



Remuneration Report Financial Year 2022

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 compensation granted or owed to current and former members of the Management Board and Supervisory Board in the financial year 2022. All monetary amounts in the remuneration report are stated as gross amounts.

1. Introduction - economic development

In the financial year 2022, the Wolford Group generated sales of EUR 125.51 million, which was 15.2% higher than in the previous year (EUR 108.95 million in the financial year 2021).

There were increases in almost all sales channels, with the exception of factory outlets and private labels. The largest sales increases in the 2022 financial year following the relaxation of Covid-19 measures were in own boutiques (EUR 57.18 million; financial year 2021: EUR 46.41 million) and specialty stores (EUR 14.70 million, financial year 2021: EUR 11.29 million).

With the exception of Asia (-8%), sales increased year-on-year in all markets, particularly in North America (by around 45%) and in Germany and the rest of Europe, where sales increased by 12% and 13% respectively. Sales growth in Asia in the first half of the year with new store openings did not proceed as planned due to the Covid-19 lockdowns, but was largely offset by the positive performance in Europe and the USA.

At 46%, the Ready-to-wear product group's share in revenue also represented the largest share in consolidated revenue in the 2022 financial year (2021 financial year: 43%). With a share of 39% (2021 financial year: 37%) in the 2022 financial year, the Legwear product group again takes second place. In the Lingerie product group, which generated 14% of consolidated revenue (2021 financial year: 16%), sales were roughly level with the previous year. Accessories, Beachwear and Trade goods had a share in sales of 1% sales, more than 50% below the level of the 2021 financial year (2021 financial year: 4% share in sales).

Earnings nevertheless remained negative due to price increases and necessary investments. The increase in operating costs was driven by inflation and shortages on the procurement markets and resulted in higher prices for materials, paper, energy and logistics. On the personnel side, costs also increased due to collective wage agreements. Added to this are expenses in connection with the organizational and structural further development of the organization.

With the exception of the cost of materials in relation to sales (material tangent), all profitability ratios deteriorated. This was mainly due to cost increases in other operating expenses and collectively agreed wage and salary increases to compensate for the inflationary effects in employees' private consumption, as well as the rehiring of employees following terminations in 2021, particularly in the USA. In addition to a decrease in the average number of employees on a full-time basis, the decisive factor for the lower personnel tangent in the financial year 2021 was the utilization of short-time work subsidies, which were recognized on a net basis in personnel expenses.

The increase in the cost of materials and purchased services from EUR 18.62 million in financial year 2021 to EUR 31.04 million is primarily due to inflation-related price increases and energy shortages in addition to the increase in sales. EBIT amounted to EUR -28.6 million at the end of the year.



2. Compensation report for remuneration of members of the Management Board

Basic principles of the compensation policy. The total remuneration of the members of the Management Board of Woford 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 compensation. 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 compensation. 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 Management 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 10 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 the total remuneration entitlements of the Management Board members (based on the respective financial year).

Ongoing Management Board remuneration in EUR	2022 fix	2022 variable	2022 one time allowance	2022 total	2021 total
Silvia Azzali	300,000.00	51,615.00		351,615.00	269,525.00
Paul Kotrba	125,108.00	0.00		125,108.00	0.00
Andrew Thorndike	271,622.00	74,107.00	200,000.00 Termination comparison	545,729.00	387,291.00
Total	696,730.00	125,722.00	200,000.00	1,022,452.00	656,816.00

The fixed remuneration of the Management Board members for the financial year 2022 thus amounts to a total of EUR 696,730.00 (previous year: EUR 590,148.00). The variable compensation will be assessed in the course of the financial year 2023 on the basis of the defined performance criteria.

In the financial year 2022, the variable remuneration entitlements of the Management Board members from the financial year 2021 totaling EUR 125,722.00 were paid out.

Total remuneration of EUR 1,022,452.00 was therefore paid to Management Board members of Woford AG in the financial year 2022.

Remuneration (pensions) of EUR 252,443.00 was paid to former members of the Management Board in the financial year 2022 (previous year: EUR 246,997.00).

3. Compensation report for remuneration 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 of 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: EUR 50,000
- Deputy Chairman of the Supervisory Board: EUR 35,000
- Other members of the Supervisory Board: EUR 25,000

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

Remuneration 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: EUR 5,500
- Other audit committee members: EUR 5,000

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

Any special meetings are 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. Wolford AG has taken out Directors & Officers (D&O) insurance for the members of the Supervisory Board with a liability amount of EUR 10 million and bears the costs thereof.

Overview of total remuneration of active Supervisory Board members.

Supervisory Board compensation in EUR	2022	2021
David K. Chan, Chairman from 20.07.2022 (2 Supervisory Board meetings)	25,000	–
Dr. Junyang Shao, Chair until July 20, 2022 (2 Supervisory Board meetings, 1 Strategy and Marketing Committee meeting and 3 Audit Committee meetings)	36,750	66,750
Thomas Dressendörfer, Deputy Chairman (4 Supervisory Board meetings, , 4 Audit Committee meetings)	48,500	51,000
Yun Cheng, AR Member until July 20, 2022 (1 Supervisory Board meeting)	6,250	-
Shang-Hsiu Koo, AR Member from July 20, 2022 (2 Supervisory Board meetings, 1 Audit Committee meeting)	15,000	-
Prof. Dr. Matthias Freise, Supervisory Board Member until July 20, 2022 (2 Supervisory Board meetings, 1 Strategy and Marketing Committee meeting)	17,500	31,500
Chenling Zhang, AR Member from July 20, 2022 (2 Supervisory Board meetings)	12,500	-

Total	161,500	152,250
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In the financial year 2022, one meeting of the Strategy and Marketing Committee was held, which is why the remuneration of the committee members is calculated on a pro rata basis.

The remuneration of the Supervisory Board members for the financial year 2022 thus amounts to a total of EUR 161,500 (previous year: EUR 152,250).

In the financial year 2022, the remuneration claims of the Supervisory Board members from the financial year 2021 in the total amount of EUR 73,238 were paid out. The payment of the remuneration claims of the Supervisory Board members from the financial year 2022 in the amount of EUR 161,500 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 -28.64 in the financial year 2022 (2021: TEUR -5.26). The consolidated profit before tax in the financial year 2022 was TEUR -34.88 (2021: TEUR -9.42).

The fixed remuneration of the Management Board members amounted to EUR 696,730.00 in financial year 2022. The amount of the total remuneration of the Management Board members has not (yet) been determined, as the assessment of the variable compensation will be carried out in the course of the financial year 2023 on the basis of the defined performance criteria. In 2021, the total remuneration of the Management Board members amounted to EUR 656,816.00 (including bonuses for FY 2020). The average total remuneration of the Management Board in 2022 was EUR 232,243.00 (2021: EUR 295,074.00).

The average remuneration of the Company's other employees on a full-time equivalent basis was EUR 49,308.00 in 2022 (2021: EUR 47,264.00).

On September 30, 2020, the 33rd Annual General Meeting of Wolford AG adopted the remuneration policy for members of the Management Board and Supervisory Board. There were no deviations from the remuneration policy in the financial year 2022.