk of overexploitation (in case of exotic species) and deforestation to obtain grazing land and crop land used for feed grain production. The cultivation and farming of these natural raw materials can also pose risks of groundwater pollution and soil erosion.

Second, high amounts of wood are used in the production of man-made cellulosic fibers (MMCF) and paper packaging. With this comes the risk of deforestation.

Third, synthetic raw materials such as polyester, are based on non-renewable resources. This causes environmental pollution during extraction and transport, such as methane loss, and requires high energy in the processing, which in turn contributes to climate change. Furthermore, the release of microplastics has a polluting effect on the environment.

**Our actions:** We are committed to continuously increasing the use of more sustainable materials to minimize our impact on the environment. Our requirements in this regard are clearly outlined in our specific [commitments and policies](#) (e.g. our cotton and wool commitments, RESPONSIBLE product policy and commitment to protect forests) and the corresponding targets are publicly available.

With regard to natural raw materials, we focus particularly on cotton as this is our most used material. To this end, we work together with various organizations such as Cotton made in Africa or the Better Cotton to support farmers in implementing more sustainable farming methods. This includes pasture, water, and soil management.



With regards to animal materials, we avoid using exotic leather or farmed fur in order not to contribute to the problem of overexploitation. Furthermore, we increasingly support regenerative farming with partners such as Sekem, Raddis Cotton, and ZQ RX Merino, among others, to make a positive contribution to soil quality (restoring degraded ecosystems), for example.

To protect ancient and endangered forests, our man-made cellulosic fibers (MMCF) and paper packaging must comply with highest standards<sup>4</sup>. For this reason, we have established a partnership with the non-profit organization Canopy. Specifically, this means we only allow sourcing from suppliers ranked by Canopy with a low risk (minimum 20 points in the hot button ranking) and look for suppliers that produce those fibers from alternatives to wood-based feedstock (e.g., recycled cotton) (Canopy Next Generation Solutions Providers).

With regards to synthetic raw materials, we focus on continuously increasing the share of recycled materials in order to avoid any further exploitation of non-renewable resources. For example, we only use recycled padding for our outerwear products. We are also looking for more sustainable alternatives to synthetic raw materials as such, to avoid the increasing problem of microplastics in particular.

## **Manufacturing**

**Impacts:** The manufacturing of textile and clothing products involves the use of chemicals, some of which are harmful to the environment. This is particularly relevant to all types of wet processes such as tanning, bleaching, dyeing, washing or applying special treatments. In case of untreated discharge, these chemicals can cause air and water pollution. In addition, these processes are energy-intensive and thus contribute to climate change.

**Our actions:** HUGO BOSS is committed to a responsible use of chemicals in the production processes in order to minimize the impact on the environment and society, to promote clean water and ensure the safety of workers, in particular. To this end, we are part of the ZDHC Roadmap to Zero Programme, where we work closely with our suppliers on eliminating or reducing harmful chemicals and improve waste and water management. Every supplier must accept the ZDHC Manufacturing Restricted Substances List with defined thresholds of chemicals allowed to be used

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<sup>4</sup> For further information please see our [Commitment to Protect Forests through our Paper Packaging and Fabrics Choices](#)

in production. We see it as our responsibility to enable our partners to implement this through extensive information (about alternatives, for instance) and training courses. Furthermore, climate action is a priority in our sustainability management. As signatory of the UNFCCC Fashion Industry Charter for Climate Action, we are committed to the vision of creating a net zero fashion industry and limiting global warming to a 1.5° temperature increase, which means a reduction of greenhouse gas emissions of over 50% by 2030. This can only be achieved together with our partners in the supply chain. We therefore see our work together with our suppliers to reduce the carbon footprint in production as a priority. This includes the selection of the raw materials (including regenerative farming), use of renewable energies and more energy efficient processes. To this end, together with the ZDHC and other brands, we have developed a Resource Efficiency Module (REM), which is open to the entire industry (transformation strategy). This tool allows suppliers to evaluate their environmental impact (including energy consumption and the corresponding calculation of CO<sub>2</sub> emissions), identify areas of improvement and develop measures, for example, to increase efficiency. We combine this with further dedicated training courses.

### **Consumer care and end of life**

**Impacts:** Caring for clothes can require large amounts of energy, which contributes to climate change. This depends on the frequency and temperature of washing, as well as consumers' drying and ironing habits. Furthermore, detergents and microplastics can wash into waterways leading to pollution with negative impacts on freshwater ecosystems. Where clothes are disposed of in landfills, pollutants can also be released into the environment during decomposition.

**Our actions:** HUGO BOSS ensures that its products can be used over a long period of time due to high-quality workmanship. By providing comprehensive instructions, we enable our customers to care for their products in a way that supports this longevity. Moreover, we are committed to further developing a circular fashion system, in which products remain within a cycle designed to preserve resources. We achieve this through the appropriate circular design of our products (design for recycling or biodegradability), product services (such as repair and resale), and detailed customer information. In this way, we reduce both the amount of clothing that is being disposed of and the corresponding environmental impact.