



## **Remuneration report for the financial year 2021**

This remuneration report has been prepared by the Management 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 Management Board and Supervisory Board in the financial year 2021. All cash amounts in the remuneration report are stated as gross amounts.

### **1. Introduction - economic development**

The Wolford Group generated sales of EUR 108.95 million in the financial year 2021. This was 60.1% higher than in the previous year (EUR 68.04 million in the short financial year 2020). Compared to the same period of the previous year (months from January to December 2020), sales increased by EUR 13.1 million (13.7%).

The still tense pandemic situation and the associated closures of retail outlets, which already impacted the 2020 financial year, also led to significant adverse effects on earnings in the 2021 financial year. Wolford AG, like stationary fashion retailers worldwide, had suffered from the ongoing phenomenon of declining customer frequencies, not least as a result of booming online retailing.

Accordingly, adjusted for the effect of different reporting periods, growth was achieved across all sales channels. The renewed strength of over-the-counter retail, which grew by 26.8% compared with 2020 (January to December), was pleasing.

Compared to the previous year, sales increased by a total of 14%: With 79% growth, the China business, and the US business with 38% were the geographic growth drivers; in EMEA, Wolford was up 7% despite Covid-19.

The Legwear product group accounted for 37% of Group sales in the financial year 2021. For the first time, the Legwear Product Group was thus no longer the strongest Product Group and was replaced by the Ready-to-wear Product Group with 43%. The Lingerie Product Group (including Swimwear), which accounted for 16% of Group sales, increased its sales by 27%. In Merchandise (1% share of sales), sales were 20% below the level of the previous year, and in Accessories (2% share of sales), sales fell by 74%, due to the decline in sales of oronasal masks.

Both the cost of materials as a percentage of sales (material tangent) and the personnel expenses as a percentage of sales (personnel tangent) show an increase in the financial year 2021 compared with the short financial year 2020. In addition to a decrease in the average number of employees on a full-time basis by 78 to 1,091, the main reason for the decrease in personnel expenses is the utilization of short-time work incentives, which were netted and recognized in personnel expenses.

The ratio of other operating expenses to sales also improved. With the lower depreciation and amortization (including impairment losses and value recoveries), there was ultimately an improvement in earnings (EBIT) from EUR 21.59 million (short financial year 2020 adjusted for the proceeds from the sale of the property in Bregenz) to EUR 0.54 million in the financial year 2021.

### **2. Remuneration report for compensation of members of the Management Board**

Basic features of the remuneration policy. The total remuneration of the members of the Management Board of Wolford AG is in line with the tasks and performance of the individual Management Board members, the situation of the company and the remuneration customary in the industry. The aim of the



remuneration system is to remunerate the members of the Management Board appropriately by national and international comparison in accordance with their area of activity and responsibility. The remuneration system for the Management Board consists of fixed and variable remuneration. Currently, the remuneration of the Management Board does not include any share-based compensation.

Fixed remuneration. The fixed remuneration is a contractually specified monetary amount received by a Management Board member. The amount of the fixed remuneration is not performance-related. The amount of the fixed remuneration depends on the scope of duties and responsibilities of the respective Management Board member and on the overall structural situation of Woford AG. The fixed basic remuneration of Management Board members is paid out as a salary in 14 monthly payments per year.

Variable remuneration. The Management Board members are entitled to variable remuneration. The variable remuneration depends on the economic development of Woford AG and the achievement of individually agreed targets. The performance criteria are to be aligned with the company's sustainable growth strategy, ensure performance-related compensation and promote a 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. The 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) set in advance on the basis of reasonable judgment. The audited consolidated financial statements for the year under review are used as the basis for assessing the achievement of the quantitative targets. If all three targets are exceeded, the Management Board member receives a special bonus.

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

Payment of variable remuneration. The variable remuneration is paid out in full in the following year on the basis of the assessment of target achievement, whereby the audited consolidated financial statements for the year under review are to be used for the quantitative targets. Fairness is ensured by payment in the following year on the basis of audited and reported criteria.

Other benefits. For the duration of a Management Board member's employment contract, the company may provide a member of the Board with an upper mid-range passenger car, which may also be used privately. Woford AG has taken out Directors & Officers (D&O) insurance for the members of the Management Board with a liability amount of EUR 25 million, as well as legal protection insurance for managers and group accident insurance, and bears the costs thereof. The company pays the legally required contributions to the VBV Vorsorgekasse.

Management Board members require the approval of the Supervisory Board to take up side-line activities. This ensures that neither the time spent nor the remuneration granted for such activities lead to a conflict with the duties performed for Woford AG.

Overview of total remuneration entitlements of Management Board members (based on the respective financial year).

Ongoing Management Board remuneration in EUR	2021 fix	2021 variable	2021 total	2020 total
Andrew Thorndike	347,291.00	STC <sup>1</sup>	347,291.00	267,000.00
Silvia Azzali	242,857.00	STC <sup>2</sup>	242,857.00	175,667.00
<b>total</b>	<b>590,148.00</b>	<b>0</b>	<b>590,148.00</b>	<b>442,667.00</b>

The fixed remuneration of the Management Board members for the financial year 2021 thus amounts to a total of EUR 590,148.00 (previous year: EUR 376,000.00). The variable compensation will be assessed in the course of the financial year 2022 on the basis of the defined performance criteria.

In the financial year 2021, the variable remuneration entitlements of the Management Board members from the short financial year 2020 totalling EUR 66,667.00 were paid out.

Total remuneration of EUR 656,815 was therefore paid to Management Board members of Woford AG in the financial year 2021.

Remuneration (pensions) of EUR 246,997.00 was paid to former members of the Management Board in the financial year 2021 (previous year: EUR 180,000.00).

### **3. Remuneration report for compensation of 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. For the reporting period, the remuneration scheme approved by the 27th Annual General Meeting with effect from the 2014/15 financial year applies. The total remuneration is made up of the following remuneration components; no performance-related remuneration or share-based remuneration is granted. The annual fixed remuneration and attendance fees are paid in full after the Annual General Meeting.

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

- Chairman of the Supervisory Board: 50,000 EUR
- Deputy Chairman of the Supervisory Board: 35,000 EUR
- Other members of the Supervisory Board: 25,000 EUR

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

Compensation for Audit Committee Meetings. The remuneration for Audit Committee members for preparing and attending the two ordinary Audit Committee meetings per financial year is (in addition):

- Audit Committee Chairman: 5,500 EUR

<sup>1</sup> Still to calculate.

<sup>2</sup> Still to calculate.

- Other audit committee members: 5,000 EUR

Any special meetings 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 the preparation of and participation in the two ordinary meetings of the Strategy and Marketing Committee per financial year amounts to (in addition):

- Chairman: 5,500 EUR
- Other members: 5,000 EUR

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

Remuneration for personnel committee meetings. Preparation for and participation in Personnel Committee meetings is remunerated as a special meeting and thus uniformly at EUR 4,000 per member and meeting.

Other benefits. Wulford AG has taken out Directors & Officers (D&O) insurance for the members of the Supervisory Board with a liability amount of EUR 25 million and bears the costs thereof.

Overview of total remuneration of active Supervisory Board members.

<b>Supervisory Board remuneration in EUR</b>	<b>2021</b>	<b>2020</b>
<b>Dr. Junyang Shao, Chairman</b> <b>(4 Supervisory Board meetings, 1 Personnel Committee Meetings, 1 Strategy and Marketing Committee Meeting and 3 Audit committee meetings)</b>	66,750	61,750
<b>Thomas Dressendörfer, Deputy Chairman</b> <b>(4 Supervisory Board meetings, 1 Personnel Committee Meeting, 3 Audit committee meetings)</b>	51,000	44,500
<b>Yun Cheng</b>	-	6,250
<b>Prof. Dr. Matthias Freise</b> <b>(4 Supervisory Board meetings, 1 Strategy and Marketing Committee Meeting, 1 Personnel Committee Meetings)</b>	31,500	27,500
<b>Total</b>	<b>152,250</b>	<b>144,000</b>

Instead of the planned two annual ordinary meetings of the Strategy and Marketing Committee, only one meeting was held in the financial year 2021, which is why the remuneration of the committee members is calculated on a proportional basis.

The remuneration of the members of the Supervisory Board for the financial year 2021 thus totals EUR 152,250 (previous year: EUR 144,000).

In the financial year 2021, the remuneration claims of the Supervisory Board members from the financial year 2020 were paid out in the total amount of EUR 0. The payment of the remuneration claims of the Supervisory Board members from the financial year 2021 in the amount of EUR 152,250 will be made in full after the Annual General Meeting.

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

The annual change in the total remuneration of the Management Board, the economic performance of the Company and the remuneration of other employees of Wolford AG on the basis of full-time equivalents is as follows:

Wolford AG generated earnings before taxes of TEUR -5.26 in the financial year 2021 (2020: TEUR 19.939). The consolidated profit before tax was ETUR -9.14 in the financial year 2021 (2020: TEUR 17.327).

The fixed remuneration of the Management Board members amounted to EUR 590,148.00 in the financial year 2021. The amount of the total remuneration of the Management Board members has not (yet) been determined, as the assessment of the variable remuneration will be carried out in the course of the financial year 2022 on the basis of the defined performance criteria. In 2020, the total remuneration of the Management Board members amounted to EUR 442,667.00. The average total remuneration of the Management Board in 2021 was EUR 295,074.00 (2020: EUR 221,333.50).

The average remuneration of the Company's other employees on a full-time equivalent basis was EUR 47,264.00 in 2021 (2020: EUR 49,833.00).

On September 30 2020, the 33rd Annual General Meeting of Wolford AG adopted the remuneration policy for Management Board members and Supervisory Board members. There were no deviations from the remuneration policy in the financial year 2021.