

## 1 Group Structure and Shareholders

### 1.1 Group structure

<b>Charles Vögele Holding AG</b> Pfäffikon (Canton Schwyz) Share capital CHF 52 800 000		
<b>Charles Vögele Mode AG</b> Pfäffikon (Canton Schwyz) Share capital CHF 20 000 000	<b>Charles Vögele (Netherlands) B.V.</b> Utrecht, NL Partnership capital € 1 000 200	<b>Charles Vögele Trading AG</b> Pfäffikon (Canton Schwyz) Share capital CHF 10 000 000
<b>Charles Vögele Deutschland GmbH</b> Sigmaringen, D Partnership capital € 15 340 000	<b>Charles Vögele (Belgium) B.V.B.A.</b> Turnhout, B Partnership capital € 12 789 299	<b>Charles Vögele Import GmbH</b> Lehrte, D Partnership capital € 25 000
<b>Charles Vögele (Austria) AG</b> Kalsdorf, A Share capital € 1 453 457	<b>Charles Vögele trgovina s tekstilom d.o.o.</b> Ljubljana, SI Partnership capital € 667 668	<b>Prodress AG</b> Pfäffikon (Canton Schwyz) Share capital CHF 100 000
<b>Charles Voegele Polska Sp. z o.o.</b> Warszawa, PL Partnership capital PLN 4 000 000	<b>Charles Voegele Ceská s.r.o.</b> Praha, CZ Partnership capital CZK 30 000 000	<b>Cosmos Mode AG</b> Pfäffikon (Canton Schwyz) Share capital CHF 100 000
	<b>Charles Vögele Hungária Kereskedelmi Kft.</b> Budapest, HU Partnership capital HUF 240 000 000	<b>Charles Vögele Fashion (HK) Ltd.</b> Hongkong, HK Share capital HKD 100 000

— Holding company  
— Sales organizations  
— Service organizations  
 As of December 31, 2007

Information on listing and stock market capitalization as of December 31, 2007, can be found on page 4 of the Activity Report along with other key figures relating to the company's shares.

Charles Vögele Holding AG is the holding company for all of the Group's companies. Charles Vögele Trading AG is responsible for all group-wide services such as purchasing, IT, communications, treasury, accounts, financial control, and risk management. Charles Vögele Import GmbH, Lehrte, is responsible for operational functions (storage logistics and

quality control) at the distribution centre in Lehrte (D). Prodress AG is an advertising agency that works exclusively for the Charles Vögele Group. Cosmos Mode AG is responsible for the administration of licences. Charles Vögele Fashion (HK) Ltd. is the sourcing office of the Charles Vögele Group in China and provides business relations to suppliers in this important sourcing market. Segment information is on page 22 section 5 of the Financial Report, and the overview of all consolidated companies is on page 46 section 40 of the Financial Report.

### 1.2 Significant shareholders

For detailed information on the shareholder structure please refer to note 9 Important Shareholders in the Notes to the Financial Statements on page 53 of the Financial Statements.

### 1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

## 2 Capital Structure

### 2.1 Share capital

As of December 31, 2007, the share capital of Charles Vögele Holding AG amounted to CHF 52 800 000 and was made up of 8 800 000 fully paid-up bearer shares (securities number: 693 777/ISIN code: CH000 693 777) with a par value of CHF 6.00 each. The Board of Directors will propose to the Annual Shareholders' Meeting of April 16, 2008, that instead of distributing a dividend, the par value of Charles Vögele Holding AG shares should be reduced by CHF 2.00 from CHF 6.00 to CHF 4.00 per share – providing that the proposal will be accepted.

As of December 31, 2007, the Charles Vögele Group held 370 546 of its own shares (as of December 31, 2006: 325 200 shares), which are earmarked for the obligations of the existing management share option plan. Detailed information on purchases and sales of shares and on the relevant opening and closing totals can be found on page 53 section 8 of the Financial Report.

### 2.2 Authorized and conditional capital

Charles Vögele Holding AG's articles of association include a provision authorizing the Board of Directors to increase the company's equity capital by a maximum of CHF 1.584 million, excluding shareholders' subscription rights, through the issue of 264 000 shares with a par value of CHF 6.00 each. This authorization lasts for an indefinite period of time. These shares are to be used exclusively for people entitled to participate in management share option plans (please also refer to note 34.1 Management share option plan, in the Notes to the Consolidated Financial Statements on page 40 of the Financial Statements).

### 2.3 Changes in capital

A condensed overview of changes to the company's capital during the financial years 2005–2007 can be found on page 37 of this Activity Report.

### 2.4 Shares and participation certificates

As of December 31, 2007, Charles Vögele Holding AG's share capital consisted of 8 800 000 fully paid-up bearer shares (securities number: 693 777/ISIN code: CH000 693 777) with a par value of CHF 6.00 each. The Board of Directors will propose to the Annual Shareholders' Meeting of April 16, 2008 that instead of distributing a dividend, the par value of Charles Vögele Holding AG shares should be reduced by CHF 2.00 from CHF 6.00 to CHF 4.00 per share. This share capital is fully paid up. There are no restrictions on the transfer of shares. As stipulated in Art. 659a of the Swiss Code of Obligations, every share entitles the holder to dividends and to vote at the Annual Shareholders' Meeting. There are no participation certificates.

### 2.5 Bonus participation certificates

There are no bonus participation certificates.

### 2.6 Restrictions on transferability and nominee registrations

There are no restrictions on transferability or nominee registrations.

### 2.7 Convertible bonds and options

There are no convertible bonds. The only options are those associated with the management share option plan (note 34.1, page 40 Financial Statements).

### 3 Board of Directors

#### 3.1 Members of the Board of Directors

##### **Bernd H. J. Bothe**

1944, Chairman, German citizen  
 Term of office 2005–2008, first elected in 2002;  
 Graduate in business administration. Managing Partner of Droege & Comp. GmbH.  
 Responsible for Metro AG's cash-and-carry business from 1993 to March 2002, and  
 Chairman and Chief Executive Officer of Metro Cash & Carry GmbH since 1998.  
 He was already active at the Metro Group in 1988 as a member of the Executive  
 Board of Kaufhof Warenhaus AG.

##### **Dr. Felix R. Ehrat**

1957, Vice-Chairman, Swiss citizen  
 Term of office 2006–2009, first elected in 1997;  
 Doctorate in law from the University of Zurich, attorney, LL.M. University of the Pacific,  
 McGeorge School of Law. Since 1987 employee of and since 1992 Partner of Bär &  
 Karrer law firm. Since 2003 Senior Partner and as of 2007 Chairman of the Board  
 of Directors of Bär & Karrer AG. 2001–2005 Member of the Board of Directors of Julius  
 Baer Holding Ltd and of Bank Julius Baer & Co Ltd.

##### **Alain Caparros**

1956, French citizen  
 Term of office 2007–2010, first elected in 2007;  
 Master of Business Administration. Since 2005 member of the Management Board  
 of REWE-Zentral AG and REWE-Zentralfinanz e.G. Member of the Board of Directors  
 of transGourmet Schweiz AG. As of 1991 Vice-President with Yves Rocher in Paris and  
 from 1994–1998 Managing Director of Aldi France. 1999 Chairman of Aldi Service  
 Plus ASP in France and at the same time member of the Management Committee of Bon  
 appétit Group Schweiz as of 2000. From 2003–2004 CEO of the Bon appétit Group  
 in Switzerland, which was subsequently taken over by REWE.

##### **Professor Dr. Peter Littmann**

1947, German citizen  
 Term of office 2007–2010, first elected in 2006;  
 Peter Littmann is the Managing Partner of Brandinsider Strategic Brand Consulting GmbH  
 in Hamburg, and since 1993 has been Honorary Professor in the Marketing Faculty  
 of the University of Witten/Herdecke (Germany). He is also a member of the Board of  
 Directors of Nijenrode University, the Netherlands, and a member of the Harvard Univer-  
 sity Art Museum's Visiting Committee, Cambridge, USA. From 1993 to 1997 he was  
 Chairman of the Managing Board of Hugo Boss AG; prior to this he worked from 1982  
 to 1993 for the international textiles company Vorwerk & Co, latterly as President and  
 CEO. Member of the Board of Directors of Bata Shoe Corporation from 1996 to 2005.

##### **Daniel J. Sauter**

1957, Swiss citizen  
 Term of office 2006–2009, first elected in 2002;  
 Financial specialist. From 1976 to 1983, various functions in a number of banks inclu-  
 ding Bank Leu AG; from 1983 to 1998 Senior Partner and CFO of Glencore International  
 AG; from 1994 to 2001, CEO and Managing Director of the publicly quoted firm  
 Xstrata AG.

##### **Carlo Vögele**

1957, Swiss citizen  
 Term of office 2005–2008, first elected in 1998;  
 Management training at the University of California, San Diego; businessman.  
 Carlo Vögele was full-time Chairman of the Board of Directors from January 1999  
 to October 2001. From 1993 onwards he was a member of the Board of Directors  
 of the former Group holding company. Until the end of 1997 he held a number of  
 executive management positions within the Charles Vögele Group.

During the year under review none of the members of the Board of Directors worked in any executive func-  
 tions within the Group. Unless otherwise stated, the non-executive members of the Board of Directors have  
 no other significant links with the Group. With regard to the other business relationships and interests that link  
 members of the Board of Directors to the company, please refer to section Additional fees and remuneration  
 of note 38 Related party transactions of the Notes to the Consolidated Financial Statements on page 44 of the  
 Financial Statements.

Seedamm-Center Store, Pfäffikon SZ,  
Wednesday, December 12, 2007, 12.15 p.m.



#### Changes to the Board of Directors 2007

Alain Caparros was elected as new member of the Board of Directors at the Shareholders' Meeting of April 4, 2007. Alfred Niederer decided not to candidate for re-election to the Board of Directors.

### 3.2 Other activities and interests

Under the Corporate Governance Directive, the other activities and interests of the members of the Board of Directors only have to be listed if they are significant or substantial. The company believes that the activities of the present members of the Board of Directors are basically only significant if they relate to their work on management or supervisory bodies of listed Swiss or foreign companies, or unlisted and important Swiss or foreign companies in the garment trading business or other industries. The members of the Board of Directors are not involved in any other substantial activities or interests.

**Bernd H. J. Bothe**

Member of the Supervisory Boards of Spar Österreichische Warenhandels-AG; member of the Advisory Board of H&E Reinert Group of Companies.

**Dr. Felix R. Ehrat**

Chairman of the Board of Directors of Banca del Gottardo; member of the Board of austriamicrosystems AG and of Carlo Gavazzi Holding AG.

**Alain Caparros**

No other Board positions in listed companies or garment trading companies.

**Professor Dr. Peter Littmann**

Board of Directors of Ciba Spezialitätenchemie AG and Ruckstuhl AG.

**Daniel J. Sauter**

Chairman of the Board of Directors of Alpine Select AG; member of the Boards of Directors of Sulzer AG, of Sika AG and of Bank Julius Bär & Co. AG.

**Carlo Vögele**

No other Board positions in listed companies or garment trading companies.

In addition to these activities, some members of the Board of Directors are involved in activities outside their fields of responsibility in corporations, institutions, and private and public sector foundations, as well as long-term executive and advisory functions for major Swiss and foreign interest groups, official functions and political offices, none of which, however, are of major significance to Charles Vögele Holding AG.

### 3.3 Elections and terms of office

The Board of Directors of Charles Vögele Holding AG consists of at least three and no more than nine members, who have to be shareholders in the company or represent a legal entity that holds shares. Its members are elected one by one by the Annual Shareholders' Meeting for a term of office not exceeding three years, a «year in office» being defined as the period between two Annual Shareholders' Meetings. According to this regulation, each member's first term of office is defined in such a way that the terms of office of all the members do not expire simultaneously at one Annual Shareholders' Meeting. Re-election is permitted. If a member departs before the end of his or her term of office, his or her successor takes over for the remainder of the departing member's term of office. The Board of Directors designates a chairman and a secretary, who needs not be a shareholder or a member of the Board of Directors (details of initial appointment and term of office are included in section 3.1 Members of the Board of Directors on page 54).

### 3.4 Internal organizations

The Board of Directors passes resolutions on all matters affecting the company that the law, the articles of association or the Organizational Regulations do not place under the responsibility of another of the company's official bodies. In particular, the Board of Directors' responsibilities include the stipulation and review of the company's strategy, the appointment and dismissal of persons to whom the overall management of the company is entrusted (especially the CEO), the organizational structure, and the financial and accounting system. The Board of Directors is also responsible for supervising the people charged with management of the company to ensure that their actions comply with the law, the articles of association, the regulations and directives. The Board of Directors is responsible for producing the Annual Report, as well as for reporting to the Annual Shareholders' Meeting and implementing its resolutions. It is authorized to prepare and execute the resolutions and to delegate the supervision of business to the committees of the Board of Directors or to individual Board members. It can assign the management of the company's business in whole or in part to individual Board members or to other people.

According to the Organizational Regulations, the Board of Directors meets as often as business requires but always at least six times in each financial year. Eight meetings were held during the year under review. Meetings normally last one full day. The CEO and the CFO are normally present at the meetings; other members of company management, department heads and other employees or third parties are present as required. In addition, the Board of Directors has held a two-day seminar ever since 2004.

Since 2004, the Board of Directors has had a permanent secretary whose responsibilities include minuting meetings of the Board of Directors and its committees. The secretary is not a member of the Board of Directors.

#### **Chairman of the Board of Directors**

The Chairman of the Board of Directors is always appointed by the Board at the end of the Annual Shareholders' Meeting for a one-year term of office. The Chairman ensures good cooperation between the Board of Directors, its committees and the CEO.

#### **Vice-Chairman of the Board of Directors**

The Vice Chairman of the Board of Directors is always appointed by the Board after the Annual Shareholders' Meeting for a one-year term of office. The Vice-Chairman of the Board of Directors supports the Chairman of the Board of Directors and can be given specific responsibilities by the Board as a whole.

#### **Board of Directors committees**

The Board of Directors of Charles Vögele Holding AG generally takes all its decisions collectively. The preparation and implementation of resolutions and the monitoring of transactions is delegated by the Board of Directors to committees that have defined areas of competence and that can formulate recommendations. These recommendations are submitted to the full Board of Directors for decision. The committees are made up as follows and fulfil the following tasks stipulated in the Organizational Regulations:

– **Audit Committee**

Daniel J. Sauter (Chairman), Dr. Felix R. Ehrat, Prof. Dr. Peter Littmann

The Audit Committee helps the Board of Directors to supervise the accounting and financial reporting systems, and to monitor compliance with the law by the company and by the Group companies that it directly or indirectly controls. It supervises internal control structures and external auditing procedures, and also monitors adherence to statutory rules and regulations by ordering regular reports from management. If the external audit mandate comes up for review, the Audit Committee evaluates possible alternatives and submits a proposal to the Board of Directors. The Audit Committee also monitors the content and formal correctness of external communications on all financial matters. It normally meets three to five times a year for between half a day and a whole day. The CEO, the CFO and the Group auditors as well as other members of Group Management are invited as required. In 2007, five half-day meetings were held.

- Personnel and Compensation Committee  
 Dr. Felix R. Ehrat (Chairman), Bernd H. J. Bothe, Carlo Vögele  
 The Personnel and Compensation Committee reviews the performance of the CEO and the other members of Group Management. Together with the CEO it evaluates any new members of the most senior level of management and submits proposals accordingly to the Board of Directors. It also submits proposals to the Board of Directors about remuneration for Group Management and members of the Board of Directors and is the Group Management's point of contact for all major human resources issues in the Charles Vögele Group. The CEO and the Head of Human Resources are asked to attend as required. In 2007 four meetings lasting several hours were held.
  
- Strategy Committee  
 Bernd H. J. Bothe (Chairman), Alain Caparros, Prof. Dr. Peter Littmann, Carlo Vögele  
 The Strategy Committee periodically reviews Group strategy and the implementation by Group Management of the Board of Directors' strategic guidelines. Working in close collaboration with Group Management, it submits proposals to the Board of Directors on changes to Group strategy as well as on major new additional business activities for the Group and/or the relinquishment of existing activities. It meets two or three times a year for at least a half or a full day. The CEO is asked to attend as required. In 2007 two full-day meetings were held.

### **3.5 Division of responsibilities between the Board of Directors and Group Management**

The division of responsibilities between the Board of Directors and Group Management is defined in the Organizational Regulations of Charles Vögele Holding AG. The Board of Directors entrusts the CEO – who is given authority to issue directives to the other members of Group Management – and Group Management with operational management of the company and transfers to it all management responsibilities and powers that are not expressly reserved for itself by law or internal organizational regulations.



In essence, the responsibilities and powers reserved for the Board of Directors by the internal organizational regulations are as follows: overall leadership of the company and the issuing of the necessary directives; defining and adjusting corporate strategy, financial and investment policy, the organization and principles of accounting, financial control and planning; the appointment and dismissal of the persons entrusted with managing the Group and representing the company as set out in the Commercial Register entry, as well as succession planning for the Board of Directors and Group Management; supervision of Group Management, including with regard to compliance with the law, articles of association, regulations and directives; approval of business that the Group Management must or chooses to present to the Board; defining the payments made to members of Group Management on the basis of a recommendation from the Personnel and Compensation Committee; approval of mass redundancies pursuant to Art. 335d of the Swiss Code of Obligations; and finally, the production of the Annual Report, preparations for the Annual Shareholders' Meeting and implementation of its resolutions.

Group Management has the authority to make decisions on the transactions assigned to it, although certain transactions require the consent of the Board of Directors. According to the organizational regulations, these transactions are essentially as follows: property transactions, buying and selling subsidiaries and parts of companies, initiating legal actions against and granting loans to third parties or entering into contingent liabilities in favour of third parties – in each case when the sum concerned exceeds CHF 1 million; also proprietary transactions and contracts with third parties which by their nature lie outside Charles Vögele Group AG's normal business.

### **3.6 Information and control instruments for Group Management**

The Board of Directors receives a monthly written report from Group Management that includes, among other items, the latest monthly figures, a financial statement up to the relevant month-end, plus further key figures relating to business activities. The Board of Directors also receives weekly sales figures from the individual Sales Organizations. At each Board meeting Group Management informs the Board of Directors about the current course of business. Group Management also makes available any additional information requested by the Board of Directors. This reporting is based on the budget approved by the Board of Directors, which is compared every month against the latest business performance. Investments are approved en masse as part of the budget process, though single investments of more than CHF 1.5 million must be approved by the Board of Directors on an individual basis before definitive implementation. Any two members of the Board of Directors and the Group Management have collective signing powers.

Group Internal Audit reports to Group Management in organizational terms, but has a direct functional link to the Audit Committee. Internal Audit's reports are submitted to the Audit Committee. Internal Audit's tasks continue to include branch audits, control functions relating to stocktaking, and training for branch heads. In addition, it is also responsible for process controlling with regard to procurement, distribution logistics and purchasing. Group Management and Internal Audit submit a report to the Audit Committee about the measures taken.

Every year the Board of Directors reviews a risk overview presented by Group Management. This overview details the main risks that could affect the company. It contains statements about the likelihood of the relevant risks occurring, as well as about the likely implications. This risk overview forms the basis for a list of measures that Group Management proposes and the Board of Directors approves. The implementation of these measures is reviewed annually.

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## 4 Group Management

Group Management is responsible for the operational management of the Charles Vögele Group. During the year under review, Group Management consisted of the Chief Executive Officer (Daniel Reinhard), the Chief Financial Officer (Felix Thöni) and until April 10, 2007, the Purchasing Manager (Serge Brugger). Werner Lange took over the role of Head of Purchasing and member of Group Management on July 1, 2007. It was announced on October 25, 2007, that Dr. Dirk Seifert was being appointed as a new member of Group Management and Head of Sales with effect from January 1, 2008. This role was previously held by Daniel Reinhard from 2002. In his capacity as CEO Daniel Reinhard heads Group Management with authority to issue directives. He also has direct responsibility for other areas of the business. Felix Thöni additionally manages Human Resources at Group level, IT, as well as Supply Chain and Logistics.

### 4.1 Members of Group Management

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#### **Daniel Reinhard**

1953, Chief Executive Officer (CEO) since December 1, 2001, Swiss citizen. Graduate of the Business and Administration Academy; from 1998 to 2001, Chairman of the Management Board of Salamander AG, having been a member of that Board from 1994 to 1998. From 1991 to 1993 General Manager and from 1986 to 1991 CFO of Bally in Germany and Austria and of Grüterich GmbH.

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#### **Dr. Felix Thöni**

1959, Chief Financial Officer (CFO) since January 1, 2003; Swiss citizen. Doctorate in economics from the University of St Gallen; from 1992 to 2002 CFO of the Gavazzi Group. From 1988 to 1991 Area Controller of Schindler Management AG.

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#### **Werner Lange**

1959, Chief Purchasing Officer since July 1, 2007; German citizen. From 2003 to 2007 Purchasing Manager Adler Modemärkte GmbH. Previously Manager for purchasing and distribution of the men's textile unit of Karstadt. From 2000 to 2002 Manager of the children and young fashion at Karstadt.

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#### **Dr. Dirk Seifert**

1970, Chief Marketing & Sales Officer since January 1, 2008; German Citizen. Doctorate in business science. From mid-2005 until the end of 2007 Managing Director of Quelle GmbH and before that Global Chief Operating officer of Esprit.

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Seedamm-Center Store, Pfäffikon SZ,  
Wednesday, December 12, 2007, 12.45 p.m.



#### Changes in Group Management

During the year under review there were the following changes within Group Management:

- On April 10, 2007, Serge Brugger resigned from his position of Purchasing Manager, which he had occupied since 2002
- On July 1, 2007, Werner Lange was appointed to Group Management as new Chief Purchasing Officer
- On January 1, 2008, Dr. Dirk Seifert was appointed to Group Management as Chief Marketing & Sales Officer

#### **4.2 Other activities and interests**

The members of Group Management do not conduct any major additional activities outside their areas of responsibility in corporations, institutions, or foundations organized under private or public law. Neither do they have any permanent executive or advisory functions in any major Swiss or foreign companies, interest groups, or political parties.

#### **4.3 Management contracts**

There are no management contracts in existence.

### **5 Compensation, Shareholdings and Loans**

#### **5.1 Remuneration and profit-sharing programmes: content and procedures**

The Board of Directors' Compensation Committee is responsible for formulating compensation and profit-sharing programmes for members of the Board of Directors and Group Management, and – with regard to the Management Share Option Plan – for members of the second tier of management. The Committee recommends the levels at which compensation and profit shares should be set and submits these recommendations for decision by the Board of Directors. Decisions about compensation and profit shares for members of the Board of Directors are taken by the Board of Directors as a whole without the participation of Group Management. Members of the Board of Directors have a right of codetermination with regard to their own compensation. When the Board of Directors as a whole is deciding on compensation and profit shares for the other members of Group Management, the CEO participates in the discussion and has a vote.

Compensation for the Board of Directors and Group Management is reviewed every year by the whole Board of Directors as proposed by the Personnel and Compensation Committee unless contracts extend over several years. The basic aim when setting compensation for the Board of Directors and Group Management is to incentivize members of these bodies as effectively as possible to secure long-term increases in Group earnings after tax. During the year under review, the Personnel and Compensation Committee sought the assistance of external advisors who made recommendations on the basis of wage comparisons and benchmarks (comparable companies in Switzerland and abroad); these advisors did not have any other mandates within the Group during the period under review.

Compensation for the Board of Directors and Group Management is made up of a fixed and a variable component. For members of the Board of Directors the fixed part is a cash payment that varies according to function (Chairman, Vice-Chairman, member). For members of Group Management the fixed part comprises a cash payment plus the use of a company car for business and private purposes. The variable portion comprises a fixed percentage of Group net profit. For members of the Board of Directors this is 0.1% each of Group net profit, for the CEO 1.4% of reported Group net profit, and for members of Group Management 0.4% each of Group net profit. The fixed element is paid out to members of the Board of Directors every quarter, and members of Group Management twelve times a year.

During the year under review, the variable element for the Members of the Board of Directors came in total to 40.9% of the basic salary; for members of Group Management to 70.0% of the basic salary.

In order to link the interests of the members of the Board of Directors, Group Management and members of the second tier of management with those of shareholders, a management share option plan was defined for these groups in 2002. For further details of this options plan's timetable, allocation criteria and individual parameters such as subscription ratios, underlying values, strike prices, maturities and blocking periods, please see note 34 Management Share Options Plan in the notes to the Group Financial Statements on page 40 of the financial section. Members of the Board of Directors, Group Management and the second tier of management subscribed to options under the existing management share options plan during the year under review. Detailed information is given in note 38 Related Party Transactions in the Notes to the Consolidated Financial Statements on page 44 of the Financial Statement.

Persons who left the Board of Directors or Group Management during the year under review received no payments or benefits in connection with their departure.

Further information is also available in the Personnel and Compensation Committee part of section 3.4 «Internal Organization» on page 59.

## **6 Shareholders' Rights**

### **6.1 Voting rights: restrictions and representation**

The company's articles of association contain no restrictions on voting rights and comply with the law with regard to proxy voting.

### **6.2 Statutory quorums**

The Annual Shareholders' Meeting passes resolutions and conducts votes, unless mandatory statutory regulations or the provisions of the articles of association dictate otherwise, by an absolute majority of the shareholders' votes legally represented and validly cast, excluding spoilt votes and regardless of the number of shareholders present and the number of votes they represent. Each share entitles the holder to one vote at the Annual Shareholders' Meeting.

### **6.3 Calling the Annual Shareholders' Meeting**

The Annual Shareholders' Meeting takes place no later than six months after the end of each company financial year. It is called by the Board of Directors. Shareholders are called to the meeting by an invitation published in the daily and financial media and are requested to submit any items they may wish to propose for the agenda.

#### **6.4 Agenda items**

Shareholders who between them represent shares with a total par value of at least CHF 1 million (equal to 1.89% of the share capital as per 31.12.2007) can make a request no later than 45 days prior to the day of the meeting for items to be added to the agenda. The request has to be made in writing and state the motion that is to be put to the vote. One or more shareholders who between them represent at least 10% of the share capital can call an Extraordinary Shareholders' Meeting between annual meetings.

The Board of Directors will propose to the Annual Shareholders' Meeting on April 16, 2008 that the threshold for shareholders wishing to add items to the agenda of Shareholders' Meetings should be reduced to 0.5% of share capital.

#### **6.5 Entries in the share register**

The share capital of Charles Vögele Holding AG consists exclusively of bearer shares, and accordingly no share register is maintained.

### **7 Changes in control and defensive measures**

There are no provisions (such as opting-out or opting-up clauses), either in the articles of association or in contracts of employment, or in any other agreements or plans that relate to changes in control of the company or defensive measures to prevent such a change.

### **8 Auditors**

#### **8.1 Duration of mandate and term of office of the lead auditors**

The auditor for the Charles Vögele Group and Charles Vögele Holding AG is PricewaterhouseCoopers AG (PwC). It was confirmed as statutory and Group auditor for one year at the Annual Shareholders' Meeting of April 4, 2007. Since April 29, 2003, the mandate to audit the Charles Vögele Group and Charles Vögele Holding AG has been managed by Matthias von Moos, partner at PwC, Zug. Arthur Andersen AG was the auditor for the Charles Vögele Group and Charles Vögele Holding AG from 1999 to 2003.

#### **8.2 Audit fee**

The Group auditor and auditor of Charles Vögele Holding AG is paid a fee totaling approximately CHF 658 000 plus another CHF 65 000 for audit-related services plus expenses for carrying out the statutory audit mandate in the business year 2007. The audit contract is for one year, and the appointment of Charles Vögele Holding AG's auditor and Group auditor must be decided by the Annual Shareholders' Meeting.

### 8.3 Additional fees

The Group auditor for the Charles Vögele Group and the auditor for Charles Vögele Holding AG is involved exclusively in audit work. It has not been given any additional consultancy mandates. Consequently no additional consulting fees have been paid during the year under review.

### 8.4 Supervisory and control instruments for the auditors

The external auditor carries out the statutory audit of Charles Vögele Holding AG and the Group's individual companies, and also audits the Group's consolidated accounts under IFRS. The external auditor does all this through an interdisciplinary team with international IFRS expertise and knowledge of the retail sector. Audit results for the individual companies and the Group are discussed twice a year with Group Management and the managements of the individual companies, as well as with the Audit Committee. An explanatory report for Charles Vögele Holding AG and for the Group is submitted to the Board of Directors. This contains the main points from the reports to the Audit Committee and Group Management. In addition, recommendations are made to the Shareholders' Meeting to adopt the annual financial statements and the Group financial statements.

In addition to the audit of annual and half-year accounts, the external auditor analyzes the strategic audit plan and examines internal processes. The results of these reviews are distributed in the form of a management letter to the Audit Committee and Group Management; the results are also discussed at a meeting with the Audit Committee. Where necessary, the external auditor may make recommendations or propose possible new audit requirements on the basis of these reviews.

Three meetings are held each year between the external auditor and the Audit Committee. The CEO and CFO also attend. According to the statutory provisions, the external audit company's lead auditor must be rotated every seven years. All of the work done by the external auditor is assessed and examined by the Audit Committee on an ongoing basis.

## 9 Information Policy

The Charles Vögele Group pursues a transparent and open communications policy and is committed to a policy of ad hoc publicity. Shareholders are regularly and continually kept informed by the following means:

- Annual Report and Accounts in German and English: these are published in accordance with statutory provisions no later than 20 days prior to the Annual Shareholders' Meeting, and are held at the company's registered offices.



- Half-Year Report and Accounts in German and English: these are usually published in August each year.
- Annual Report media and analysts' conference: this accompanies the presentation of the annual results, usually in March; there is also a conference on the interim results in August.
- Ad hoc media releases as necessary.
- The media releases are published on the Internet at [www.charles-voegele.com](http://www.charles-voegele.com) under the «Media Lounge» link.

Detailed information on the company is always available to shareholders and other interested members of the public at our website: [www.charles-voegele.com](http://www.charles-voegele.com).

An overview of contact addresses and the relevant timetable for shareholder information can be found on page 69 of this Activity Report, as well as at our website: [www.charles-voegele.com](http://www.charles-voegele.com), under the Investor Relations or Contact links respectively.

#### **10 Significant events since December 31, 2007**

On January 1, 2008 the provisions of the Swiss Federal Law of December 16, 2005 on the Amendment of the Code of Obligations came into force. As a result Charles Vögele Holding AG must amend its articles of association. It has two years to do so. Consequently, the Board of Directors will propose to the Annual Shareholders' Meeting of April 16, 2008 that the following changes be made to the company's articles of association (overview):

- The requirement that members of the company's Board of Directors be shareholders in the company or represent a legal entity that holds shares in the company should be dropped. Conversely, members of the Board of Directors should be given the right to participate in the Annual Shareholders' Meeting and propose resolutions.
- Terminological and technical changes to match the new audit law. Charles Vögele Holding AG is subject to statutory audit by a government-regulated audit company in accordance with the provisions of the Audit Regulation Act. The person who leads the audit may only hold this mandate for seven years, and may only reassume the mandate after a gap of three years.