

Corporate Governance

Corporate Governance in the Wolford Group

Wolford is convinced that diligently practicing and embracing good corporate governance makes a significant contribution to increasing the level of confidence on the part of investors and the capital market. In September 2002, the Austrian Working Group for Corporate Governance issued a framework of rules for responsible corporate governance and management based on sustained value creation. These guidelines aim to safeguard the interests of all stakeholders whose well-being is linked to the success of the company.

A high degree of transparency for all stakeholders of the company is ensured on the basis of the Austrian Code of Corporate Governance. Wolford has already committed itself to complying with the code's principles since the 2002/03 fiscal year. The currently valid version of the Austrian Corporate Governance Code is published by the Austrian Working Group for Corporate Governance and can be downloaded at www.corporate-governance.at.

Executive Board

The Executive Board of Wolford AG is comprised of **Holger Dahmen** (born in 1960) and **Peter Simma** (born in 1960). The internal rules of procedure for the Executive Board, as stipulated by the Supervisory Board, regulate the mode of operation and responsibilities of the Executive Board.

The two Executive Board members keep each other informed on an ongoing basis. Responsibilities have been allocated as follows:

Holger Dahmen

Chief Executive Officer

Responsible for Marketing, Sales, Production and Technology.

Member of the Executive Board since January 2004.

The term of office of Holger Dahmen as a Member of the Executive Board expires in August 2015. Since October 2009, Holger Dahmen has also served on the Advisory Board of Winter Holding GmbH & Co. KG, Germany, D-69226 Nußloch.

Peter Simma

Deputy Chief Executive Officer

Management responsibility for Finance/Controlling, Human Resources, IT and Procurement.

Member of the Executive Board since August 2001.

The term of office of Peter Simma as a Member of the Executive Board expires in August 2014.

Since 2008, Peter Simma has also served as a Member of the Supervisory Board of Hefel Textil GmbH in 6858 Schwarzach, Austria.

The remuneration system for the Executive Board basically encompasses fixed and variable salary components. The variable salary component is oriented to the success of the company and the performance of each individual Executive Board member, and is particularly linked to achieving qualitative and quantitative objectives as well as sustainable, long-term and strategic targets.

There is no contractually stipulated ratio of the fixed to variable salary components for the Executive Board, due to the fact that the variable remuneration depends on the achievement of performance targets in the particular fiscal year. Woford does not disclose details pertaining to the total remuneration paid to each Executive Board member, in order to take account

of competitive considerations in the textile and clothing industry. No pension fund agreement has been concluded with active members of the Executive Board. Upon termination of the management contract, the particular member of the Executive Board is entitled to remuneration corresponding to the stipulations contained in the Salaried Employees Act.

Supervisory Board

The Supervisory Board of Woford AG consists of four independent shareholder representatives elected by the Annual General Meeting (AGM), as well as two employee representatives designated by the Staff Council:

- **Theresa Jordis**

(born in 1949)

Chairwoman of the Supervisory Board, first appointed September 3, 2003, serving until the 25th Annual General Meeting resolving upon the discharging of the Executive and Supervisory boards for the 2011/12 fiscal year.

- **Emil Flückiger**

(born in 1939)

Deputy Chairman, first appointed December 14, 1992, serving until the 26th Annual General Meeting resolving upon the discharging of the Executive and Supervisory boards for the 2012/13 fiscal year.

- **Birgit G. Wilhelm**

(born in 1975)

Member of the Supervisory Board since September 12, 2006 until the 25th Annual General Meeting resolving upon the discharging of the Executive and Supervisory boards for the 2011/12 fiscal year.

- **Werner Baldessarini**

(born in 1945)

Member of the Supervisory Board since September 14, 2010 until the 26th Annual General Meeting resolving upon the discharging of the Executive and Supervisory boards for the 2012/13 fiscal year.

- **Hansjörg Geiger**

(born in 1943)

Member of the Supervisory Board since September 12, 2006 until the 23rd Annual General Meeting held of September 14, 2010.

- **Anton Mathis**

(born in 1960)

Appointed by the Staff Council, Member of the Supervisory Board since December 16, 1999.

- **Peter Glanzer**

(born in 1954)

Appointed by the Staff Council, Member of the Supervisory Board since March 19, 2001.

The internal rules of procedure for the Supervisory Board regulate the work performed by the Supervisory Board. Among the responsibilities delegated to the Supervisory Board are consulting the Executive Board on managing the

company and monitoring its activities, compliance with obligations laid down in legal regulations and the company statutes, and approving the internal rules of procedure for the Executive Board.

The Supervisory Board convened four times during the 2010/11 fiscal year.

The Supervisory Board has established the following committees, consisting of its own members and approved internal rules of procedure for each:

Executive Committee (Remuneration Committee)

Members:

- **Theresa Jordis** (Chairwoman)
- **Emil Flückiger** (Deputy Chairman)

The Remuneration Committee deals with issues pertaining to the remuneration of the members of the Executive Board, succession planning, the contents of their employment contracts and the annual assessment of the appropriateness of their salaries.

Audit Committee

This function is carried out by the entire Supervisory Board.

Members:

- **Theresa Jordis** (Chairwoman)
- **Emil Flückiger** (Deputy Chairman, financial expert)
- **Birgit G. Wilhelm**
- **Werner Baldessarini** (since September 14, 2010)

- **Hansjörg Geiger** (until September 14, 2010)
- **Anton Mathis**
- **Peter Glanzer**

The Audit Committee carries out the tasks assigned to it by § 92 paragraph 4a of the Austrian Stock Corporation Act, working in close cooperation with the Executive Board and the independent auditor of the annual accounts.

Each of the committees convenes at least twice during the particular fiscal year.

All members of the Supervisory Board fulfill the criteria defining the independence of Supervisory members as stipulated in C-Rule 53 and C-Rule 54 of the Austrian Corporate Governance Code.

Remuneration for the work performed by the elected members of the Supervisory Board as well as fees for attending Supervisory Board sessions are determined by the Annual General Meeting. In the reporting year, a total remuneration of EUR 70,000 was paid to Supervisory Board members for the 2009/10 fiscal year, divided among the members as follows:

- **Theresa Jordis**
EUR 24,100
- **Emil Flückiger**
EUR 19,500
- **Birgit G. Wilhelm**
EUR 12,300
- **Hansjörg Geiger**
EUR 12,300

- **Anton Mathis**
EUR 900 (attendance fees)
- **Peter Glanzer**
EUR 900 (attendance fees)

DORDA BRUGGER JORDIS Rechtsanwälte GmbH, a law firm whose managing partner, Theresa Jordis, is a member of the Supervisory Board of Wolford Aktiengesellschaft, advised the company on legal matters. A fee schedule in line with prevailing market rates was agreed upon for these services, which are billed on the basis of time worked (total fees for the 2010/11 fiscal year: EUR 35,494). In view of the level of her partnership interest in the above-mentioned law firm, Theresa Jordis does not derive any material economic benefit from this relationship.

RCI Unternehmensberatung AG, a consulting firm based in Switzerland whose member of the administrative board is Emil Flückiger, a member of the Supervisory Board of Wolford Aktiengesellschaft, advised the company in business matters. A fee schedule in line with prevailing market rates was agreed upon for these services, which are billed on the basis of time worked (total fees for the 2010/11 fiscal year: EUR 13,385). In view of the level of his partnership interest in the above-mentioned consulting firm, Emil Flückiger does not derive any material economic benefit from this relationship.

In addition to their positions on the Supervisory Board of Wolford AG, the following Supervisory Board member holds supervisory board mandates in other companies which are independent of Wolford AG:

- **Theresa Jordis**
 - Miba AG (Chairwoman of the Supervisory Board)
 - Erste Group Bank AG (Member of the Supervisory Board)

A directors and officers (D&O) insurance policy has been concluded for members of the Supervisory and Executive Boards, as well as top managers of the company. In addition, insurance protection exists for the managing directors of Wolford's subsidiaries in Austria and abroad.

The Executive Board and Supervisory Board of the Wolford Aktiengesellschaft jointly pursue the goal of sustainably enhancing shareholder value. For this reason, communications between the two corporate bodies is particularly intensive. The Executive and Supervisory Board regularly exchange information and views on relevant issues. The Executive Board provides timely and comprehensive information to the Supervisory Board, in both written and oral form. The Executive Board immediately informs the Supervisory Board about any deviations from the initial business objectives or strategies.

The specific transactions subject to authorization as defined in the internal rules of procedure generally require the approval of the Supervisory Board.