

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 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 "CLAIM 5" strategy and sustainably increasing enterprise value. The reporting of risks and opportunities in the combined management report refers to a one-year period.

Risk 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. 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, including IT 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 is available in 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 **likelihood of occurrence and potential financial impact**. 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 an ad-hoc report.

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 2024 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. While the assessment of individual risks and opportunities in fiscal year 2024 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. In particular, 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 identified in the risk management process with an 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. This includes risks related to brand and corporate image, changes in interest rates, competition, counterparties, facilities, financing and liquidity, investments, 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, even by a risk and opportunity management system such as the one implemented at HUGO BOSS.

RISK OVERVIEW

Categories	Potential financial impact (in % of planned EBIT)		Likelihood (within one year)		Trend ¹
Politics and society	very high	>30%	unlikely	>10%–25%	↘
Sales and distribution	very high	>30%	unlikely	>10%–25%	↘
Suppliers and sourcing	very high	>30%	unlikely	>10%–25%	↗
Taxes ²	high	>15%–30%	possible	>25%–50%	→
Global economy	high	>15%–30%	unlikely	>10%–25%	→
Governance and compliance	high	>15%–30%	unlikely	>10%–25%	↗
IT	high	>15%–30%	unlikely	>10%–25%	→
Collection	high	>15%–30%	remote	≤10%	↘
Logistics	high	>15%–30%	remote	≤10%	↘
Currencies	essential	>5%–15%	probable	>50%–90%	↗
Quality	essential	>5%–15%	unlikely	>10%–25%	↗
Personnel	essential	>5%–15%	unlikely	>10%–25%	→
Environment and health	essential	>5%–15%	remote	≤10%	↘

¹ As compared to the prior year. Change equals deviation of >5%.

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

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 are expected to remain elevated in 2025. Geopolitical tensions, including those in Ukraine and the Middle East, the potential escalation of trade conflicts, policy shifts under new governments, and the ongoing threat of terrorism pose significant risks for the global apparel industry and thus also for the Group's business development. For example, geopolitical tensions may disrupt key trade routes, causing higher transportation costs and supply delays due to longer lead times. Additionally, the escalation or expansion of ongoing military conflicts could trigger a global economic downturn, weakening consumer sentiment and adversely affecting 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.

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 has a negative impact on the gross margin and ultimately on the Group's profitability and are 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. As of the reporting date, the Managing Board considers the recognized allowances to be sufficient. > **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, sales, and delivery quotas, 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**

Risks associated with suppliers and sourcing

Risks associated with **suppliers and sourcing** 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 2024, the largest external supplier accounted for 5% of the total sourcing volume, while the largest single external production site accounted for 4% (2023: 4% each).

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 2024, 53% of the Company's merchandise was sourced in EMEA, representing a slight increase compared to last year (2023: 52%). Notably, own production in Izmir (Turkey) now accounts for 17% of the global sourcing and production volume (2023: 15%). This shift not only brings HUGO BOSS closer to its most important sales markets, enabling 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 the gross margin, ultimately weighing on 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.

The risk of **new or increased tariffs**, particularly between the U.S., China, and European economies, may impact the cost of sourcing materials and manufacturing. Such tariffs could lead to higher duties, potential supply chain disruptions, and reduced margins. An increase in product prices due to higher tariffs could also dampen consumer demand, especially in price-sensitive markets. To mitigate these risks, HUGO BOSS closely monitors global trade developments and adjusts its strategies as needed to minimize potential impacts on its operations. As part of its broader risk-mitigation efforts, HUGO BOSS has also significantly reduced its reliance on sourcing and production in China in recent years, helping to limit potential exposure to tariffs between the U.S. and China. > **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 2024, 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 using 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**

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**

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 2025, 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 expectations of policy shifts under newly elected governments, ongoing political instability in certain regions, and persistent geopolitical tensions. Further details on the global economic outlook for fiscal year 2025, including key 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**

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. > **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.

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 **digital tools** 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. Due to their 24/7 lifestyle approach, both BOSS and HUGO offer **highly diversified product ranges**, thus covering all wearing occasions and reducing the risk from individual collections. > **Product Development and Innovation**, > **Consumer Touchpoints**

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 2024, 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 2024, driving up global sea freight rates and prolonging shipping routes, particularly between Asia and Europe. While the situation in the Red Sea gradually stabilized, freight costs remained elevated, impacting input costs. Looking ahead to 2025, a potential re-escalation of the Middle East conflict could once again disrupt key shipping routes, further straining global logistics capacity and driving up transportation costs. HUGO BOSS will continue to closely monitor developments and implement appropriate measures if necessary. While no significant impact on product availability is currently anticipated, supply chain risks and potential lost sales opportunities in general cannot be 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 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 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. 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**

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 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 the 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 (**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, 2024, 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, 2024. 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 minus EUR 6 million at the end of fiscal year 2024 (2023: plus EUR 11 million). Hedging costs and returns for concluding forward exchange transactions are not included. The risk value reduced compared to the previous year due to the overall anticipated higher hedge ratios. The largest foreign currency exposure results from the balance sheet exposure towards the U.S. dollar, Swiss franc, Japanese yen, and Mexican peso.

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 the 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. In this context, in 2024, the overall satisfaction amounted to 69% (2023: 77%). The decline compared to the prior year mainly reflects the challenges posed by a difficult macroeconomic environment in key regions such as Turkey, which weighed on employees' financial well-being and overall sentiment in 2024. At HUGO BOSS AG, overall satisfaction remained broadly stable at 86% in 2024 (2023: 87%). 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**

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. > **Combined Non-financial Statement, Climate Change**

Illustration of opportunities

HUGO BOSS sees strong **growth opportunities** across its entire business model and remains fully committed to leveraging these across both brands, all channels, and all regions. For 2025, HUGO BOSS 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 an 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 in detail.

OPPORTUNITY OVERVIEW

Categories	Potential financial impact (in % of planned EBIT)		Likelihood (within one year)		Trend ¹
Suppliers and sourcing	high	>15%–30%	possible	>25%–50%	↘
Global economy and currencies	high	>15%–30%	unlikely	>10%–25%	→
Sales and distribution	essential	>5%–15%	possible	>25%–50%	↘
Brand heat and product offering	essential	>5%–15%	unlikely	>10%–25%	→
Personnel	essential	>5%–15%	unlikely	>10%–25%	→

¹ As compared to the prior year. Change equals deviation of >5%.

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 long-term growth ambitions. Constantly, we put strong efforts into **increasing the resilience, efficiency, and flexibility** of our global sourcing and production activities. 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 places a strong emphasis on realizing **greater economies of scale** through strategic price negotiations supported by increased order volumes. At the same time, the Company could benefit from a short-term **decrease in prices** for raw materials such as cotton, wool, and leather. To actively drive greater 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 a **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**

Global economic and currency opportunities

HUGO BOSS benefits 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, or a stronger than expected rebound in 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 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 the development of broader consumer sentiment. At the same time, **regulatory and legal changes** also present opportunities. For example, more consistent prosecution and punishment of infringements of trademark rights can positively impact the sales performance, while the removal of tariffs may improve profitability. On top of that, favorable **exchange rate developments** can have a positive impact on earnings development. Our Group Treasury department continuously monitors the market environment and identifies relevant opportunities within the framework of financial management principles. > **Financial Position**

Opportunities related to sales and distribution

As a global fashion and lifestyle company, HUGO BOSS has built a strong distribution footprint in recent years both physically and digitally. Building on our strong brand power, we aim to further advance our omnichannel activities in the coming years, ensuring a **seamless brand experience across all consumer touchpoints**. To this end, we will continue to optimize and modernize our existing store network with the global rollout of our latest store concepts for BOSS and HUGO already in full swing. This is expected to support future productivity improvements in **brick-and-mortar retail**. At the same time, we are also striving 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 adding several full-price franchise stores, 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 these opportunities may have a direct positive impact on the business performance of HUGO BOSS.

HUGO BOSS aims to turn consumers into fans, thus putting a strong emphasis on retaining and accompanying its most valuable customers. In this context, we implemented our **loyalty program HUGO BOSS XP** in 2024, aimed at further driving brand loyalty in the coming years. By closely engaging with our customers, the program offers important opportunities in boosting member sales and driving customer lifetime value. Already in 2024, fueled by the introduction of HUGO BOSS XP, we successfully increased our member base by around 25% to more than ten million (2023: more than eight million). To further deepen and expand our existing customer relationships, but also attract new BOSS and HUGO customers, we will further roll out the program in the coming years. Effectively leveraging these opportunities can directly enhance HUGO BOSS' business performance. > **Consumer Touchpoints**

Opportunities related to brand heat and product offering

Also in fiscal year 2025, the execution of our strategic priorities will remain key. In this context, we will continue to build on the **brand power** of BOSS and HUGO and focus on further engaging with our customers. In particular, we will continue to put strong emphasis on high-profile brand campaigns to further fuel brand relevance and win over new customers. On top of that, exceptional events and high-impact collaborations – such as the one with David Beckham – are intended to further increase brand relevance. A further significant increase in brand relevance can have a positive impact on consumer demand and thus drive sales as well as full-price sell-through, consequently resulting in higher-than-expected revenue and earnings development.

> **Group Strategy, "Boost Brands"**

At the same time, we will keep investing in our product assortment to further enhance our **price-value proposition**, aiming to gain further market shares in the coming years. On top of that, HUGO BOSS will continue to strongly leverage the potential of further **digitalizing its product development** also in the years to come, for example when it comes to AI-powered trend detection and virtual try-ons with avatars. In this context, 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. A further improvement in product quality, for example, can have a positive impact on the return rate and thus on the sales development. We are also committed to continue **exploiting the full potential of our 24/7 product range**, leveraging all wearing occasions. In particular, the Company aims to further capitalize on product groups such as denim, shoes and accessories, and bodywear. Fully leveraging our 24/7 lifestyle approach should enable us to reinforce our leading position in the upper premium apparel market. > **Group Strategy, "Product is Key"**

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, putting a strong emphasis on further enhancing our attractiveness as an employer. A competitive compensation, additional benefits, as well as an attractive workspace are intended to further strengthen our position in international competition, enabling the Company to efficiently fill vacant positions with qualified people, and to increase motivation, commitment, and loyalty among our employees. At the same time, supporting employees in their individual development may have an additional positive impact on the Company's financial performance.

As an international company, **diversity, equity, and inclusion (DE&I)** is a fundamental part of our corporate culture. We are convinced that heterogeneous and inclusive teams can achieve better and more creative solutions to complex issues and thus make a positive contribution to the successful execution of our 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. 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. > **Combined Non-financial Statement, Own Workforce**

Key aspects of the internal control and risk management system

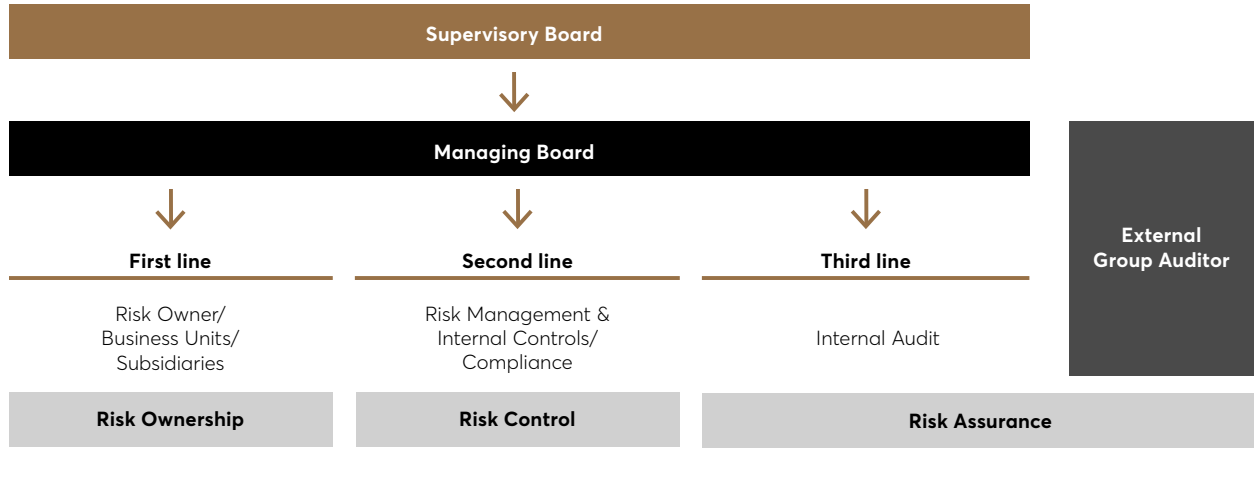
The information provided in this section is extraneous to the management report and therefore not part of the external audit.

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. > **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 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 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 "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 "Global Finance Summit." Regular training courses 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.