



## Remuneration Report – Short financial year 2020

This Remuneration Report was prepared by the Executive Board and Supervisory Board of Wolford Aktiengesellschaft (“**Wolford AG**”) and provides a comprehensive overview of all remuneration granted or owed to current and former members of the Executive Board and Supervisory Board in the short financial year 2020. All monetary amounts in this Remuneration Report are stated as gross figures.

### **1. Introduction – economic developments**

During the short financial year 2020, the Wolford Group generated sales of EUR 68.04 million. This was 42.75% below the previous year’s figure (EUR 118.54 million). As compared with the same period of the previous year (months May to December 2019), sales declined by EUR 22.75 million (25.1%).

The global outbreak of the coronavirus and associated closures of retail outlets, which had already affected the end of the 2019/2020 financial year, also led to significant adverse impacts on earnings in the short financial year 2020. Like bricks & mortar fashion retailers worldwide, Wolford AG is suffering from the ongoing phenomenon of declining customer footfall, not least as a result of booming online retail.

Accordingly, there were declines across almost all distribution channels, even when adjusted for the effect of disparate observation periods. One exception to this is online retail, which managed to compensate for portions of the decline in sales due to store closures and in which sales consequently increased to EUR 20.25 million during the eight months of the short financial year 2020 (full financial year 2019/2020: EUR 15.41 million).

In terms of regional revenue development, there were also significant declines in revenue across all main markets, with the largest declines in the North American, Rest-of-Europe and Germany segments.

With a share of 42%, the Legwear product group continued to account for the largest share of Group sales in short financial year 2020. The share of sales of the Ready-To-Wear product group remained at the previous year’s level of 30%. This is the second-largest product group of Wolford AG, and it, too, suffered significant sales losses, with a decline of 30.3%. The Lingerie product group, which accounted for 14% of Group sales, saw its sales decline by 32.1%. In the Merchandise segment (1% share of sales), sales were 33.1% below the level of the previous year, while in the Accessories segment (14% share of sales) sales increased by 1,107.1%, due to the inclusion of MNS masks in the product range.

While the cost of materials in relation to sales revenues (cost of materials) showed an increase during short financial year 2020, which was also driven particularly by an adjustment in the value adjustment model, the cost of manpower was reduced despite declining sales revenues. The decisive factor here – in addition to a decrease in the average number of full-time employees by 74, to 1,169 – was the utilisation of short-time work subsidies, which were recognised on a net basis in personnel expenses.

Due to the decline in revenues and additional effects from the allocation of restructuring provision, there was a significant increase in other operating expenses relative to revenue. On the other hand, lower depreciation and amortisation (including impairment losses and reversals of impairment losses) contributed to an improvement in results (decrease from EUR 24.70 million in the previous year to EUR 15.86 million in the short financial year).



## 2. Remuneration report for remuneration of Executive Board members

Main features of remuneration policy. The total remuneration of the members of the Executive Board of Wolford AG is commensurate with the tasks and the performance of the individual Executive Board members, the financial condition of the company and the remuneration customary in the industry sector. The aim of the company's remuneration system is to remunerate the members of the Executive Board appropriately, as compared with their peers both domestically and internationally, taking account of their remits and responsibilities. The remuneration system for the Executive Board consists of fixed and variable remuneration. Currently, the remuneration of the Executive Board does not include any share-based compensation.

Fixed remuneration. The fixed remuneration is a contractually stipulated amount of money which the Executive Board member receives. The amount of the fixed remuneration is not contingent on performance. It depends, rather, on the scope of duties and responsibilities of the Executive Board member in question and on the overall structural situation of Wolford AG. The basic fixed remuneration of Executive Board members is paid out as a salary, in 14 monthly instalments per year.

Variable remuneration. The members of the Executive Board are entitled to variable remuneration. The variable remuneration depends on the financial performance of Wolford AG and achievement of individually agreed targets. The performance criteria are to be aligned with the company's sustainable growth strategy and should ensure performance-based remuneration and promote responsible management culture. The performance criteria are set annually by the Supervisory Board. In addition to quantitative criteria, there are also qualitative criteria, such as in the area of product innovation and market development or strategic corporate development. Variable remuneration is capped at 150% of the respective gross base salary (excluding special bonuses).

Quantitative targets. The quantitative targets (financial performance criteria) comprise net sales targets (Annual Bonus I), EBIT targets (Annual Bonus II) and operating cash flow targets (Annual Bonus III) which are set in advance in the company's reasonable discretion. The audited consolidated financial statements for the year under review are taken as the basis for assessing achievement of the quantitative targets. If all three targets are exceeded, the Executive Board member receives a special bonus.

Qualitative targets. The qualitative targets (non-financial performance criteria) are set annually on an individual basis between the Executive Board member and the Supervisory Board (Annual Bonus IV)

Payment of variable remuneration. The variable remuneration is paid out in full in the year following the year in which it was earned on the basis of an assessment of target achievements, taking the audited consolidated annual financial statements for the year to be assessed for the quantitative targets. Fairness is ensured by making the payment in the year following the year in which it was earned and by using audited and reported data.

Other benefits. During the term of the employment contract of a member of the Executive Board, the company may provide a member of the Executive Board with an upper mid-range passenger car, which may also be used for the member's personal use. Wolford AG has taken out and pays the costs of Directors & Officers (D&O) insurance for the members of the Executive Board, with a sum assured of EUR 25 million, as well as legal expense insurance for managers and a collective accident insurance policy. The company makes the legally required contributions to the VBV pension fund.

The members of the Executive Board require the approval of the Supervisory Board to take up sideline activities. This ensures that neither the time spent nor the remuneration paid for such activities will lead to a conflict with the duties performed for Woford AG.

Overview of total remuneration claims of Executive Board members (refers to the financial year indicated).

<b>Current Executive Board remuneration in EUR</b>	<b>2020 Fixed</b>	<b>2020 Variable</b>	<b>2020 Total</b>	<b>2019/20 Total</b>
<b>Andrew Thorndike</b>	227,000	TBC <sup>1</sup>	227,000	394,000
<b>Silvia Azzali</b>	149,000	TBC	149,000	285,000
<b>Axel Dreher</b>	0	TBC	0	588,000
<b>Brigitte Kurz</b>	0	TBC	0	194,000
<b>Total</b>	<b>376,000</b>	<b>0</b>	<b>376,000</b>	<b>1,461,000</b>

The fixed remuneration of the Executive Board members for the short financial year 2020 thus totals EUR 376,000 (previous year: EUR 823,000). The assessment of the variable remuneration will take place in the course of the 2021 financial year based on established performance criteria

In the short financial year 2020, variable remuneration entitlements of the Executive Board members from financial year 2019/2020 totalling EUR 308,750 were paid out.

Thus, total remuneration of EUR 684,750 was paid to members of the Executive Board of Woford AG in the short financial year 2020.

Remuneration (pensions) of EUR 180,000 was paid to former members of the Executive Board in the short financial year 2020 (previous year: EUR 250,000).

### **3. Remuneration report for remuneration of the members of the Supervisory Board**

Basic features of the remuneration policy. The remuneration system for the Supervisory Board is determined by the Annual General Meeting of Shareholders. For the reporting period, the remuneration scheme approved by the 27th AGM with effect from the 2014/15 financial year applies. The total remuneration is composed of the following remuneration components; no performance-related remuneration or share-based remuneration is granted. The annual fixed remuneration and the attendance fees are paid in full after the AGM.

Remuneration for Supervisory Board meetings. The remuneration of the members of the Supervisory Board for preparation and attendance at the four ordinary meetings of the Supervisory Board per financial year is as follows:

- The chairperson of the Supervisory Board: EUR 50,000
- The deputy-chairperson of the Supervisory Board: EUR 35,000
- Other members of the Supervisory Board: EUR 25,000

<sup>1</sup> To be calculated

Any special meetings held are remunerated at a uniform rate of EUR 4,000 per member and meeting.

Remuneration for Audit Committee meetings. The remuneration for the Audit Committee members for preparation of and attendance at the two ordinary Audit Committee meetings per financial year is (in addition):

- The chairperson of the Audit Committee: EUR 5,500
- Other members of the Audit Committee: EUR 5,000

Any special meetings held are remunerated at a uniform rate of EUR 4,000 per member and meeting.

Remuneration for meetings of the Strategy and Marketing Committee. The remuneration for preparation of and attendance at the two ordinary meetings of the Strategy and Marketing Committee per financial year is (in addition):

- The chairperson: EUR 5,500
- Other members: EUR 5,000

Any special meetings held are remunerated uniformly at EUR 4,000 per member and meeting.

Remuneration for meetings of the Personnel Committee. The preparation of and attendance at Personnel Committee meetings are remunerated as a special meeting and thus uniformly at EUR 4,000 per member and meeting.

Other benefits. Woford AG has taken out Directors & Officers (D&O) insurance for the members of the Supervisory Board, with a sum assured of EUR 25 million, and the company bears the costs thereof.

Overview of total remuneration of active members of the Supervisory Board.

Supervisory Board remuneration in EUR	2020	2019/20
<b>Dr. Junyang Shao, Chairperson</b> (4 Supervisory Board meetings, 2 Personnel Committee meetings, 1 Strategy and Marketing Committee meeting and 2 Audit Committee meetings)	61,750	69,000
<b>Thomas Dressendörfer, Deputy-Chairperson</b> (4 Supervisory Board meetings, 2 Personnel Committee meetings, 2 Audit Committee meetings)	44,500	53,000
<b>Yun Cheng</b> (1 Supervisory Board meeting)	6,250	30,000
<b>Prof. Dr. Matthias Freise</b> (4 Supervisory Board meetings, 1 Strategy and Marketing Committee meeting)	27,500	29,000
<b>Birgit G. Wilhelm</b>		30,000
<b>Total</b>	<b>144,000</b>	<b>211,000</b>

One of the two Personnel Committee meetings was held together with a special meeting of the Audit Committee and is therefore not accounted for separately. In lieu of the planned two annual ordinary meetings of the Strategy and Marketing Committee, only one meeting was held in the short financial year 2020, for which reason the remuneration of the committee members is calculated on a *pro rata* basis.

Remuneration of the Supervisory Board members for the short financial year 2020 thus totals EUR 144,000 (previous year: EUR 211,000).

In the short financial year 2020, the remuneration claims of the Supervisory Board members from financial year 2019/2020 were paid out in the total amount of EUR 70,148. Payment of the remuneration claims of the Supervisory Board members from short financial year 2020, in the amount of EUR 144,000, will be made in full following the Annual General Meeting.

#### **4. Other information and explanations**

The annual change in total remuneration of the Executive Board, the financial performance of the company and the remuneration of other full-time equivalent employees of Woford AG is as follows:

Woford AG generated earnings before tax of EUR 34,418,000 during short financial year 2020 (2019/20: EUR -30,463,000). The consolidated earnings before tax in the short financial year 2020 were EUR 17,327,000 (2019/20: EUR -35,020,000).

In the short financial year 2020, the fixed remuneration of the Executive Board members came to EUR 376,000. The total amount of remuneration of the Executive Board members has not (yet) been

determined, as the assessment of their variable remuneration will take place during the 2021 financial year on the basis of the established performance criteria. In 2019/20, total remuneration of the Executive Board members came to EUR 1,461,000. Average total remuneration of the Executive Board in 2020 was EUR 188,000 (2019/20: EUR 365,000).

The average remuneration of other full-time equivalent employees of the company came to EUR 49,833.00 in 2020 (2019/20: EUR 46,184.00).

On 30.9.2020, the 33rd Annual General Meeting of Wolford AG approved the remuneration policy for members of the Executive Board and Supervisory Board. There were no departures from the remuneration policy in the short financial year 2020.