

REPORT ON RISKS AND OPPORTUNITIES

Transparent handling of risks and opportunities as part of the risk management system

No going concern risks to the Group identified

Exploiting business opportunities is 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 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 therefore primarily is aimed at successfully executing the Group's business strategy and sustainably increasing enterprise value. The reporting of risks and opportunities in the combined management report refers to a one-year period.

Risk and opportunity management principles

The Company's **risk and opportunity management system** comprises all measures of a systematic and transparent approach towards risks and opportunities. It aims to **identify 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 potential future developments or events that may lead to negative deviations from the planned operating result (EBIT). At the same time, the **early identification and consistent exploitation of business opportunities** is of particular importance as part of the successful execution of the Group's strategy and essential for ensuring the Company's long-term success. At HUGO BOSS, opportunities are defined as potential positive deviations from the planned EBIT, with appropriate measures initiated as needed to exploit them. 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 impact.

Risk and opportunity management system

The Managing Board of HUGO BOSS AG has **overall responsibility for an effective risk and opportunity management system**. On its behalf, the central Risk Management & Internal Controls department coordinates the execution and continuous development of the risk and opportunity management system. In this context, it is responsible for the centrally managed risk and opportunity 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. The Supervisory Board of HUGO BOSS is responsible for **monitoring the effectiveness of the risk and opportunity management system**. This responsibility is exercised by the Audit Committee, with support from the Internal Audit department. In this context, risk and opportunity management at HUGO BOSS is subject to regular internal auditing, which is conducted at least every five years, with the most recent audit carried out in 2025. As part of the audit of the consolidated financial statements, the external Group auditor assesses the adequacy of the measures for the early identification of risks that could impact the Company's ability to continue as a going concern.

Group-wide standards for the systematic handling of risks and opportunities form the basis of an efficient risk and opportunity management system. They are set by the Managing Board and documented in the **risk and opportunities principles** that are 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 modern **risk and opportunity management software** allows for recording and evaluating all identified risks and opportunities, as well as related measures, in a uniform way throughout the Group. As part of the audit of the consolidated financial statements, the external Group auditor assesses the effectiveness of selected internal controls. The risk and opportunity management system of HUGO BOSS is designed in accordance with the international standard ISO 31000.

MAIN FEATURES OF THE RISK AND OPPORTUNITY MANAGEMENT SYSTEM



The **risk and opportunity management process** at HUGO BOSS consists of four steps: identification, evaluation, handling, and ongoing monitoring and reporting.

To ensure **risks and opportunities are identified** at the earliest possible stage, the Group continuously monitors the macroeconomic and geopolitical environment, the competitive landscape in the premium and luxury goods industry, and all internal processes. Risk Management & Internal Controls supports all internal risk owners with regular identification and efficient categorization of risks and opportunities using a risk catalog, as well as the risk and opportunity principles that are available on the intranet throughout the Group.

Risk owners delegate the **regular evaluation** of identified risks and opportunities to the defined risk experts and give their assessment after a thorough evaluation. Risk experts are supported by Risk Management & Internal Controls, which also includes regular training, at least once per year, on risk and opportunities management principles and topic-specific focus areas. Individual risks and opportunities are evaluated by assessing their likelihood of occurrence and systematically analyzing their potential impact on the planned operating result (EBIT). Tax risks and interest rate risks, however, are evaluated based on their potential impact on cash flow. > [Outlook](#)

MEASUREMENT CRITERIA FOR BUSINESS RISKS AND OPPORTUNITIES

Extent of financial impact (in % of planned EBIT)		Likelihood of occurrence (within 1 year)	
low	≤2.5%	remote	≤10%
moderate	>2.5%–5%	unlikely	>10%–25%
essential	>5%–15%	possible	>25%–50%
high	>15%–30%	probable	>50%–90%
very high	>30%	certain	>90%

Individual risks and opportunities are evaluated on the basis of the two dimensions of **potential financial impact and likelihood of occurrence**. This is intended to create transparency regarding the Company's current risk and opportunity situation and provide support in prioritizing risks and opportunities. Classification is done by means of summing up all individual risks' and opportunities' weighted average of likelihood (likelihood) as well as the weighted averages of the impact scenarios of all individual risks and opportunities (potential financial impact). Net risks and opportunities are defined as the remaining risk or opportunity potential after accounting for the impact of corresponding mitigation measures, whereas gross risks and opportunities represent their initial, unmitigated impact.

Risks and opportunities are treated in accordance with the Company's risk and opportunity management principles. 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, Risk Management & Internal Controls monitors the progress and effectiveness of planned and already implemented measures.

The current status of all identified risks and opportunities is assessed twice a year. However, depending on their extent, some risks or opportunities 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 and opportunities reporting**, risk owners report all risks and opportunities identified to Risk Management & Internal Controls, including the respective likelihood of occurrence, the potential financial impact, as well as any risk mitigation measures. Risk Management & Internal Controls aggregates the information reported and regularly presents a consolidated report to the Managing Board and the Audit Committee. Substantial individual risks and opportunities are given particular emphasis. When critical or urgent issues arise, the regular reporting process is supplemented by ad-hoc reports.

Assessment of the risk and opportunity situation by the Managing Board

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 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 simulation encompasses risks of all categories, thus also including non-financial risks. The result of this simulation for fiscal year 2025 shows that, as in the prior year, the Group's aggregated risk position does not exceed the Company's risk-capacity threshold with a likelihood of at least 99%.

The implemented risk management system forms the basis for the **assessment of the risk and opportunity situation by the Managing Board**, which reviews the system on a regular basis. Risks and opportunities with a potential financial impact classified as at least essential are discussed and evaluated by the Managing Board at regular intervals. Unless otherwise stated, the risks and opportunities presented below relate to all segments of the Group. In fiscal year 2025, the assessment of individual risks and opportunities changed reflecting developments in external conditions, the effects of implemented countermeasures, and the introduction of our CLAIM 5 TOUCHDOWN strategy, with its focus in 2026 on realigning, simplifying, and strengthening the business for future growth. As a result, the overall risk situation for HUGO BOSS decreased moderately compared to the prior year. In particular, at the time this report was prepared, the Managing Board did not identify any individual or aggregate risks that could jeopardize the **continuation of the Company as a going concern**.

Illustration of risks

Risks identified in the risk management process with at least essential potential impact on HUGO BOSS are detailed below in descending order of their potential financial impact. In contrast, risks assessed as having only a low or moderate impact are not explained in more detail, including risks related to changes in interest rates, competition, counterparties, facilities, financing and liquidity, legal, occupational health and safety, product piracy, and vision and direction. 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 future development than anticipated. Regardless of the measures implemented to manage the identified risks, business activity is always exposed to **residual risks** that cannot be entirely avoided.

RISK OVERVIEW

Categories	Potential financial impact (in % of planned EBIT)	Change ¹ (2024 assessment)	Likelihood (within one year)	Change ¹ (2024 assessment)
Suppliers and sourcing	very high		>10%–25%	
Sales and distribution	very high		>10%–25%	
Logistics	very high	↑ (high)	≤10%	
Governance and compliance	very high	↑ (high)	>25%–50%	↑ (>10%–25%)
IT	very high	↑ (high)	>25%–50%	↑ (>10%–25%)
Taxes ²	high		>25%–50%	
Collection	high		≤10%	
Politics and society	high	↓ (very high)	>10%–25%	
Environment and health	high	↑ (essential)	≤10%	
Global economy	high		>10%–25%	
Quality	essential		>10%–25%	
Personnel	essential		>10%–25%	
Brand and corporate image	essential	↑ (moderate)	≤10%	
Investment	essential	↑ (moderate)	>10%–25%	
Currencies	essential		>50%–90%	

¹ The change in risk assessment compared with the previous year is primarily attributable to the developments in external conditions, the effects of implemented countermeasures, the introduction of our CLAIM 5 TOUCHDOWN strategy and the related outlook for EBIT in 2026. At the individual risk level, this also includes the increasing risk associated with the growing global number of cyberattacks (IT), the ongoing risk of further pandemics (environment and health), and heightened sensitivity surrounding brand communication on social media (brand and corporate image).

² Tax risks are assessed based on their potential financial impact on cash flow.

Risks associated with suppliers and sourcing markets

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

HUGO BOSS attaches great importance to the careful selection of suppliers and 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, such as 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 operational shortcomings. HUGO BOSS therefore pursues 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 to identify risks in a timely manner and initiate appropriate measures to safeguard product availability. In fiscal year 2025, the largest external supplier accounted for 5% of the total sourcing volume (2024: 5%), with the largest single external production site also accounting for 5% (2024: 4%).

Within the framework of **nearshoring**, HUGO BOSS is pursuing the strategic ambition of establishing a balanced sourcing footprint that is closely aligned with its largest sales markets EMEA and the Americas, thereby also aiming to reduce negative environmental impacts associated with long-distance transport. In 2025, 49% of the Company's merchandise was sourced in EMEA (2024: 53%), with our own production in Izmir (Turkey) accounting for 15% of the global sourcing and production volume (2024: 17%). This approach is intended not only to bring HUGO BOSS closer to its most important sales markets and enable faster replenishment, but also enhances the Company's resilience by **reducing reliance on external factors**. > **Business Operations**

In view of **earthquake risks** and possible risks due to **political uncertainties**, HUGO BOSS has implemented comprehensive measures at its largest production site in Izmir to limit the impact of a potential production downtime on product availability and consequently also on Group revenues. For the majority of the production volume, contingency plans are in place to transfer production to external suppliers, while the financial risk from earthquakes is partially covered by insurance policies.

Rising wages in sourcing countries and higher prices for raw materials like cotton, wool, or leather may lead to **higher production costs** and thus negatively impact gross margin and the Group's profitability. HUGO BOSS counters these risks with margin-based collection planning, measures to improve efficiency in its production and sourcing processes, continuous optimization in the use of materials, and regular reviews of its pricing policy.

Ongoing **geopolitical tensions** and the risk of **new or increased trade barriers**, particularly between major economic regions such as the U.S., China, and Europe, may adversely affect sourcing and manufacturing costs. In particular, tariffs and other trade restrictions represent a major concern, as they can directly increase duties, disrupt supply chains, and put significant pressure on margins. Cost increases passed on to consumers may also dampen demand, especially in price-sensitive markets. To mitigate these risks, HUGO BOSS closely monitors global trade and geopolitical developments and integrates potential impacts into its sourcing, production, and pricing strategies. As part of our broader risk-mitigation efforts, in 2025, we have increased our inventory coverage in the U.S, successfully rerouted product flows from China to other regions, and further optimized our global vendor base. > **Business Operations**

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 elevated inventory levels. On the other hand, it may also lead to under-scheduling with the risk of missed sales opportunities. To reduce scheduling risks, HUGO BOSS is working on constantly improving its forecasting quality. This involves further increasing the transparency along the value chain as well as growing flexibility of merchandise management across distribution channels and markets. In this context, in 2025, HUGO BOSS 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 the Company's supply chain and leveraging the power of artificial intelligence, HUGO BOSS aims to further improve demand and supply planning and better align its 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. > **Business Operations**

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 demand fluctuations at short notice. Material **downturns in demand** or **misjudgments 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 may weigh 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 formats are aimed at achieving a constant improvement in efficiency in own retail.

Inventory risks may result from increased storage periods and a related potential reduction in the marketability of inventories. In line with the principle of net realizable value, **impairments on inventories** are recognized accordingly and reviewed on a monthly basis based on a seasonal approach, to account for changes in demand and marketability throughout the year. > [Notes to the Consolidated Financial Statements, Note 12](#)

In its wholesale business, HUGO BOSS pays close attention to ensuring a balanced customer structure to avoid a potential **overdependence on individual customers**. Business Planning & Analysis constantly monitors key metrics such as order intake, delivery quotas, and sell-through providing regular reports to the Managing Board. This enables prompt action to mitigate potential risks. > [Group Management](#)

HUGO BOSS is exposed to the risk of **bad debt losses** due to the potential insolvency of wholesale partners or cumulative losses from economic slowdowns in specific markets. To mitigate this, the **Group-wide receivables management** applies uniform receivables management policies, including credit rating checks, customer credit limits, receivables aging monitoring, and strict handling of doubtful accounts. In some cases, deliveries are only made upon prepayment, or business relationships with high-risk customers are discontinued. The Internal Audit department regularly reviews compliance with the respective Group guidelines. As of the reporting date, there was no significant concentration of default risks from individual customers. > [Notes to the Consolidated Financial Statements, Note 13](#)

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 airfreight, or insufficient warehouse capacity. This directly involves risks of a global increase in freight costs as well as significantly delayed product availability. In 2025, HUGO BOSS further reduced its reliance on airfreight, highlighting our commitment to balancing cost-efficiency with operational excellence, while at the same time emphasizing sustainable sourcing practices. Looking ahead, HUGO BOSS is committed to continuing reducing airfreight dependence while ensuring on-time product availability.

Amid ongoing geopolitical tensions, **global transport and logistics capacity** remained under pressure throughout 2025, particularly on major East–West trade lanes such as Asia–Europe. Continued security risks in the Red Sea led many shipping lines to reroute vessels, resulting in longer transit times and elevated logistics costs. While the overall situation in the Red Sea showed signs of partial stabilization, shipping patterns have not yet fully normalized and freight rates remain volatile, influenced by geopolitical developments, capacity dynamics and higher security-related costs. Looking ahead to 2026, renewed escalation of geopolitical conflicts in the Middle East could again disrupt key maritime trade routes, further straining global logistics capacity and increasing transportation costs. HUGO BOSS will continue to closely monitor developments and implement appropriate measures where necessary. While no material impact on product availability is currently expected, potential supply chain disruptions and related risks, including lost sales opportunities, cannot be entirely ruled out. > [Business Operations](#)

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 growth ambitions. The storage of 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 own online business, all located in proximity to the headquarters in Metzingen (Germany), 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 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 has gradually optimized its global logistics platform in recent years. In this context, the strategic expansion of one of our key logistic hubs was initiated already in 2023 with completion expected in 2026 and intended to increase the delivery and storage capacity of this warehouse location by around 75%. 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. > [Business Operations](#)

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 any breaches are reported accordingly to the Managing Board and Supervisory Board. > [Corporate Governance and the Corporate Governance Statement](#), > [Combined Non-financial Statement, Own Workforce](#)

Breaches of **data protection laws** represent a substantial compliance risk. The Group counters this risk using a system complying with data protection laws and via **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 assessed on an ongoing basis and continuously improved to ensure compliance with legal data protection requirements. > [Combined Non-financial Statement, Consumers and End-Users](#)

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 key warehouses. In order to reduce these risks, the central IT department conducts regular maintenance and security checks, has implemented multilevel security and antivirus concepts, and has assigned job-related access rights. In addition, 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 aim to **increase IT security** within the Group. Internal Audit regularly monitors the security and reliability of the IT systems as well as the effectiveness of implemented control mechanisms.

HUGO BOSS anticipates global cyberattacks to continue increasing in the long term, driven by mounting geopolitical tensions and advancements in artificial intelligence. As reliance on technology deepens, the potential financial impact of cyberattacks is likely to grow, posing unknown but potentially severe risks. Consequently, HUGO BOSS classifies cyber threats as an **"emerging risk."** To strengthen its resilience, the Company remains committed to continuously enhancing its information security program. In this context, HUGO BOSS has implemented a dedicated security information and event management system, designed to provide a comprehensive overview of the Group's IT security landscape.

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 impact recognized current and deferred tax assets and liabilities. All tax-related issues are regularly analyzed and evaluated by the Group Tax department, supported by external experts such as lawyers and tax advisors. **Tax audit risks** exist for all assessment periods still open. Sufficient provisions were recognized for known tax risks, with the amount 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 recoverability 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 assessment of existing topics by tax authorities or tax field audits. There are also risks in transfer pricing in relation to the Company's business model. > **Notes to the Consolidated Financial Statements, Note 5**

Collection risks

Changing fashion and lifestyle trends can cause **collection risks**, with challenges primarily occurring in identifying and incorporating trends quickly into commercially successful collections. To mitigate these risks, HUGO BOSS comprehensively **analyses relevant target groups and markets**, uses **artificial intelligence** to identify trends, and evaluates **sell-through rates** of previous collections. Beyond that, direct customer interaction in our brick-and-mortar retail and own digital business, feedback from wholesale partners, as well as insights gathered via our **customer loyalty program HUGO BOSS XP** and relevant social media platforms enable early detection of shifts in buying behavior for future collections. As part of our CLAIM 5 TOUCHDOWN strategy, we aim to reduce product complexity and streamline our product variety, thereby reducing the risk from individual collections. > **Product Development and Innovation**, > **Consumer Touchpoints**

Political and social risks

HUGO BOSS is exposed to **political and social risks** due to its global business activities. Political and regulatory changes, geopolitical tensions, military conflicts, government transitions, and terrorism can all negatively impact consumer sentiment. However, in light of its global distribution footprint with a presence in approximately 130 markets, the Company benefits from a **natural hedge** against challenges in individual regions.

Global political and social uncertainties continue to represent a significant risk factor also in 2026. Geopolitical tensions, including those related to the conflicts in Ukraine and the Middle East, the potential escalation of trade conflicts, policy shifts and regulatory changes, and the broader security environment pose significant risks for the global apparel industry and thus also for the Group's business development. Such developments may disrupt key trade routes, result in higher transportation costs and longer lead times. Furthermore, an escalation or expansion of geopolitical conflicts could negatively impact the global economic environment, weaken consumer sentiment, and adversely affect the sales and earnings performance of HUGO BOSS.

Due to its increasing relevance, HUGO BOSS classifies risks from political and social changes as an **"emerging risk."** These risks pose strategic challenges, such as the impact of demographic shifts on consumer behavior, global business activities, and supply chain structures – highlighting the close connection of social, industry, and sourcing risks. Given the 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 these risks, 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, with Risk Management & Internal Controls coordinating and supporting this process.

Environmental and health risks

The global value chain of HUGO BOSS is subject to **environmental and health risks** from pandemics, environmental and natural disasters, the impact of climate change, and the loss of biodiversity. Building on the experience gained from the COVID-19 pandemic, HUGO BOSS has drawn up appropriate pandemic emergency plans. At the same time, HUGO BOSS conducts regular climate risk analyses to identify potential business impacts and enable timely countermeasures. A **central emergency management system** ensures prompt and effective responses to all kinds of emergencies, including extreme weather events and natural disasters. This system integrates cross-functional expertise and facilitates efficient coordination with clear decision-making processes.

Global economic risks

HUGO BOSS is exposed to **global economic risks** that can impact demand for premium and luxury goods. Consequently, economic downturns, whether global or regional, may weigh on the Company's top- and bottom-line performance. Additionally, regional economic challenges can have ripple effects across markets, further influencing business performance.

In 2026, global growth is expected to remain subdued as the **global economy continues to face several challenges**. In particular, economic policy uncertainties have further intensified, driven by uncertainty around global policy settings, ongoing political instability in certain regions, and persistent geopolitical tensions. Further details on the global economic outlook for fiscal year 2026, including risks and uncertainties, are provided in the "Outlook" chapter. > [Outlook](#)

To mitigate economic volatility, identify risks at an early stage, and respond as quickly as possible, the Group actively monitors the macroeconomic environment and global industry trends. **Internal early indicators** are analyzed regularly to allow a forecast of the potential impact of macroeconomic risks. Actions to address downturns in demand include adjusting production and sourcing activity, more strictly managing trade net working capital, further optimizing the global distribution network, tightening cost controls, and implementing price adjustments. > [Group Management](#)

Quality risks

When sourcing materials and manufacturing its products, HUGO BOSS places the highest emphasis on **quality**. To uphold these standards, the Company consistently utilizes premium materials and innovative production techniques. Comprehensive **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 (Germany) are designed to ensure the high-quality standards of HUGO BOSS. Generally, HUGO BOSS also incorporates risk criteria into its product development, aiming to constantly reduce return rates and thus minimizing the impact on sales development. > [Product Development and Innovation](#), > [Business Operations](#)

Personnel risks

The successful execution of our Group strategy and the financial and operational performance of HUGO BOSS are largely dependent on the expertise, commitment, and performance of our global workforce. A fair and **value-based corporate culture** serves as a crucial foundation for fostering employee engagement and long-term success. Personnel risks mainly relate to **recruitment bottlenecks, shortages of specialists, and excessive employee turnover**. HUGO BOSS counters these risks with a value-based corporate culture, 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. To measure employee satisfaction on a regular basis, HUGO BOSS conducts an annual **employee survey** in cooperation with Great Place to Work Germany. In this context, in 2025, the overall satisfaction increased to 78% (2024: 69%). The positive development reflects the impact of targeted engagement measures implemented at selected locations following site-specific challenges identified in the prior year, alongside generally stable satisfaction levels across the Group. Looking ahead, we remain committed to sustaining a satisfaction level of at least 75% across the Group, consistent with previous years.

> **Combined Non-financial Statement, Own Workforce**

Risks associated with brand and corporate image

The occurrence of **risks related to brand and corporate image** may have adverse effects on the financial and operational performance of HUGO BOSS. Such risks may arise, for example, from insufficient product or service quality in the Group's own retail business, inadequate pricing and markdown management, the use of distribution channels that are not aligned with brand positioning, ineffective marketing activities or brand partnerships, negative public discourse on social media, or non-compliance with applicable laws, standards, or social requirements.

Against this backdrop, **protecting and strengthening brand and corporate image** remains a key priority at HUGO BOSS. In recent years, the Company has comprehensively renewed the brand images of BOSS and HUGO as part of its former CLAIM 5 strategy, resulting in a more emotional, and more contemporary appearance. In parallel, both brands were further developed into 24/7 lifestyle brands through the introduction of new brand lines, supporting a more consistent and differentiated brand positioning across occasions and touchpoints. These strategic initiatives are complemented by a globally consistent brand and shopping experience, strict quality controls, centrally managed pricing policies, a robust compliance management system, targeted employee training for customer-facing functions, and defined occupational and social standards. Legal trademark protection and the active prosecution of product piracy further contribute to safeguarding brand integrity.

Looking ahead, HUGO BOSS is committed to further advancing **Brand Excellence** as part of CLAIM 5 TOUCHDOWN by elevating BOSS and HUGO across brand dimensions. A new organizational setup with dedicated menswear and womenswear powerhouses is intended to strengthen brand-specific expertise, unlock synergies, and ensure a more consistent implementation of the respective brand identities across regions and channels. These powerhouses will work closely with marketing, sales, and retail functions to deliver globally coherent brand storytelling, and a seamless brand experience along the entire customer journey. By tightening end-to-end brand governance, HUGO BOSS aims to further reduce brand dilution risks, strengthen long-term brand desirability, and support sustainable value creation. > [Group Strategy, Brand Excellence](#)

At the same time, **external communication and stakeholder engagement** continue to be centrally coordinated by Corporate Communications and Investor Relations, ensuring a consistent dialog with key stakeholders. Compliance with relevant laws, standards, and internal guidelines is regularly reviewed across the Group and its partners, supporting a credible and resilient corporate image over the long term.

Investment risks

The Group's own retail activities are exposed to **investment risks**, particularly in connection with the optimization and modernization of its store network, selective new openings, as well as the cross-channel integration and digitalization of its own retail activities. The risk of misinvestments relates in particular to investments in stores for which long-term lease agreements are concluded but which subsequently do not meet the Group's expected returns. In addition, misinvestments may arise in the development and implementation of new store concepts or digital elements that may not lead to operational investments.

The risk associated with potential **impairment** of property, plant and equipment, intangible assets, right-of-use assets at the level of the Group's own retail stores, as well as goodwill, represents the most significant risk within the category of investment risks. In principle, a deterioration in the business outlook or changes in market rental conditions may result in impairment losses on the Group's assets. Any such impairments would be non-cash in nature. > [Notes to the Consolidated Financial Statements, Note 10](#)

At HUGO BOSS, major investment projects are subject to a defined **approval process**. In addition to qualitative assessments, such as evaluations of potential store locations, this process includes a detailed analysis of each project's net present value. The central Business Planning & Analysis department regularly evaluates planned investment projects with regard to the Group's profitability targets. In addition, subsequent analyses are conducted at regular intervals to assess the performance of implemented projects. Appropriate countermeasures are initiated in the event of any negative deviations from the initial profitability targets.

> [Group Management](#)

Currency risks

Due to the global nature of its business activities and the Group's internal financing activities, HUGO BOSS is exposed to **currency risks** that may have an impact on its profitability, net income, and equity. Currency risks are managed centrally by the Group Treasury department. Corporate guidelines provide the framework for managing currency risks. They define the strategic selection and scope of hedging and ensure strict functional separation between the trading, settlement, and control of all financial market transactions. The primary objective is to mitigate currency exposure through **natural hedges**. By doing so, foreign currency exposures from business operations across the Group are offset as far as possible, thereby reducing the complexity of the exposure, the scope of hedging measures, and the associated costs. **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 (**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 revenues generated in the U.S. market. Currency risks in financial 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 and swaps. 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 this risk is continuously monitored, it is not hedged, as its impact on the Group's statement of financial position and income statement is non-cash in nature. > **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, 2025, there were no such hedging transactions for future cash flows 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, 2025. 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 plus EUR 6 million at the end of fiscal year 2025 (2024: minus EUR 6 million). Hedging costs and returns for concluding forward exchange transactions are not included. The risk value reduced slightly compared to the previous year due to changes in the underlying exposure. The largest foreign currency exposure results from the balance sheet exposure towards the U.S. dollar, Japanese yen, and Chinese renminbi.

Illustration of opportunities

HUGO BOSS remains fully committed to leveraging its **business opportunities** across brands, channels, and regions. For fiscal year 2026, the Company has identified several key opportunities arising from the corporate environment, its Group strategy, and operational execution. Opportunities identified in the risk and opportunity management process with at least essential potential impact on HUGO BOSS are detailed below in descending order of their potential financial impact. In contrast, opportunities with a low to moderate potential financial impact are not discussed.

OPPORTUNITY OVERVIEW

Categories	Potential financial impact (in % of planned EBIT)	Change ¹ (2024 assessment)	Likelihood (within one year)	Change ¹ (2024 assessment)
Suppliers and sourcing	high		>50%–90%	↑ (>25%–50%)
Sales and distribution	essential		>10%–25%	↓ (>25%–50%)
Personnel	essential		>10%–25%	
Brand heat and product offering	essential		>10%–25%	
Global economy and currencies	essential	↓ (high)	>10%–25%	
Digitalization and artificial intelligence	essential	↑ (low)	>25%–50%	

¹ The change in opportunity assessment compared with the previous year is primarily attributable to the developments in external conditions and the outlook for EBIT in 2026. At the individual opportunity level, this also includes increasing opportunities associated with the broader use of artificial intelligence (digitalization and artificial intelligence) and reduced global economic opportunities due to the ongoing economic slowdown (global economy and currencies).

Opportunities related to suppliers and sourcing

As part of its global sourcing and production activities, HUGO BOSS fosters a robust and efficient operational infrastructure supporting its long-term growth ambitions. As part of CLAIM 5 TOUCHDOWN, we aim at further **increasing the resilience, efficiency, and flexibility** of our global sourcing and production networks. In particular, HUGO BOSS puts a strong focus on maintaining a resilient supplier network by fostering strong supplier relationships and collaboration. At the same time, the Company seeks to realize even **greater economies of scale** via a further optimization of vendor allocation and strategic price negotiations, supported by increased order volumes. The Company may also benefit from a short-term **decrease in commodity prices** for raw materials such as cotton, wool, and leather. To actively drive additional economies of scale, the Company aims to further streamline its raw material sourcing across fabrics and trimmings, balancing focus and diversification to ensure both cost efficiency and supply stability. With regards to the latter, HUGO BOSS is implementing its **Digital TWIN**, a smart and tech-driven business operations platform. The Digital TWIN is expected to strongly enhance real-time data utilization going forward, further improving

demand and logistics planning, inventory allocation, and transparency within our supply chain. Greater-than-expected successes in these areas may have a direct positive impact on the sales and earnings performance of HUGO BOSS. > [Business Operations](#)

Opportunities related to sales and distribution

As a global fashion and lifestyle company, and in line with its omnichannel approach, HUGO BOSS has built a strong physical and digital distribution footprint in recent years. By ensuring a **seamless brand experience across all consumer touchpoints**, we aim to further advance our omnichannel activities in the coming years. Under CLAIM 5 TOUCHDOWN, HUGO BOSS will leverage the successful transformation of its own retail business as part of CLAIM 5, with the store network largely refreshed and new BOSS and HUGO store concepts implemented across key markets. To exploit the full potential of its **brick-and-mortar retail** business, HUGO BOSS will continue to elevate its own store portfolio to enhance the customer experience. At the same time, we aim to optimize our store network to improve both sales productivity and retail efficiency. Key measures include the renegotiation of expiring rental contracts and the selective closure of underperforming stores. At the same time, we will continue to foster strategic partnerships in **brick-and-mortar wholesale**, while adopting a more selective distribution approach. This includes focusing on the most relevant partners and further sharpening product assortments to strengthen brand equity. In line with CLAIM 5 TOUCHDOWN, the Company will also further expand its global franchise business, particularly in emerging markets, to capitalize on regional growth opportunities. With regards to our **digital business**, we aim to unlock additional opportunities by advancing seamless brand and customer experiences across platforms, supported by captivating content and consistent brand storytelling. At the same time, we will further amplify our two-brand strategy on hugoboss.com to enhance the customer experience and reinforce clear assortment guidelines across all touchpoints. Greater-than-expected success in the execution of these initiatives could have a direct positive impact on the business performance of HUGO BOSS.

In addition, HUGO BOSS will continue to put strong emphasis on retaining and engaging its most valuable customers. Already in 2024, we launched our **loyalty program HUGO BOSS XP**, a hyper-personalized omnichannel member experience. The program is designed to build brand loyalty, boost member sales, and drive customer lifetime value. HUGO BOSS XP was first rolled out in the UK, Germany, and France, and was expanded to the U.S. and China in 2025. Supported by this broader rollout and increasing customer engagement, we successfully expanded our member base by around 20% in 2025, reaching more than 13 million members at the end of fiscal year 2025 (2024: more than 10 million). To further deepen and expand our existing customer relationships, but also attract new BOSS and HUGO customers, we will further expand the program in the coming years. Effectively leveraging these opportunities can directly enhance HUGO BOSS' business performance. > [Consumer Touchpoints](#)

Personnel opportunities

At HUGO BOSS, we are convinced that the **passion and dedication of our employees** are vital for long-term business success. Our Human Resources management focuses on attracting, retaining, and developing the best talent in the fashion industry, while putting a strong emphasis on further enhancing our attractiveness as an employer. Maintaining competitive compensation, additional benefits, and an attractive working environment is intended to further strengthen our position in international competition, enabling the Company to efficiently fill vacant positions with qualified candidates and fostering motivation, commitment, and employee loyalty. Greater-than-expected success in these areas could enhance workforce stability and productivity, thereby supporting operational efficiency and having a positive impact on the sales and earnings performance of the Company.

As an international company, **diversity, equity, and inclusion (DE&I)** form a cornerstone of our corporate culture. We are convinced that diverse and inclusive teams are better positioned to develop creative and effective solutions to complex challenges and to support the successful execution of our Group strategy. Consequently, HUGO BOSS has implemented numerous initiatives to ensure a discrimination-free working environment with equal opportunities and inclusive work culture for all employees. Greater-than-expected progress in advancing DE&I may further increase employee satisfaction and engagement, strengthen the Company's employer brand, and enhance its ability to attract talent, which could, in turn, positively influence business performance. > **Combined Non-financial Statement, Own Workforce**

Opportunities related to brand heat and product offering

In fiscal year 2026, the successful execution of our strategy CLAIM 5 TOUCHDOWN will be key. In this context, we are fully committed to **driving brand excellence** by further elevating BOSS and HUGO and by deepening customer engagement. As part of our marketing activities, we will continue to put strong emphasis on strategic partnerships like Beckham x BOSS as well as impactful, product-led campaigns to strengthen the position of BOSS and HUGO as truly desired global brands. Further strengthening brand equity and deepening consumer connections can have a positive impact on demand and thus drive sales as well as **full-price sell-through**, potentially resulting in higher-than-expected revenue and earnings development.

> **Group Strategy, Brand Excellence**

At the same time, we will keep optimizing our product assortment in the coming years. The introduction of a **new organizational setup** with two dedicated powerhouses for menswear and womenswear is expected to unlock meaningful synergies across BOSS and HUGO, improve speed-to-market, and strengthen gender-specific expertise, thereby enhancing the overall effectiveness of brand and product management. BOSS Menswear will continue to capitalize on its strong **24/7 lifestyle positioning** across a clearly differentiated portfolio. In this context, we see particular growth opportunities across our BOSS Green and BOSS Camel brand lines, while we also remain committed to further capitalizing on product categories such as shoes, accessories, and bodywear. Fully leveraging our 24/7 lifestyle is expected to support the reinforcement of our leading position in the upper premium apparel market. At the same time, the new organizational structure creates a strong foundation to sustainably improve the **long-term performance of BOSS Womenswear and HUGO**. By sharpening its brand identity and focusing on a curated assortment of essential products, BOSS Womenswear aims to increase relevance among female consumers. The refined positioning of HUGO,

combined with a stronger emphasis on contemporary tailoring, is expected to enhance commercial relevance and broaden its consumer base over time. Faster-than-expected progress in executing these initiatives could positively support the sales and earnings development. > [Group Strategy, Brand Excellence](#)

On top of that, HUGO BOSS will continue to leverage the potential of further **digitalizing its product development**, including the use of AI-powered trend detection and virtual try-ons with avatars. In addition, we also aim to improve efficiency and drive greater economies of scale by further **reducing complexity** across our product offerings. This should enable us to maintain premium quality as well as a high level of innovation and sustainability, while also growing units-per-style and lowering product costs. HUGO BOSS also incorporates risk criteria into its product development, as this can have a direct positive impact on its business performance. Further improvements in product quality, for example, may reduce return rates and thus directly support sales development. > [Business Operations](#)

Global economic and currency opportunities

HUGO BOSS may benefit from **positive macroeconomic developments** and their potential impact on consumer sentiment and buying behavior. For example, a faster-than-expected normalization of global inflation and interest rates, a stronger than expected rebound in global trade and investment flows, or the reduction of trade barriers, such as tariffs, as well as the successful conclusion of free trade agreements, could lead to higher economic growth and thus to a noticeable **uplift in global consumer sentiment**. This, in turn, could have a positive impact on global demand for premium apparel and accessories. In addition, evolving social trends that support the upper premium apparel market could further support the top-line performance and full-price sell-through of HUGO BOSS, regardless of broader consumer sentiment trends. At the same time, **regulatory and legal developments** may also present opportunities, including a more consistent prosecution and enforcement of trademark rights. On top of that, favorable **exchange rate developments** can have a positive impact on earnings development. In this context, the Group Treasury department continuously monitors the market environment and identifies relevant opportunities within the Company's financial management principles. > [Financial Position](#)

Opportunities related to digitalization and artificial intelligence (AI)

Digitalization and the systematic application of artificial intelligence (AI) represent a significant strategic opportunity for HUGO BOSS across the entire value chain. The Company already applies AI in several key areas and continuously tests new solutions to **unlock efficiency gains and improve decision-making** for both customers and employees. AI-enabled technologies are being integrated end-to-end, from product design and development to merchandising and inventory management. Applications such as AI-driven 3D prototyping, replenishment recommendations, and dynamic pricing models are expected to accelerate processes, improve planning accuracy, and optimize resource utilization. In **omnichannel and customer-facing activities**, AI-supported content creation, chatbots, and sales training tools contribute to an enhanced and more personalized shopping experience. In this context, more effective AI-supported interactions can further improve customer service, enable more meaningful engagement, and foster long-term customer loyalty. Beyond that, AI tools **support backend processes** across the organization, increasing speed and efficiency in a wide range of business tasks. Overall, faster-than-expected progress in the adoption and scaling of AI applications could positively impact operational efficiency, innovation capability, and ultimately the sales and earnings performance of HUGO BOSS.

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 external audit.

Internal Control System (ICS) and Risk Management System (RMS)

The **Internal Control System (ICS)** and **Risk Management System (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 adequacy and effectiveness. Further information on our RMS can be found in the Risk and Opportunity Management System section of this Report on Risks and Opportunities. > [Risk and Opportunity Management System](#)

THREE-LINES MODEL



HUGO BOSS has implemented a **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 measures 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 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 adequacy 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 adequacy 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 adequacy 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 on any material weaknesses identified in the ICS and 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.

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 internal control and risk management system 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. Group Finance & Tax, in close coordination with Investor Relations, is 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 Central finance departments 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 "Financing Newsletter." The finance managers also meet at regular intervals with managers in the central Group Finance & Tax and Business Planning & Analysis departments for the "Global Finance Summit." Regular training courses are held for finance employees of the entire Group under the auspices of the "Global Finance Exchange" in current developments, international financial reporting, and any topics relevant for preparing the annual financial statements such as automation or artificial intelligence.