

Corporate Governance Report

Corporate Governance at Wolford

Commitment to the Corporate Governance Code

Wolford is convinced that carefully implemented and actively practiced corporate governance can make an important contribution to enhancing the trust placed in the company by the capital markets. In September 2002, the Austrian Working Group for Corporate Governance issued a framework for responsible corporate management and control that is designed to support the sustainable creation of value. The goal of this guideline is to protect the interests of all stakeholders whose welfare is linked to the success of the company.

The Austrian Corporate Governance Code ensures a high degree of transparency for all of the company's stakeholders. Wolford has been committed to the principles of the code since the 2002/03 financial year. The Austrian Working Group for Corporate Governance is responsible for publishing the Corporate Governance Code in its respective versions. The current version is available at www.corporate-governance.at and at Wolford's [website](#). The latest revision to the code, which took effect as of January 1, 2021, focused on another adaptation of the code to the requirements of the Austrian Stock Corporation Amendment Act 2019.

The code is based on the requirements of Austrian stock corporation, stock exchange and capital market law, the recommendations of the European Commission concerning the duties of the Supervisory Board and the remuneration of Management Board members, and the corporate governance guidelines issued by the OECD. The code provides a framework for corporate management and control.

Enhancing trust

The guiding principles of the code are intended to enhance the trust placed by investors in the company – and in Austria as a place to do business. They include equal treatment of all shareholders, transparency, the independence of the Supervisory Board, open communication between the Supervisory Board and the Management Board, the avoidance of conflicts of interest on the part of directors and officers, and efficient control by the Supervisory Board and auditor. Compliance with the code, which goes beyond legal requirements, is voluntary, and takes the form of a self-imposed obligation on the part of the company. Observance of the code also means that any failure to meet C-Rules must be explained and disclosed (“comply or explain”). The Corporate Governance Report of Wolford AG forms part of this annual report and is also available in the [“Investor Relations”](#) section of Wolford's website.

To prevent insider trading, Wolford has issued a compliance guideline that implements the requirements of the Market Abuse Regulation issued by the European Union. Adherence to this guideline is monitored by the compliance officer. Wolford's objective is to meet the expectations of capital market participants with respect to transparency and to provide shareholders with a true and fair view of the company. The Market Abuse Regulation issued by the European Union requires the simultaneous and identical communication of information. Wolford consistently meets this requirement by distributing the latest company news, including information with the potential to influence its share price, in parallel to analysts, investors and the media. This information is simultaneously

published on the company website to provide private shareholders as well with equal access to the information.

One share – one vote

The company has issued 6,719,151 zero par value common shares. There are no preferred shares or restrictions on the common shares. The principle of “one share – one vote” is therefore met in full. The Austrian Takeover Act ensures that every shareholder receives the same price for his or her Wolford shares in the event of a takeover (mandatory offer). The Austrian Takeover Act ensures that every shareholder receives the same price for his or her Wolford shares in the event of a takeover (mandatory offer). The current shareholder structure is shown in the “Wolford Shares” section of this Annual Report.

Systematic risk management

The Management Board of Wolford AG bears overall responsibility for ensuring that an effective risk management system is in place at the company. Acting on its behalf, the central risk management function coordinates the implementation of the risk management system and ensures that this is continually updated and enhanced. This function has a direct reporting line to the Chairman of the Supervisory Board Audit Committee. The Supervisory Board of Wolford AG is responsible for monitoring the effectiveness of the risk management system. This responsibility is met by the Audit Committee.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Wagramer Strasse 19, 1220 Vienna, was elected by the 33rd Annual General Meeting (AGM) to audit the annual financial statements of Wolford AG and the consolidated financial statements of the Wolford Group for the 2020 short financial year. There are no grounds for exclusion or prejudice that would be incompatible with a conscientious and objective audit by the group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The fees for the audit of the consolidated financial statements and related services amounted to € 0.2 million. All mandatory disclosures required by § 243a of the Austrian Commercial Code (UGB) can be found on Page 49 of the Management Report.

Management Board

Andrew Thorndike

Andrew Thorndike (born in 1966), Management Board member since October 1, 2019. He is appointed through to September 30, 2021 and does not hold any supervisory board or comparable functions outside the company. He is responsible for the Product Management and Technical Product Development, Purchasing and Procurement, Supply Chain, Finance (including Accounting, Controlling and Treasury), Legal Affairs, Investor Relations, Corporate Communications, Corporate IT & Infrastructure and Corporate HR at Wolford AG. Andrew Thorndike most recently worked as COO and CSO at the Berlin startup Thermondo GmbH. Prior to that, he worked as COO and CRO at ADLER Modemärkte, where he was responsible for areas including purchasing, product development, and supply chain management. Between 2013 and 2017, Andrew Thorndike worked as COO at Africa's largest fashion retailer, Ecdon (Pty) Ltd, in Johannesburg, where he was directly responsible for 2,300 employees. He previously gained further management experience, particularly in retail and finance, as a consultant at McKinsey & Company and at Accenture Ltd. Born in Cologne, he holds a degree in “Mining and Energy Technology” from the Technical University in Berlin.

Silvia Azzali

Silvia Azzali (born in 1971), Management Board member since November 1, 2019. She is appointed through to October 31, 2021 and does not hold any supervisory board or comparable

functions outside the company. She is responsible for the Sales, Merchandising, Brand & Marketing, and Design divisions. Prior to this, she worked at Wolford as Global Sales & Merchandising Director from January 2019. Silvia Azzali joined Wolford as Managing Director for Southern Europe in 2011 and was later promoted to Head of International Wholesale. She subsequently left Wolford to work as Global Retail, Online & Franchising Director at Ermanno Scervino (2016–2018). Before returning to Wolford in January 2019, she worked as Head of Global Retail & Franchising at Moschino. Silvia Azzali can look back on a long career in the fashion industry. Back in 2000 and 2001, she worked in the Recruitment & Training department at Gucci, before moving to Dolce & Gabbana as Europe Retail HR Manager (2002–2004). She later decided to move to sales and gained experience at various brands, such as in Retail Management at Trussardi (2005–2007), as Italy Country Manager at L'Occitane en Provence (2007–2009), and as Retail Director Europe & Worldwide Top Doors at La Perla (2009–2011). Silvia Azzali studied philosophy at the University of Parma and was awarded a scholarship in 1996 to obtain a master's degree in personnel management in Milan.

Supervisory Board Members and Committees

SUPERVISORY BOARD

The Supervisory Board of Woford AG currently comprises four members elected at the AGM and two representatives delegated by the Staff Council. The Supervisory Board held four meetings during the 2020 short financial year. One Supervisory Board member was absent from more than half the meetings.

Name	End of period in function	Diversity factors ²	Committee membership	Supervisory Board positions or comparable functions
<p>Dr. Junyang Shao Independent</p> <p>First appointed: 05.04.2018 Supervisory Board Chairwoman</p> <p>Global Partner of Fosun International Executive President of Fosun Fashion Group Chairwoman of the Supervisory Board Tom Tailor GmbH Deputy General Manager of Jeanne Lanvin SA Managing Director of Koller Group</p>	<p>Appointed through to 35th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2021)</p>	<p>Female, born in 1981, Chinese</p>	<p>Chairwoman of the Presidium, the Personnel and Nomination Committee, the Remuneration Committee, the Strategy and Marketing Committee, and Member of the Audit Committee</p>	<p>No additional positions at listed companies</p>
<p>Thomas Dressendörfer Independent</p> <p>First appointed: 05.04.2018 Deputy Supervisory Board Chairman</p>	<p>Appointed through to 36th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2022)</p>	<p>Male, born in 1958, German</p>	<p>Member of the Presidium, the Personnel and Nomination Committee, the Remuneration Committee, and Chairman of the Audit Committee</p>	<p>Member of the Supervisory Board of Advanced Bitcoin Technologies AG</p>

Name	End of period in function	Diversity factors ²	Committee membership	Supervisory Board positions or comparable functions
<p>Yun Cheng Independent</p> <p>First appointed: 09.13.2018</p> <p>Chairman of Fosun Fashion Group, Chairman of the Board of Jeanne Lanvin S.A.</p>	<p>Appointed through to 36th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2022)</p>	<p>Female, born in 1976, Chinese</p>		<p>No additional positions at listed companies</p>
<p>Prof. Dr. Matthias Freise Independent</p> <p>First appointed : 09.25.2019</p> <p>Professor at Reutlingen University</p>	<p>Appointed through to 37th AGM (which resolves on the formal approval of the actions of the Supervisory Board for the fiscal year 2023)</p>	<p>Male, born in 1965, German</p>	<p>Since 32nd AGM (2018/19): Member of the Strategy and Marketing Committee</p>	<p>No additional positions at listed companies</p>
<p>Anton Mathis¹ Independent</p> <p>First appointed: 12.16.1999</p>		<p>Male, born in 1960, Austrian</p>	<p>Member of the Personnel and Nomination Committee and of the Strategy and Marketing Committee</p>	<p>No additional positions at listed companies</p>
<p>Alexander Greußing¹ Independent</p> <p>First appointed: 30.09.2020</p>		<p>Male, born in 1965, Austrian</p>	<p>Member of the Audit Committee</p>	<p>No additional positions at listed companies</p>
<p>Christian Medwed¹ Independent</p> <p>First appointed: 05.18.2017</p>	<p>Resigned from the Supervisory Board at the end of September 2020</p>	<p>Male, born in 1979, Austrian</p>	<p>Member of the Audit Committee</p>	<p>No additional positions at listed companies</p>

¹ Delegated by Works Council.

² Diversity factors include gender, age, and nationality.

The Supervisory Board has established five committees: Presidium, Personnel and Nomination Committee, Remuneration Committee, Audit Committee, Strategy and Marketing Committee.

In the 2020 short financial year, the **Presidium** comprised the Supervisory Board Chairwoman Dr. Junyang Shao and her Deputy Thomas Dressendörfer. The Presidium represents the company's interests in all matters related to the Management Board and also acts as the **Remuneration Committee** in respect of Management Board remuneration. In this function, it reviews the remuneration policy for the Management Board members at regular intervals and ensures compliance with the relevant provisions of the Corporate Governance Code.

At Wolford, the Presidium supplemented by the Works Council representative Anton Mathis serves as the **Personnel and Nomination Committee**. This body is responsible for preparing all appointments to the Management and Supervisory Boards. Prior to the appointment of persons to these corporate bodies, the Personnel and Nomination Committee defines a requirements profile and prepares resolutions for the Supervisory Board or AGM based on a predefined selection process and succession planning. The Personnel and Nomination Committee is also responsible for taking decisions concerning personnel-related matters at the company to the extent that transactions requiring approval pursuant to § 95 (5) of the Austrian Stock Corporation Act are involved or that such decisions are required by the articles of association or the Supervisory Board. The Personnel and Nomination Committee held two meetings in the past financial year.

The **Audit Committee** deals with the audit of the Group's annual financial statements and supervises financial reporting. It also monitors the effectiveness of the internal control, internal audit, and risk management systems and reviews the independence of the auditor. In the 2020 short financial year, the Audit Committee comprised Thomas Dressendörfer (Chairman), Dr. Junyang Shao, and Alexander Greußing (until the 32nd AGM: Thomas Dressendörfer (Chairman), Dr. Junyang Shao and Christian Medwed). The Audit Committee met twice in the 2020 short financial year and primarily dealt with the following issues:

- The auditor's report on the audit of the annual financial statements for the 2019/20 financial year
- The preparation of a recommendation to the Supervisory Board for the selection of the (group) auditor for the 2020/21 financial year
- Discussion and approval of the 2020/21 budget
- Report on the internal audit and subsequently on its implementation

The **Strategy and Marketing Committee** comprised the following members in the 2020 short financial year: Dr. Junyang Shao (Chairwoman), Prof. Dr. Matthias Freise, and Anton Mathis. This committee held one meeting in the 2020 short financial year and mainly dealt with the topics of collection structure, brand identity and social media strategy.

Responsibilities and Working Methods of the Management and Supervisory Boards

The Management Board is responsible for conducting the company's business in compliance with the relevant laws, the articles of association of Wolford AG, and the applicable rules of procedure. It manages the business to the benefit of the company, and in keeping with the interests of all shareholders, employees and the general public. The rules of procedure for the Management Board, which are issued by the Supervisory Board, regulate working procedures and responsibilities. Irrespective of the allocation of specific responsibilities, the Management Board bears joint responsibility for managing the company. Issues of fundamental importance must be approved by the full Management Board. In addition, the rules of procedure for the Management Board include a catalogue of measures that require the approval of the Supervisory Board.

There is a continuous flow of information between the members of the Management Board. This takes place formally in at least two monthly Management Board meetings.

At regular meetings (at least once per quarter), the Management Board provides the Supervisory Board with timely and comprehensive information on all issues that are relevant to the company's economic and strategic development, including the risk situation and risk management at the company and major subsidiaries. Urgent information is communicated to the Supervisory Board Chairwoman immediately by the Management Board. Additional meetings are scheduled to deal with important issues such as the discussion of the company's strategy. The Management Board reports at least once a year to the Supervisory Board on the precautionary measures taken to combat corruption at the company. The Supervisory Board is thus furnished with all the information it requires to perform its advisory and supervisory functions. Consistent with the Corporate Governance Code, the Management and Supervisory Boards also hold regular discussions on the company's performance and strategic alignment outside the framework of Supervisory Board meetings.

The Supervisory Board performs its duties in accordance with legal requirements, the articles of association, and its rules of procedure. The Supervisory Board is responsible for decisions on issues of fundamental importance to the company and its strategic alignment. It establishes qualified committees in accordance with specific circumstances at the company and its own number of members. These committees are designed to increase the efficiency of the Supervisory Board's work and improve the treatment of complex issues. However, issues delegated to individual committees may still be handled by the full Supervisory Board. Each committee chairperson regularly reports to the full Supervisory Board on the work of his or her committee.

Employee participation on the Supervisory Board and its committees is a legally regulated aspect of the Austrian Corporate Governance system. Consistent with the Austrian Labor Constitution Act, employees are entitled to delegate one representative to the Supervisory Board and its committees for every two Supervisory Board members (shareholder representatives) elected by the AGM. Employee representatives exercise this function on an honorary basis and can be recalled by the Staff Council at any time. None of the Supervisory Board members has business or personal relationships with the company or the Management Board that could provide grounds for a material conflict of interest and therefore influence the behavior of the respective Supervisory Board member.

All members of the Wolford AG Supervisory Board are considered independent according to the criteria defined by the Austrian Corporate Governance Code. Statements to this effect were submitted by all Supervisory Board members. In determining the criteria used to assess the independence of its members, the Supervisory Board is guided by the independence guidelines set out in the Corporate Governance Code (Annex 1). In accordance with § 95 of the Austrian Stock Corporation Act, the Supervisory Board's main responsibility is to supervise the work of the Management Board. The

Supervisory Board members appointed met and meet this responsibility in full. The company has a free float component of less than 20%. Wolford AG has not granted any loans to members of the Supervisory or Management Boards.

Wolford AG evaluates compliance with the provisions of the code each year based on a questionnaire developed by the Austrian Working Group for Corporate Governance. Based on the results of this evaluation, the deviations from the C-Rules are explained below.

Deviations from C-Rules Corporate Governance Code

C-Rule	Description
16, Question 2	Until such time that the position of CEO, currently vacant, is successfully filled, the Management Board comprises two members with equal rights.
36, Question 3	The Supervisory Board did not conduct a self-evaluation in the past 2020 short financial year. The reason for this was the limited travel and meeting options due to the pandemic situation.
62, Question 1	The company's compliance with the C-Rules of the code has not been evaluated by any external institution in the past three years. However, an annual review is carried out by the company departments entrusted with internal audit topics. A separate review by an external institution would not produce any different results and would only cause avoidable costs. The decision in favor of exclusively performing an internal audit of compliance with the C-Rules was taken by the Management Board following agreement with the Supervisory Board.
81a, Question 1	The (Group) auditor was only invited to one Audit Committee meeting, although no more than two Audit Committee meetings were held, as topics relevant to the financial statements were only to be dealt with at this Audit Committee meeting. This decision was made by the Supervisory Board.
83, Question 1	The audit assignment did not include an evaluation of the effectiveness of the risk management system. The Supervisory Board took this decision in agreement with the Management Board. However, the auditor issued a management letter that reports on select aspects of the internal control system in respect of the financial reporting process. This letter was presented to the Chairwoman of the Supervisory Board and discussed in detail at a Supervisory Board meeting. The Audit Committee also held two meetings during the past financial year in which it addressed the findings of the company's risk management activities. In addition, there is a direct reporting line from the employees responsible for internal audit to the Chairman of the Supervisory Board Audit Committee. Overall, the Supervisory Board is thus able to form its own impression of the effectiveness of the risk management system.

Diversity Concept and Measures to Promote Women

Mutual respect, diversity, and, inclusivity are integral and indispensable components of the corporate culture at Woflord AG and are accounted for when identifying candidates for all functions at the company. With regard to the candidates proposed to the Annual General Meeting for election to the Supervisory Board and the nomination of Management Board members, the company pays due attention to achieving a balance in terms of specialist skills and diversity. After all, this can play a key role in ensuring the professionalism and effectiveness of the activities of the Supervisory and Management Boards. Alongside specialist and personal qualifications, the company also takes due account of aspects such as the age structure, background, gender, professional training, and previous experience of potential candidates.

At the end of the 2020 short financial year, the Supervisory Board of Woflord AG comprised four members elected by the Annual General Meeting, of which two women and two men. Four Supervisory Board members are of non-Austrian nationality.

As of the balance sheet date, the Supervisory Board members were aged between 39 and 62. In terms of their professional skills, they covered areas including business administration, finance, production and process management, and procurement. Furthermore, they have experience in the fashion industry and corporate strategy.

The Management Board of Woflord AG comprised one male member (aged 54) and one female member (aged 49) at the end of the 2020 short financial year. Both members have non-Austrian roots. The Management Board members together have expertise in sales and operating processes and experience of restructuring, as well as longstanding management experience gained both within the Group and at competitors and in other industries.

Unlike at many other listed companies, two out of four of the Supervisory Board members elected by the AGM at Woflord AG in the 2020 short financial year were women. This corresponds to a female quota of 50%. Since August 2017, the Management Board of Woflord AG has been 50% female. Women made up around 40% of the extended management team in the 2020 short financial year. The company nevertheless does not have any specific plan for the promotion of women on the Management Board, Supervisory Board, or in other key functions at the company and its subsidiaries. The best possible candidates are selected for available positions, irrespective of their gender, age, religion, or ethnic origin. Many of the leading positions at Woflord AG and its subsidiaries are held by women. Attractive part-time models are offered to mothers returning from maternity leave, thus helping them to combine their family and professional commitments. The Woflord Group focuses on its own retail locations and its product line chiefly targets female customers. These factors are reflected in its workforce, in which women make up more than 80% of employees.

Events After the Balance Sheet Date

In February 2021, a contract was concluded for the sale of a further operating property with sales proceeds amounting to € 805k. The sales negotiations were already started in the short financial year 2020; the property in question was already available for sale as of December 31, 2020.

In March 2021, an external fraud incident ("fake president incident") resulted in an unlawful outflow of cash and cash equivalents of € 1,151k from the Company. On the other hand, there are expected claims from concluded insurance agreements in the amount of approximately € 1,000k.

There were no other matters with a material impact on the assets, financial position and earnings situation of the Wölford Group.

Supervisory Board Report

Wölford AG is reporting on an exceptional short financial year marked by the pandemic, which the Supervisory Board closely accompanied. In the period under review, it held five meetings together with the Management Board to discuss in detail all significant events and developments, the company's business situation, and the implementation of the measures taken to cut costs and increase revenues. At all of these meetings and in its regular reporting, the Management Board provided the Supervisory Board with detailed information about the business and financial situation of the Group and its investments, as well as providing additional information about special developments.

The individual committees of the Supervisory Board dealt with specific topics in greater detail and subsequently reported to the full Supervisory Board. The Supervisory Board Presidium obtained ongoing reports from the Management Board on the latest business developments. The Audit Committee met twice, while the Marketing and Strategy Committee held one meeting. All meetings of the committees and the Presidium were attended by all of their respective members. The composition and responsibilities of the committees are presented in the Corporate Governance Report. The criteria governing performance-related remuneration for the Management Board, the principles underlying retirement benefits, and the claims arising upon termination of employment are listed in the Remuneration Report, where the remuneration of the Management and Supervisory Board members is also disclosed on an individual basis, which will be submitted to the vote of the Annual General Meeting for the first time this year.

Given the extraordinary situation caused by the pandemic, the Supervisory Board focused in particular on discussing measures to stabilize sales and earnings, in the past financial year.

Several meetings of the Supervisory Board and its committees in the 2020 short financial year

At its meetings in the past financial year, the Presidium dealt above all with those strategic, structural and organizational measures needed to stabilize the company and to return it to profitability.

At the Supervisory Board meeting on May 5, 2020, the Supervisory Board dealt, among other things, with the preliminary financial statements for fiscal year 2019/20. Other key agenda items included the sale of the operating property, developments in the area of protective mask production, and the resumption of business activities following the COVID-19-related closures of boutique locations.