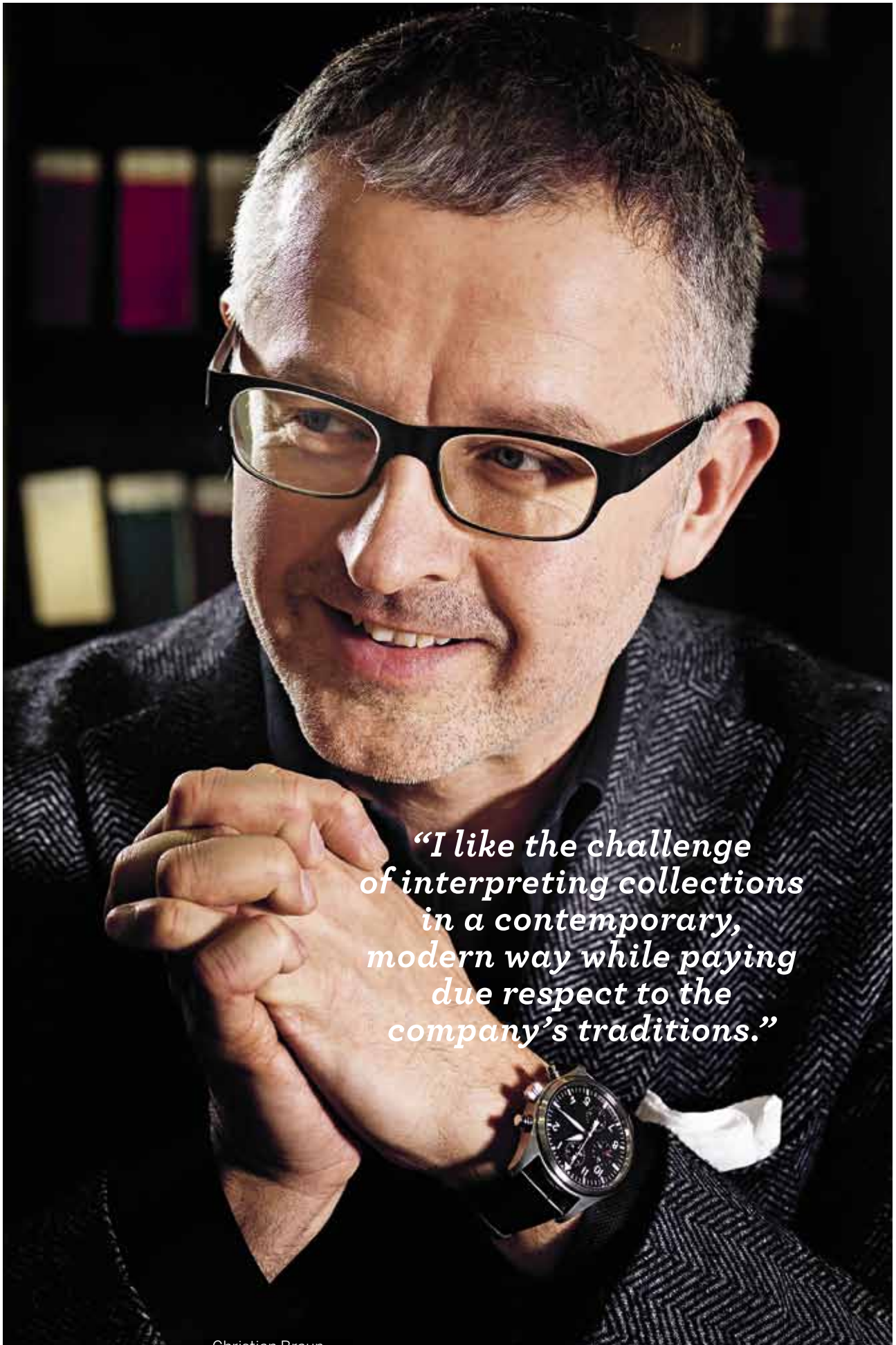




CORPORATE  
GOVERNANCE



*“I like the challenge of interpreting collections in a contemporary, modern way while paying due respect to the company’s traditions.”*

Christian Braun  
Head of Designer Men's Wear



# CORPORATE GOVERNANCE

Good corporate governance is an important component of our corporate policy. Charles Vögele Group is committed to transparency and a clear definition of responsibilities. It follows the Swiss Code of Best Practice for Corporate Governance, fulfilling all the statutory requirements as well as the applicable rules and standards of the SIX Swiss Exchange.

## 1 GROUP STRUCTURE AND SHAREHOLDERS

### 1.1 Group structure

<b>Charles Vögele Holding AG</b> Freienbach SZ, CH Share capital, CHF 30 800 000		
<b>Charles Vögele Mode AG</b> Freienbach SZ, CH Share capital, CHF 20 000 000	<b>Charles Vögele (Belgium) N.V.</b> Turnhout, BE Share capital, EUR 10 063 906	<b>Charles Vögele Trading AG</b> Freienbach SZ, CH Share capital, CHF 10 000 000
<b>Charles Vögele Deutschland GmbH</b> Sigmaringen, DE Company capital, EUR 15 340 000	<b>Charles Vögele (Netherlands) B.V.</b> Utrecht, NL Company capital, EUR 1 000 200	<b>Prodress AG<sup>2</sup></b> Freienbach SZ, CH Share capital, CHF 100 000
<b>Charles Vögele (Austria) GmbH<sup>1</sup></b> Kalsdorf, AT Company capital, EUR 1 453 457	<b>Charles Voegele Polska Sp. z o.o.</b> Warsaw, PL Company capital, PLN 4 000 000	<b>Cosmos Mode AG, Pfäffikon</b> Freienbach SZ, CH Share capital, CHF 100 000
<b>Charles Voegele trgovina s tekstilom d.o.o.</b> Ljubljana, SI Company capital, EUR 667 668	<b>Charles Vögele Hungária Kereskedelmi Kft.</b> Budapest, HU Company capital, HUF 240 000 000	<b>Charles Vögele Import GmbH</b> Lehrte, DE Company capital, EUR 25 000
	<b>Charles Voegele Ceská s.r.o.</b> Prague, CZ Company capital, CZK 30 000 000	<b>Charles Voegele Fashion (HK) Ltd.</b> Hong Kong, HK Share capital, HKD 100 000

=== Holding company

— Sales organization

- - Service organization

As at 31 December 2010

<sup>1</sup> Reincorporation from AG into GmbH through resolution on 23 September 2010  
<sup>2</sup> Wound up/merged on 10 May 2010 with Charles Vögele Trading AG

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, including purchasing, IT, marketing and communications, accounts, financial control, insurance, legal services, compliance and risk management.

Cosmos Mode AG, Pfäffikon, is the owner of all the Group's brands and domain names.

Charles Vögele Import GmbH is responsible for operational functions (storage logistics and quality control) at the distribution centre in Lehrte (D).

Charles Vögele Fashion (HK) Ltd. is Charles Vögele Group's sourcing office in China. It coordinates the activities of the Group's own sourcing offices in China, India and Bangladesh.

### 1.2 Significant shareholders

Charles Vögele provides information about significant shareholders where disclosures are made during the year under review pursuant to Art. 20 of the Federal Act on Stock Exchanges and Securities Trading. The duty to disclose shareholdings arises when people, entities or groups reach, exceed or fall below the thresholds of 3, 5, 10, 15, 20, 25, 33<sup>1</sup>/<sub>3</sub>, 50 or 66<sup>2</sup>/<sub>3</sub>% of voting rights in Charles Vögele Holding AG. The disclosures made in 2010 are shown on page 65, note 9 of the Financial Report.

There are no shareholder agreements.

### 1.3 Cross-shareholdings

There are no cross shareholdings between Charles Vögele Holding AG and other joint stock corporations.

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## 2 CAPITAL STRUCTURE

### 2.1 Share capital

As of 31 December 2010, the share capital of Charles Vögele Holding AG amounted to CHF 30 800 000 and was made up of 8 800 000 fully paid-up bearer shares (securities number: 693 777/ISIN code: CH000693777) with a par value of CHF 3.50 each.

As of 31 December 2010, the Charles Vögele Group held 436 143 of its own shares (31 December 2009: 434 907 shares), which are earmarked to meet 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 65 note 8 of the Financial Report.

### 2.2 Conditional and authorized capital

The Board of Directors is authorized to increase the company's share capital by a maximum of CHF 924 000, excluding shareholders' subscription rights, through the issue of 264 000 shares with a par value of CHF 3.50 each (conditional capital, Art. 5 of the Articles of Association). These shares are to be used exclusively for people entitled to participate in management share option plan (see also note 35.1 on page 46 of the Financial Report). The Board of Directors can also increase the share capital at any time up to 14 April 2012 by a maximum of CHF 2.8 million through the issue of max. 800 000 shares with a par value of CHF 3.50 each. Increases in instalments are also allowed. Restrictions on or removal of shareholders' subscription rights are allowed in the cases defined in the Articles of Association (authorized capital, Art. 5bis Articles of Association). The complete latest edition of Charles Vögele Holding AG's articles of association can be viewed on the company's website at [www.charles-voegele.com](http://www.charles-voegele.com) at any time.

### 2.3 Changes in capital

An overview of changes to the company's capital during the financial years 2009–2010 can be found on page 9 of the Financial Report.

### 2.4 Shares and participation certificates

As of 31 December 2010, the share capital of Charles Vögele Holding AG amounted to 8 800 000 fully paid-up bearer shares with a par value of CHF 3.50 each. 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 receive dividends and to vote at the Annual Shareholders' Meeting. There are no participation certificates.

### 2.5 Dividend-right certificates

There are no dividend-right 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 35.1, page 46 of the Financial Report).

## 3 BOARD OF DIRECTORS

### 3.1 Members of the Board of Directors

#### Alain Caparros, 1956, French

**Chairman since 1 April 2009,**

**Term of office 2007–2011, first elected in 2007**

Master of Business Administration. Since 2010 Chairman of the Supervisory Board of Karstadt Warenhaus GmbH. CEO of REWE Group since 2006. From 2003 until the takeover by REWE, CEO of the BON APPETIT Group Switzerland. From 2001, member of the Executive Board of BON APPETIT Group Switzerland. From 1999 President of ALDIS ASP in France. 1994 to 1999 Managing Director of Aldi France, and from 1991 Vice Chairman of Yves Rocher in Paris.

#### Hans Ziegler, 1952, Swiss

**Vice Chairman since 1 April 2009,**

**Term of office 2008–2011, first elected 2008**

Master of Business Administration. Since 1997 independent management consultant with international mandates in crisis management, restructurings and repositionings. From August 2009 to May 2010 Delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG. 2000 to 2005 CFO of the Pragmatica Group. In 2003 CEO of the Erb Group. 1991 to 1995 Head of group finance, IT and group development at the Globus Group, and 1988 to 1991 CFO and CIO at the Usego-Waro Group.

#### Jan C. Berger, 1946, Dutch

**Term of office 2008–2011, first elected 2008**

Studied marketing and science and attended various management courses at Babson College, Harvard and Nyenrode Business School. Since 2006 independent retail consultant. 1996 to 2006 CEO of the leading Dutch department store De Bijenkorf; this group includes department stores as well as clothing and DIY chains. Jan C. Berger is a member of the advisory boards of the Amsterdam Fashion Institute and of Visual Retailing, an organization that concentrates on the visual presentation of goods in the retail industry.

#### Prof. Peter Littmann, 1947, German

**Term of office 2006–2011, first elected in 2006**

Qualified in business management and engineering. 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 Nyenrode University, the Netherlands, and a member of the Harvard University Art Museum's Visiting Committee, Cambridge, USA. 1996 to 2005 member of the Board of Directors of Bata Shoe Corporation. 1992 to 1997 Chairman of the Managing Board of Hugo Boss AG; prior to this he worked from 1982 to 1992 for the international textiles company Vorwerk & Co, latterly as President and CEO.

### *There were no changes in the Board of Directors during the year under review.*

None of the members of the Board of Directors worked in any executive functions within the Group during the year under review or during any of the three previous years.

### 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. The company believes that the activities of the present members of the Board of Directors are basically only significant if they relate to work on management or supervisory bodies of listed Swiss or foreign companies, or unlisted and major Swiss or foreign retail companies or institutions. The members of the Board of Directors are not involved in any other substantial activities or interests.



**From left to right:**  
Hans Ziegler  
Alain Caparros  
Prof. Dr. Peter Littmann  
Jan C. Berger

### **Alain Caparros**

Wiener Neudorf (Austria), CEO of REWE-Zentral AG, Cologne (Germany), CEO of REWE-Zentral Finanz e.G., Cologne (Germany), Chairman of the Supervisory Board of Karstadt Warenhaus GmbH, Essen (Germany), CEO and member of the Board of Directors of COOPERNIC Société coopérative à responsabilité limitée, Brussels (Belgium), member of the Board of Directors of trans-Gourmet SE, Basel, member of the Board of the Committee on Eastern European Economic Relations, Berlin (Germany), coopted member of the Board of the BVL-Bundesverband des Deutschen Lebensmittelshandels e.V., Berlin (Germany).

### **Hans Ziegler**

Chairman of the Board of Directors of Swisslog Holding AG and Schlatter Holding AG (until March 2010). Member of the Board of Directors and from August 2009 to Mai 2010 delegate of the Board of Directors and CEO of OC Oerlikon Corporation AG.

### **Jan C. Berger**

Chairman of Stichting Mr. Koetsier Fonds, Bloemendaal (The Netherlands), Vice Chairman of NEVI (Dutch Association for Procurement and Supply Chain), Zoetermeer (The Netherlands), member of the Advisory Board of Visual Retailing, Haarlem (The Netherlands).

### **Prof. Dr. Peter Littmann**

Member of the Board of Directors of Rodenstock GmbH, Munich (Germany), Rabenhorst KG, Unkel (Germany), Schleich AG, Schwäbisch-Gmünd (Germany), Marc'O Polo AG, Stephanskirchen (Germany) and member of the Board of Directors of Ruckstuhl AG.

### **3.3 Elections and terms of office**

The Board of Directors of Charles Vögele Holding AG has four members. The members are elected singly by the Annual Shareholders' Meeting for a term of office of one year, a "year in office" being defined as the period between two Annual Shareholders' Meetings. Reelection 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 need not be a Member of the Board of Directors or a shareholder.

### **3.4 Internal organizational structure**

The Board of Directors meets as often as is required by the company's activities, but at least four times a year. Nine meetings, one of which was a two-day strategy meeting, and two telephone conferences were held during 2010. During the reporting period all Members of the Board of Directors attended the meetings. Each meeting lasts about seven hours. Members of Group Management and the Board Secretary are always present at the meetings; other employees or third parties attend as required.

### **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. He ensures that efficient processes are in place for preparing meetings, consulting, passing resolutions and implementing resolutions. He is also responsible for convening, conducting and documenting Board meetings, and sets the agenda and sequence of the meetings. The Chairman, working with the company's other management bodies, ensures that the Board of Directors has all the information it requires to take decisions about all matters relating to the company and to perform its role as the ultimate supervisory body. He monitors implementation of the Board's resolutions and is in regular contact with the CEO.



## BOARD OF DIRECTORS

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### ***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 supports the Chairman of the Board of Directors and can be given specific responsibilities by the full Board.

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

The Board of Directors elects the chairs of its standing committees from among its members. The members of the Board of Directors as a whole form the committees and their meetings are usually held within the regular meetings of the Board of Directors. Each committee chair is responsible for preparing, documenting and conducting his committee meetings. He independently conducts work sessions as necessary, bringing in internal specialists or, with the Chairman's prior consent, external specialists. Committee chairs have no independent decision making powers and must report to the Board as a whole.

- Audit Committee  
Hans Ziegler (Chair since 1 April 2009)

The Audit Committee helps the Board of Directors supervise the accounting and financial reporting systems, and monitor compliance with the law by Charles Vögele Holding AG and by the group companies that it directly or indirectly controls. The committee supervises internal and external auditing procedures, and 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 CFO and the heads of Group Finance, Controlling and Legal always take part in these work sessions. The auditors, other members of Group Management and other department heads are invited as required. Four work sessions were held in 2010.

- Nomination and Compensation Committee  
Prof. Peter Littmann (chair since 1 April 2009)

The Nomination 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. It formulates management share option plans for the Board of Directors, Group Management and other managers, 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. No separate committee meetings were held in 2010. The subjects covered by the Nomination and Compensation Committee were discussed within the Board as a whole.



- Strategy Committee  
 Jan C. Berger (chair since 1 April 2009)

The Strategy Committee periodically reviews Charles Vögele Group's 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 at regular intervals for between a half and a full day. The CEO always takes part in its work sessions, and other members of Group Management are invited as required. During 2010, there were nine work sessions, some of which involved visits to branches, and a two-day meeting with the whole Board.

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

The Board of Directors delegates the management and representation of the company entirely to Group Management to the extent allowed by the law and the Articles of Association and excluding the tasks which Art. 716a SCO reserves exclusively for the Board of Directors. Matters outside the normal course of business, and especially the following if they exceed the threshold sums (in brackets), must be submitted by Group Management to the Board of Directors for approval:

- Changes in the company's strategic direction, including changes to the Vögele Group's corporate identity;
- Entry into or exit from major markets, areas of activity or locations;
- Medium-term planning, annual budget, investment plan;
- Founding, acquiring, encumbering, merging, selling, winding up and shutting down companies or parts of companies, and/or acquiring and selling stakes in companies acquisition value (>CHF 500 000);
- Acquiring, mortgaging or selling land and similar property rights, as well as the associated compulsory transactions (outside budget: >CHF 1 million; within budget >CHF 2 million);
- Acquisition of fixed assets and/or other capital expenditure (outside budget: >CHF 1 million; within budget >CHF 2 million);
- Taking on, extending and amending long-term debt obligations (outside budget: >CHF 1 million a year; within budget >CHF 2 million a year);
- Concluding, terminating or amending agreements with major shareholders (>10% shareholding), members of Group Management or the Board of Directors or their dependents, relatives or in-laws. Approval is also required for agreements with legal entities or other associations of individuals in which the above-mentioned people have shares or financial interests;
- Selection, hiring, and dismissal of, as well as salary arrangements for and termination agreements with, employees (gross salary >CHF 500 000), and agreements with employees that deviate substantially from Vögele's HR guidelines.

## BOARD OF DIRECTORS

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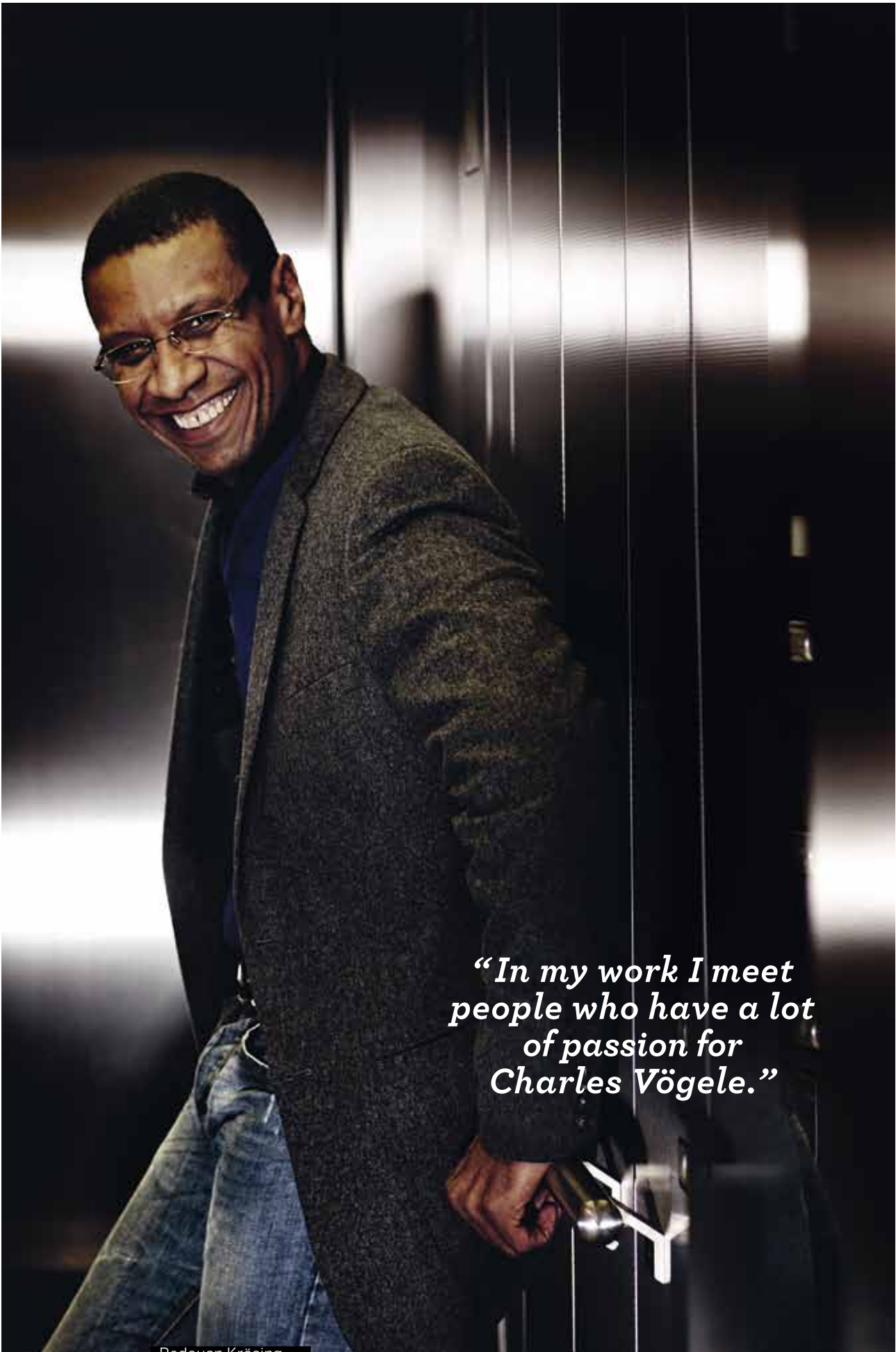
- Taking on long-term credit facilities and loans (incl. mortgages) or issuing bonds (>CHF 10 million each);
- Guarantees, letters of comfort, collateral, deeds of release and indemnities (>CHF 500 000 each) of any type for other companies or other legal entities and private individuals (apart from Group Companies);
- Granting credit facilities and loans to parties outside the Group (>CHF 500,000 each);
- Conducting court cases, concluding settlements or waiving company claims (disputed amount >CHF 1 million).

### 3.6 Information from and control over

#### 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 for the individual sales organizations. The CEO informs the Chairman of the Board of Directors regularly in person about the current state of business and other key matters. At each Board meeting, Group Management informs the full 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 2 million must be approved by the Board of Directors on an individual basis before they are made definitively.

Group Internal Audit reports to the CFO 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 new 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. Group Management and the Management Team periodically draw up a risk portfolio showing the main risks faced by the company. This risk portfolio includes statements about the likelihood of risks actually occurring, and the implications if they do, as well as details of responsibilities and measures to be taken for each risk. This document 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.



*“In my work I meet  
people who have a lot  
of passion for  
Charles Vögele.”*

Redouan Krösing  
Regional Sales Manager



**From left to right:**  
André Maeder, CEO  
Markus Voegeli, CFO  
Werner Lange, CPO  
Frank Beeck, CSO



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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 André Maeder (Chief Executive Officer), Markus Voegeli (Chief Financial Officer), Werner Lange (Chief Purchasing Officer) and Dr. Dirk Seifert (Chief Operating Officer to February 2010)/Frank Beeck (Chief Sales Officer from July 2010). The CEO heads Group Management with authority to issue directives.

### 4.1 Members of Group Management

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#### André Maeder

1959, since 16 February 2009 Chief Executive Officer (CEO), Swiss, degree in retail business management. From 2004 to 2009 Member of the Managing Board of Hugo Boss AG. From 2002 to 2003 deputy CEO of S. Oliver Group; from 1995 to 2002 COO of Harrods; and from 1989 to 1995 worked for Charles Vögele in various posts, including head of purchasing.

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#### Markus Voegeli

1961, since 1 October 2009 Chief Financial Officer (CFO), Swiss, degree in economics. Before working as a freelance financial consultant from 2004 to 2008, he was CFO of listed company Valora Group, and from 2000 until 2004 he was CFO and then CEO of the start-up company Mediservice AG. Prior to this he worked for various Swissair group companies for 13 years, including a stint as CFO of Nuance Global Traders in Australia and Asia.

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#### Werner Lange

1959, since 1 July 2007 Chief Purchasing Officer (CPO), German. From 2003 to 2007, purchasing manager at Adler Modemärkte GmbH. Previously head of menswear purchasing and distribution at Karstadt. From 1994, head of purchasing for various ranges.

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#### Frank Beeck

1967, since 1 July 2010 Chief Sales Officer (CSO), German, Commercial Diploma and Master of Finance. From 2006 to 2010 Country Manager for Mango, responsible for seven Central European countries. Before that he spent two years as General Manager Europe for wholesale and retail business at Koton Textile Group. From 1993 to 2003 he worked in various management roles at Windsor, Eduard Kettner and Peek & Cloppenburg.

### Changes in Group Management

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

- Dr. Dirk Seifert worked for Charles Vögele Group as COO until February 2010.
- Until Frank Beeck started work on 1 July 2010, the CSO's area of responsibility was managed on an interim basis by the CEO.

### 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, or hold official posts or political offices.

### 4.3 Management contracts

There are no management contracts.

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## 5 MANAGEMENT TEAM

During the period under review, Charles Vögele Group's second tier of management consisted of 24 Vice Presidents (three women and 21 men), whose areas of responsibility reported into Group Management as follows:

CEO:  
Human Resources, Communications, Marketing, Business Development, Legal\*.

CFO:  
Finance, Controlling, Information Technology, Supply Chain Management, Internal Auditing\*.

CPO:  
Women's Wear, Men & Children's Wear, Sourcing, General Management Asia, Merchandise Management, Purchasing Operations.

CSO:  
General Management Switzerland, Germany, CEE, Benelux, E-Commerce, Sales, Visual Merchandizing, Store Development.

\* with additional direct reporting line into Board of Directors.

Charles Vögele Group's Management Team regularly meets at the invitation of the CEO to discuss current operational and strategic topics with Group Management. In 2010 Group Management met the Management Team nine times. In addition there was a two-day seminar entitled "Make VIOLETT happen!" attended by approximately 170 Charles Vögele managers from all over the world.

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## 6 COMPENSATION, SHAREHOLDINGS AND LOANS

### 6.1 Principles

The principles of Charles Vögele's salary policy are defined by the Board of Directors as a whole on the basis of preparations by the Nomination and Compensation Committee. These principles are periodically assessed against international benchmarks. Compensation is based on function, individual performance, company results and the labour market at the specific location. Charles Vögele pays competitive remuneration in order to attract skilled and motivated employees and retain them for the long term. For management and sales functions, variable elements of compensation tied to personal targets are designed to help the company reach its objectives and implement the reorganization.

The share option plan in place for the Board of Directors, Group Management and Management Team since 2002 provides these senior figures with a direct financial interest in the medium-term performance of Charles Vögele shares and links the interests of managers with those of shareholders. For further details of the options plan's timetable, allocation criteria and individual parameters, please see note 35.1 management share options plan in the notes to the Group Financial Statements on page 46 of the Financial Report.

No external consultants are used to help design salary policy or compensation programmes.

### 6.2 Decision-making powers

The Board of Directors defines the basic compensation of its members and of Group Management, as well as the allocation of options, in accordance with the principles set out under 6.1 above and in the share option plan. Variable, performance-related pay for Group Management and the Board of Directors is always defined in the subsequent year

once the consolidated annual accounts are available and after a review by the Nomination and Compensation Committee. This element of compensation is based on goals defined for the reporting year. Payment of variable remuneration to the Board of Directors and Group is in cash following approval of the annual financial statements by the Annual Shareholders' Meeting. The allocation of options is proposed by the Compensation Committee and approved by the Board of Directors.

### 6.3 Compensation for the Board of Directors

Compensation for the Board of Directors, which has remained the same since July 2009 and consists of fixed and performance-related cash components, as well as options as defined in the share option plan, is reviewed periodically by the Board of Directors led by the Nomination and Compensation Committee. Compensation takes account of the responsibility and scope of activity of each Board member. Fixed payments differ according to function within the Board of Directors. The Chairman receives annual basic remuneration of CHF 305 000, The Vice Chairman CHF 185 000 and the other members CHF 95 000 (each sum includes CHF 2 000 of fixed expenses). The variable component for each member is 0.1% of the annual profit shown in the annual report. In addition, the members of the Board of Directors receive compensation for actual costs incurred when performing their mandate, as well as transport to Board meetings. Additional services performed for the company by a member of the Board are, if the Board as a whole approves, compensated at a rate of EUR 3 000 per day. Only Jan C. Berger performed such services during the year under review (for details see note 39 on pages 52/53 of the Financial Report).

### 6.4 Compensation for Group Management

In line with Charles Vögele's salary policy, remuneration for members of Group Management consists of a fixed basic salary and a variable performance-related portion that combines the individual Member's objectives (max.  $\frac{1}{3}$  of total bonus component) and corporate objectives, as well as benefits in kind and additional benefits (in particular, a company car). In addition, the Board of Directors can pay a special bonus at its discretion to reward outstanding achievement. The Nomination and Remuneration Committee regularly reviews the remuneration paid to Group Management and recommends adjustments as required to the Board of Directors. The CEO can make requests with regard to the remuneration paid to other members of Group Management. The amount of fixed remuneration that the Board of Directors defines for members of Group Management is based on the market value of the position, on the responsibilities and actual scope of activity attached to the function, on individual performance and on the performance of the company during the member's time in office. There is also a variable component of remuneration, which is determined by different parameters depending on the area of responsibility and by achievement of personal objectives. Depending on the degree to which goals are achieved, the CEO receives a variable payment equivalent to up to 150% of basic salary; the other members of Group Management receive a variable payment of up to 75% of basic salary if they achieve their goals. The amount of bonus paid out depends on the degree to which the goals set by the Board of Directors are achieved. If members miss their agreed targets by more than 20%, the bonus can be reduced to 0.

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

There are no provisions, either in the Articles of Association or other agreements or plans concerning any change of control or defence mechanisms to prevent one. In the interests of good corporate governance, employment contracts with members of Group Management do not include unusually long notice periods or termination payments.

#### **6.6 Compensation to former members of the Board of Directors or Group Management**

During the year under review, no person leaving the company received any termination payments, additional services or benefits.

#### **6.7 Loans and credit facilities**

During the year under review, the Company did not grant any collateral, loans, advances or credit facilities to former or current members of the Board of Directors or Group Management, or to related persons.

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### **7 SHAREHOLDERS' PARTICIPATION RIGHTS**

#### **7.1 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.

#### **7.2 Statutory quorum**

The Annual Shareholders' Meeting passes resolutions and conducts votes, unless mandatory statutory regulations 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.

#### **7.3 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 invited to the meeting by an invitation published in due time in the daily and financial media and the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt).

#### **7.4 Inclusion of items on the agenda**

Shareholders who represent at least 0.5% of the share capital 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.

#### **7.5 Entry in the share register**

The share capital of Charles Vögele Holding AG consists exclusively of bearer shares, so there is no share register.



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## 8 AUDITORS

### 8.1 Duration of the mandate and term of office of the lead auditor

The auditor for the Charles Vögele Group and Charles Vögele Holding AG is Pricewaterhouse-Coopers AG (PwC). It was confirmed as auditor for one year at the Annual Shareholders' Meeting of 14 April 2010. Since 14 April 2010, the mandate has been managed by Sandra Böhm, partner at PwC, Zurich.

### 8.2 Auditing fees

The auditor of Charles Vögele Holding AG is paid a fee totalling CHF 634 000 for carrying out the audit mandate in the business year 2010 plus CHF 68 700 for additional audit-related services. The audit contract is for one year, and Charles Vögele Holding AG's auditor must be chosen by the Annual Shareholders' Meeting.

### 8.3 Additional fees

Charles Vögele Group's auditor invoiced CHF 80 500 in total for tax consultancy services.

### 8.4 Supervisory and control instruments for the auditors

The external auditor carries out the statutory audit of Charles Vögele Holding AG and the individual companies, and also audits Charles Vögele 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. A comprehensive report is prepared for Charles Vögele Holding AG and for the Group in accordance with Art. 728b,

para. 1 of the Swiss Code of Obligations and submitted to the Board of Directors. This contains the main points from the audit reports. In addition, recommendations are made to the Shareholders' Meeting to adopt the annual financial statements and the consolidated financial statements.

In addition to the audit of the annual financial statements and the review of the half-year financial statements, the external auditor analyzes the strategic audit plan and examines internal processes. Points arising from these reviews are distributed in the form of a management letter to Group Management and the Audit Committee and discussed in a meeting. Where necessary, the external auditor may make recommendations or propose possible new audit requirements on the basis of these reviews.

Each year, the Audit Committee assesses the performance, fees and independence of the auditor and suggests to the Board of Directors which external auditor should be proposed to the Annual Shareholders' Meeting for election. Each year the Audit Committee also assesses the scope of external auditing, the audit plans and the relevant processes and discusses the results of the audit with the external auditors.

According to the statutory provisions, the external audit company's lead auditor must be rotated at least every seven years.

## REPORT

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### 9 INFORMATION POLICY

The Charles Vögele Group follows a transparent and open communications policy and is bound by the rules on ad hoc publicity. Shareholders are regularly and continually kept informed by the following means:

- Annual report in German and English: this is published in accordance with statutory provisions no later than 20 days prior to the Annual Shareholders' Meeting, and is held at the company's registered offices.
- Half-year report in German and English: this is usually published in August each year.
- Media and analysts' conference to present the annual results, usually in March; there is also a conference on the interim results, normally in August.
- Ad hoc media releases as necessary.
- Publication of detailed information about the company: [www.charles-voegele.com/en/group-information/investor-relations/](http://www.charles-voegele.com/en/group-information/investor-relations/)
- Subscription service for interested parties: [www.charles-voegele.com/nc/en/group-information/media/service-subscription/](http://www.charles-voegele.com/nc/en/group-information/media/service-subscription/)

An overview of contact addresses and the relevant dates for shareholder information can be found on page 71 of the Financial Report.

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### 10 SIGNIFICANT EVENTS

#### SINCE 31 DECEMBER 2010

No significant events have occurred since 31 December 2010.