From Shareholding to control: Hugo Boss as a Frasers Group Subsidiary

The paper analyses the relationship between a parent company and its subsidiary through Frasers Group's acquisition of a majority stake in Hugo Boss.

The analysis begins by outlining the characteristics of a subsidiary, distinguishing between share ownership, corporate control and management under German law.

It then examines the public takeover offer and the increase in Frasers' shareholding, also considering the possible existence of de facto control before a majority stake was acquired.

It subsequently considers the effects of the transaction on contractual relationships and accounting consolidation.

In the end, it examines changes in corporate governance, the management of potential conflicts of interest and minority shareholders' rights, highlighting how the parent company's influence can coexist with the subsidiary's separate legal identity.

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Introduction

A company can retain its separate legal identity while coming under the control of another: this is the distinctive feature of a subsidiary. A subsidiary is a business entity that is controlled by another company, known as the parent company or holding company.

Subsidiaries are separate and distinct legal entities from their parent companies, with their own assets, liabilities and governance structures: however, their separate legal identity does not prevent parent companies from exercising control over their strategic direction.

The distinguishing feature of a subsidiary is therefore the coexistence of its own legal identity and its dependence on another company's controlling influence: this raises the question of how the acquisition of control affects the subsidiary's decision-making autonomy, while maintaining its bodies' own competences.

Gaining control of a company can address several economic and strategic objectives: acquiring a company already operating in the market can allow a business to expand its activities, reaching new customers and accessing brands, skills and business relationships that would take time to develop in-house.

A further reason could consist in the search for synergies, understood as the benefits arising from collaboration between companies, whose achievement depends on the compatibility of their activities and how they are coordinated.

Shareholding, Control and Management under German Law

The existence of a parent-subsidiary relationship depends on the ability of one company to exercise control over another. A shareholding alone does not make a company a subsidiary: the decisive element is control. Control commonly arises through a majority of voting rights, but may also exist where a company can otherwise exercise a dominant influence over another.

In the German corporate law context, section 17(1) of the German Stock Corporation Act (*Aktiengesetz*) recognises controlled companies as legally independent entities over which another enterprise can exercise a controlling influence, either directly or indirectly. (1)
Section 17(2) further provides that an enterprise is presumed to be controlled by another enterprise that holds a majority interest in it. (2)

To understand the implications of this discipline, three aspects must be distinguished: share ownership, corporate control, and company management.
Share ownership describes a shareholder's position in the company, reflecting the shares owned by a partner and the rights that derive from them. Corporate control consists in being able to influence society in a dominant way, while management involves directing the company's business activities. These aspects are connected, but they perform different functions and do not coincide. Owning shares does not necessarily entail control: a shareholder may hold a stake as an investment, without however having the possibility to influence the corporate balances.
However, when participation allows the exercise of control, and therefore a position of influence, it is still necessary to distinguish the shareholders' power from the powers assigned to the company's governing bodies.

Under the German model, section 76 (1) of the German Stock Corporation Act provides that the Managing Board manages the company under its own responsibility: the parent company's position must therefore be considered in a corporate governance structure, in which each body retains its own specific functions. (3)

Frasers' Takeover Offer and the Acquisition of a Majority Stake

The distinction between shareholding and control provides the starting point for examining the relationship between Hugo Boss and Frasers Group.

On June 10, 2026, Frasers Group announced its intention to launch a voluntary public takeover offer for Hugo Boss shares at a cash price of €38 per share (12). The offer document was subsequently published on June 25, 2026. (7)

The strategic reason for the acquisition emerge from Frasers' statement: in the offer document, the Group described Hugo Boss as a strategic partner and one of the five most important for its business. Frasers also stated that it was a long-term investor and believed that a larger stake could generate value for its shareholders. It also claimed to support Hugo Boss's strategy, sustainable growth, and brand investments. The stated intentions did not include relocating the company's headquarters, essential business closures or an immediate reorganisation plan.

On July 9, 2026, Hugo Boss's Managing Board and Supervisory Board jointly and unanimously recommended that shareholders reject the offer, deeming the consideration financially inadequate for the company's standalone value and for its future value creation potential.

A central aspect of the offer concerns the distinction between compliance with the minimum price provided for by law and the economic adequacy of compliance, as well as economic convenience for shareholders. Although the €38 offer price met the statutory minimum, Hugo Boss's boards considered it insufficient for the value of the business and its future prospects. Their negative assessment therefore concerned the economic terms of the offer, while the two bodies took a neutral position with regard to Frasers Group’s intention to increase its shareholding. (8)

After the additional period for shareholders to accept the offer ended on August 13, 2026, Hugo Boss announced on August 18 that Frasers Group's total stake had reached approximately 47.89% of its share capital and voting rights.

The offer therefore led to a significant increase in Frasers Group’s stake, although it remained below 50% at that stage.

Reaching the 50% threshold does not necessarily coincide with the moment when a control relationship is established: as BaFin has made clear, even a participation rate of less than 50% can allow control when, together with other circumstances, it permanently guarantees a majority of the voting rights represented at shareholders’ meeting.

Attendance at Hugo Boss’s 2026 shareholders’ meeting illustrates how this could occur, as only 66.54% of the share capital was represented (9): compared to this level of participation, if attendance had remained at the same level, a 47.89% participation, achieved by Frasers, fully represented and endowed with voting, would have represented approximately 72% of the capital represented at the meeting.

However, this calculation remains illustrative, because the meeting took place before Frasers reached 47.89%, and does not establish with certainty the stability of a de facto majority.

To determine whether Frasers already exercised control at that stage, it would also be necessary to consider shareholder structure, the evolution of assembly attendance, and the other circumstances of the case. Reaching 50.08% therefore certainly consolidated Frasers' position by giving it a majority of the share capital, without necessarily marking the beginning of control.

Between the conclusion of the offer and the 50% increase, Hugo Boss has also ended its share buyback program. On September 1, 2026, Hugo Boss's Managing Board announced that the program launched on August 24 would end upon its expiry on 8 September. The statement linked this decision to Frasers' stated intention to exceed 50% (13), clarifying that it did not express less confidence in the company's strategy.

According to the company's summary, a total of 195,115 shares were repurchased for approximately €7.5 million: their cancellation reduced the total number of shares from 69,016,167 to 68,821,052.

The retirement of the shares is important for understanding the evolution of Frasers' stake: the percentage owned by a shareholder depends on both the number of shares held and the company's total number of shares. If the total decreases, the shares already owned represent a proportionally larger share. To explain the from 47.89% in August to 50.08% in October, it is necessary to analyse both Frasers' purchases and the reduction in total shares.

Frasers subsequently increased its stake. On October 23, 2026, it announced the purchase of an additional 198,666 Hugo Boss shares for approximately €7.63 million, bringing its total stake to 50.08% of the company's share capital.

To understand Fraser's position in Hugo Boss, it's necessary to distinguish between the shares it already owned and those it could acquire later.

The potential purchase of these additional shares arose from the sale of put options: Frasers had in fact sold put options, committing to purchase the shares concerned at the agreed price and under the established conditions, if the option holders decided to exercise their right to sell.

The shares linked to the options were therefore not yet owned by Frasers, but would only become its property with their actual purchase. This distinction was reflected in the 23 October 2026 announcement, in which Frasers distinguished its existing stake of 50.08% in Hugo Boss's share capital from options relating to a further 21.87%. (14)

The possible exercise of all options could have increased the share held, but it also entailed a net payment of up to approximately €501.1 million.

The two percentages could therefore not be added together to indicate the shares already owned, as they represented an existing shareholding and potential future acquisitions.

The acquisition of a majority shareholding gave rise to the presumption of dependence under section 17(2) of the German Stock Corporation Act. (2)

Hugo Boss has, however, maintained its own distinct legal identity, demonstrating the coexistence between legal autonomy and control, that characterizes a controlled company.

Contractual and Accounting Consequences of Control

A change of shareholder controlling the company may also affect the acquired company's contractual relationships.

In their reasoned statement on the offer, Hugo Boss's Boards indicated that certain agreements included change of control clauses, which grant counterparties specific rights when control changes, such as the right to terminate the contract early. The contracts concerned included financing, licensing and lease agreements.

Conditions varied depending on the agreement, but in most cases the relevant threshold was reaching 50% of the voting rights: exceeding this threshold could therefore grant the counterparty new rights without necessarily leading to the end of the contract.

The boards specified, on the date of the declaration, that no counterparty had indicated its intention to exercise these rights, highlighting that the simultaneous termination of several lease agreements could cause significant difficulties for the group.

The case therefore shows how, although Hugo Boss can retain its legal identity, the change of control does not exclude consequences for contracts. The company remained a party to its own contracts, but Frasers' acquisition of control could allow the other contracting parties to exercise rights that had not previously been available to them. This highlights a potential effect of the transaction on the company's commercial and financial relationships.

From an accounting perspective, Frasers Group announced that Hugo Boss's financial results, assets and liabilities should be included into Frasers Group's accounts.

The consolidated financial statements show the group's overall financial and economic situation, by combining the financial information of the parent company and its subsidiaries.

This does not entail a merger: although the financial information is presented together to show the position of the group as a whole, the companies continue to exist as separate legal entities, each retaining its own legal identity.

In Hugo Boss's case, integration involves the full inclusion of its assets, liabilities, revenues and costs in Frasers' consolidated financial statements, in accordance with the applicable accounting rules. Even though Frasers owns 50.08% of Hugo Boss, these statements include all of the subsidiary's financial data, rather than only a proportion corresponding to its ownership stake. Consolidation therefore allows the group to be represented as a single economic entity, while maintaining the companies that compose it legally distinct.

Corporate Governance and Conflicts of Interest

The strengthening of Frasers Group's shareholding position was also accompanied by changes in the governance of Hugo Boss. The company retains its dualistic structure, maintaining two distinct bodies: the Managing Board, which defines the group's strategy and management, and the Supervisory Board, which monitors its operations and performs an advisory function (10).

Frasers can exercise its influence over Hugo Boss through a vote at the shareholding's meetings: the meeting elects shareholder representatives on the Supervisory Board, which then appoints the members of the Managing Board and can revoke them under the conditions established by law (4). Holding a majority of the share capital allows Frasers to influence the composition of the body that appoints and oversees management.

Hugo Boss's Supervisory Board consists of twelve members: six represent shareholders, while the other six members represent workers. The possession of a majority of the capital gives Frasers significant influence over the election of shareholder representatives, without, however, allowing it to be able to choose the employee representatives as well.

Changes in Hugo Boss's governance began even before the 50% threshold was exceeded: on September 16, 2026, the company announced the election of Michael Murray as the new chairman of the Supervisory Board, replacing Stephan Sturm.

Murray, chief executive of Frasers Group, was already a member of Hugo Boss's Supervisory Board from May 15, 2025. (11)

As chairman, he convenes and chairs its meetings. He also chairs some committees that prepare the Supervisory Board's work and decisions relating to the members of the Managing Board.

His position therefore gives him a significant role, but decisions remain entrusted to the Supervisory Board as a collegial body.

In October 2026, the local court also appointed Robert Palmer to the Supervisory Board: since 2022, Palmer has also served as a non-executive director of Frasers Group Financial Services Limited. These appointments highlight the links between Frasers Group and Hugo Boss's Supervisory Board.

The presence, on the Supervisory Board, of members linked to Frasers requires attention to potential conflicts of interest. Hugo Boss's rules of procedure required each member to act in the

company's interests. Each member must also declare any circumstances that could give rise to conflicts of interest, including those concerning assignments or relationships with customers, suppliers and other business partners.

The evaluation of Frasers' offer provides a concrete example: the Supervisory Board established a dedicated committee, called the Transaction Committee, which was created to examine the operation. To ensure an independent and objective examination, Michael Murry, who was both CEO of Frasers and a member of Hugo Boss's Supervisory Board, did not join the committee, remaining outside the examination activities and decisions of the operation. His non-participation was a measure intended to prevent potential conflicts of interest by keeping his two roles separate.

The relevance of this separation is recognized by Frasers Group itself, which in its communication of October 23, 2026, stated that its ability to influence Hugo Boss's daily activities may be limited by the German governance structure. The case therefore highlights the distinction between equity control, governance influence, and operational management.

Minority Shareholders and the Limits of Majority Influence

With the achievement of 50.08%, Frasers became Hugo Boss's majority shareholder, while the remaining 49.92% of the shares remained in the hands of other investors.

This position gave Frasers decisive influence in ordinary assembly votes, although certain decisions required higher majorities. In fact, being the majority shareholder does not mean being able to decide everything independently: the other minority shareholders retain their positions as partners and the rights attached to it. They could participate and vote at shareholders' meetings,

request information and, under the conditions provided by law, challenge decisions that violated the law or the company's statute. (5)

Frasers also had to exercise its influence with due regard for Hugo Boss's interests: in fact control does not entitle a parent company to pursue its own interests without considering the consequences for its subsidiary. (6)

Conclusion

The Hugo Boss case shows how the acquisition of control can change the way a company's governing bodies operate without eliminating its separate legal identity or the specific responsibilities of those bodies . Frasers gains grater influence over corporate governance, but share ownership, corporate control and management remain distinct. The consequences of the acquisition also extend to contractual relationships and the group's financial reporting. At the same time, the exercise of control is subject to limits imposed by governance rules, obligations concerning conflicts of interest and minority shareholders' rights. The answer to the initial question is therefore that Hugo Boss's decision-making autonomy neither remains unchanged nor disappears entirely. Instead, the acquisition creates a new balance between the majority shareholders' power and the responsibilities of the company's governing bodies

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