

## **Combined non-financial Group report pursuant to section 315b HGB of A.S. Création Tapeten AG for the fiscal year 2019**

### **1. Introduction**

#### **1.1. Business model**

The A.S. Création Group, whose ultimate parent company is A.S. Création Tapeten AG, comprises a Wallpaper Division and a Furnishing Fabrics Division. The Wallpaper Division produces and markets wallpapers and borders on a global scale; accounting for more than 92% of 2019 Group sales, it is the larger of the two divisions. The wallpapers are primarily produced in Germany at A.S. Création Tapeten AG. Another wallpaper production facility was built up by OOO Profistil, the Belarus subsidiary (Minsk, Belarus). It was taken into operation in spring 2018 and is currently in the start-up phase. The other entities that form part of the Wallpaper Division are pure sales and trading companies without their own production facilities. They are based in the UK, the Netherlands, France and Russia.

As part of the group entity Indes Fuggerhaus Textil GmbH, the Furnishing Fabrics Division is based in Germany and markets curtains and furnishing fabrics; it has no manufacturing resources of its own. In 2018, sun protection products such as pleats, roller and vertical blinds were added to the product range. Unless stated otherwise, the information in this report refers to both A.S. Création Tapeten AG and the Group.

The direct customers of A.S. Création comprise various trade formats such as wholesalers and retailers, specialist stores, discount stores, DIY stores and mail-order companies.

A.S. Création's suppliers are mainly based in the European Union (EU). This supplier strategy aims to ensure procurement certainty as well as legal certainty, also with regard to European labour and social standards.

#### **1.2. The role of sustainability**

Sustainability plays an important role along our value chain not only because the market demands the resource-efficient manufacture of products that are harmless to the environment and to human health as well as a constant questioning of existing processes and procedures, but also because our company as such is deeply committed to conducting its business operations in a sustainable manner.

## 1.3. Materiality analysis

The Managing Board has defined the material sustainability aspects for A.S. Création Tapeten AG against the background of the character of the wallpaper product, the complete value chain of A.S. Création and the great importance of the manufacturing location in Germany. The materiality was determined on the basis of the criteria in section 315c in conjunction with section 289c (3) of the German Commercial Code (Handelsgesetzbuch HGB). The following aspects have been classified as material:

- Product safety  
Since wallpapers are used indoors, they should not only give end users a positive feeling but must also be harmless to human health.
- Resource management  
A.S. Création is a manufacturing company and therefore needs resources. Raw materials, input materials and energy account for the biggest share of the production costs of a wallpaper. The efficient use of resources, i.e. savings of raw materials and input materials as well as energy, therefore plays a material role.
- Securing young talent  
Wallpaper is a fashionable product that is subject to colour and design trends. We therefore need people who identify such trends and put them into practice. The same applies to the changing conditions in the markets in which we operate. As most of A.S. Création's employees work in Germany, the company will increasingly have to cope with the consequences of demographic change. Securing young talent therefore plays an important role.
- Compliance with laws and regulations  
The legal and statutory regulations define the framework in which A.S. Création operates. Compliance with such laws and regulations is absolutely necessary to ensure the sustainable development of the company.

## 1.4. Risk assessment

A risk assessment has been performed for the aspects classified as material in paragraph 1.3. In this context, we examined whether material risks arise from our business activity or in connection with our business relationships, products and services with regard to the reportable aspects as defined in section 315c of the German Commercial Code (Handelsgesetzbuch HGB) in conjunction with section 289c (2) HGB. No reportable risks were identified. This assessment will regularly be reviewed and updated in the future.

## 1.5. Guidance framework

A.S. Création prepared the combined non-financial Group statement pursuant to section 315b HGB in conjunction with section 289b and section 289c of the German Commercial Code (Handelsgesetzbuch HGB) on the basis of the criteria of the German Sustainability Code (Deutscher Nachhaltigkeitskodex DNK).

## 2. Material sustainability aspects

### 2.1. Product safety

Since wallpapers are used indoors, the wallpapers produced by A.S. Création should not only give end users a positive feeling but must also be harmless to human health and the environment

To achieve this goal, A.S. Création attaches great importance to certifications, tests and measurements.

The production of all wallpapers made by A.S. Création is based on the applicable EN or DIN standards. For instance, all wallpapers produced by A.S. Création bear a CE mark in accordance with EN 15102, which documents that the wallpapers made by A.S. Création meet the criteria defined by the European Union (EU). These also include the fire protection criteria defined in EN 13501-1.

Internationally accredited testing institutes regularly review the consistent observation of and compliance with the norms and standards that are designed to guarantee that our products are harmless to the environment and to human health.

To offer its customers product safety that goes beyond the legal requirements, A.S. Création has committed itself to complying with the technical, health and environmental requirements of Gütegemeinschaft Tapete e. V., which are documented in RAL-GZ-479<sup>1</sup>. Moreover, the product-related emissions of all A.S. Création wallpapers meet the requirements of the German AgBB<sup>2</sup> provisions and correspond with the lowest emission class “A+” pursuant to the relevant French provisions.

To permanently meet these high quality standards, A.S. Création has decided to maintain the established quality assurance processes and controls. The Quality Management Team installed in the company thus monitors compliance with the relevant standards, norms and requirements at the German manufacturing location.

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<sup>1</sup> Gütegemeinschaft Tapete e. V. has developed quality and testing provisions for wallcoverings which comprise not only technical quality requirements but also requirements and tests regarding the harmlessness of wallcoverings to human health and the environment. (Source: [https://www.tapeten.de/media/tapete\\_ral-gz\\_479\\_ausgabe\\_06.14\\_01\\_1.pdf](https://www.tapeten.de/media/tapete_ral-gz_479_ausgabe_06.14_01_1.pdf))

<sup>2</sup> Committee for the health assessment of building products

The quality management system certified to ISO 9001:2015 is therefore of great importance to A.S. Création. The system was last successfully recertified in October 2018.

## 2.2. Resource management

A.S. Création Tapeten AG is a manufacturing company; raw materials, input materials and energy account for the biggest share of the production costs of a wallpaper. Resource efficiency is therefore of key importance.

With regard to the energy sources, an integrated energy policy is already in place to ensure that energy is used effectively. For instance, A.S. Création uses thermal exhaust air purification plants with integrated energy conversion systems. This applies to both the production plant in Germany and to the production facility of the subsidiary OOO Profistil in Belarus. In the context of the energy management system, this policy is constantly being refined through the continuous capture and analysis of energy consumption figures. The production facility of OOO Profistil in Belarus generates potential savings with the help of an outdoor cooling system (electricity) and a hot air recirculation system (gas).

A.S. Création Tapeten AG's energy management system is certified to ISO 50001:2018. In 2019, it was successfully recertified to the new standard. While the Belarus production subsidiary OOO Profistil does not have such certification, the company maintains a regular exchange with A.S. Création Tapeten AG on energy-related issues. The Belarus production facility additionally employs an Energy Officer (engineer), who is exclusively responsible for controlling and managing the consumption data as well as for reporting them to the local authorities.

To stay up-to-date on the consumption of energy in the fiscal year and on the related figures and costs and with a view to optimising the company's energy efficiency, the management of A.S. Création Tapeten AG has arranged for the regular preparation of energy reports to the Managing Board regarding the manufacturing plant in Wiehl-Bomig. Besides a detailed analysis of the key performance indicators, these reports also include an evaluation of the measures implemented in the past fiscal year. The effectiveness of the measures implemented is reviewed with the help of a monitoring system geared to the relevant consumers. The implementation and the progress made (effectiveness reviews) are controlled and monitored by the Head of Energy Management. The energy reports also describe specific action and investment plans for the next fiscal year and provide an overview of the strategic energy targets in connection with compliance with the energy programme.

With LED lighting installed in the production halls and the logistic centre in Wiehl-Bomig already in 2017, the company began to replace the lighting systems also in the administrative areas in the fiscal year 2018. This conversion process is gradually continued and has not been completed yet. The areas converted in the course of 2019 include peripheral areas such as

workshops and administrative offices. LED technology is consistently used if defective lamps have to be replaced.

The energy reports, which have been published every four months since 2018, serve to better control and manage changes in the energy-related data in the course of the year.

A system of key performance indicators (KPIs)<sup>3</sup> specifically established as part of the sustainability analysis provides information on resource efficiency; the KPIs relate to energy use/intensity, emissions and material consumption (plus personnel-related KPIs).

Organisational measures which are based on established systems, e.g. lean management and the ongoing improvement process, have helped achieve efficiency gains, especially with regard to the use of energy sources, in the fiscal year 2019. In addition, further steps to improve the use of resources in the production facilities as well as various concepts to reduce the energy consumption have been introduced in 2019. In the area of sustainability, a project for the recycling of paper waste from the production process was launched in 2019.

The action plan for 2019 contained measures aimed at optimising the consumption of the thermal post-combustion plants as well as training measures for the optimum, resource-efficient utilisation of machines, which were successfully implemented in the same year. Further measures for the successful realisation of energy saving potential are planned for the fiscal year 2020. These mainly relate to the modification of individual production facilities and the modernisation of the heating system.

Based on the energy consumption per ton of finished product<sup>4</sup> of 2,486 kWh in 2019 (2018: 2,716 kWh), the Managing Board's target of reducing this figure to 2,488 kWh by the year 2022 was already achieved in the fiscal year 2019. A.S. Création will nevertheless strive for a further reduction of energy consumption in 2020.

The subsidiary OOO Profistil started production only in spring 2018 and is currently in the start-up phase. It is therefore currently not possible to make reliable statements about its energy consumption under regular production conditions. It is also not yet possible to define meaningful targets for the coming fiscal years. Accordingly, the analysis of its energy consumption and the definition of targets based on it were postponed to the following fiscal year 2021.

### **2.3. Securing young talent**

Wallpaper is a fashionable product that is subject to colour and design trends, which, in turn, differ from country to country and sometimes even from region to region. For a company to hold its ground in a market which constantly exposes it to great challenges in the form of changing trends, it needs a workforce that represents not only technical expertise but also creativity, a

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<sup>3</sup> The KPI system exclusively relates to the manufacturing plant in Wiehl-Bomig, Germany.

<sup>5</sup> Basis: full-time equivalents

wealth of ideas and the ability to anticipate trends. It is therefore not only very important for our company to create an open and unbiased organisational culture which supports the above aspects. At the same time, our human resources policy must ensure that the organisation remains open and sensitive to new developments by winning sufficient young talent for the company. The need to secure young talent is even greater given that some 70% of the employees (2018: 71%) of the A.S. Création Group (as at Dec. 31, 2019) work in Germany. Accordingly, A.S. Création will be presented with special challenges resulting from demographic change, especially the increasing average age of the workforce and growing competition for young talent. A good working environment as well as attractive vocational and further training options are therefore of great importance for the sustainable development of A.S. Création.

In this context, the vocational training programmes overseen by the human resources department play an extremely important role for A.S. Création. Trainees and apprentices not only identify strongly with our company but may also serve as a “mouthpiece” of the young generation(s) by contributing their own ideas and input to keep the wallpaper product “young” and give it an up-to-date image.

Every year, A.S. Création trains young people in twelve different commercial and technical professions. Actual demand for trainees and apprentices is determined by the responsible trainers in consultation with the Managing Board. To ensure that we continue to be seen as an interesting and reliable employer offering attractive apprenticeships, we must be visible, transparent and accessible to young people. In this context, the following measures are implemented, among others:

- Through regular participation in trainee fairs and close cooperation with two schools, in particular, we establish regular contacts with the target groups; we offer interested young people internships as well as the possibility to explore different professions to give them an insight into our traineeships and apprenticeships. The possibility to complete an integrated degree programme provides additional incentives.
- The platform “Azubi-Blog – von Azubis für Azubis” (Trainee blog – from trainees for trainees) is a project that was initiated to give both interested young people outside the company as well as its trainees and apprentices comprehensive insights into the different traineeships and apprenticeships, internships, activities and events surrounding A.S. Création. Trainees and apprentices speak about their day-to-day work and their experiences. Their contributions, interviews, etc. provide us, their “trainers”, with important feedback.

We attach great importance to establishing structures within our company in which young people feel at ease, which support their best possible development and which allow them to make meaningful contributions, as this is the only way to ensure that we are perceived as a credible, convincing employer and will be successful in the long term. In this context, a new training workshop for industrial mechanics was established in 2017.

In 2019, we moreover developed a concept for the incorporation of the planned product workshops for trainees/apprentices into the general training process. From 2020, the workshops will be an integral part of the training. They are to give our trainees and apprentices a better understanding of A.S. Création's products and increase their identification with the company. In 2019, a new exhibition booth for job and training fairs was acquired as planned. It will be used for the first time in March 2020.

Our goal for 2020 is to expand our efforts aimed at securing young talent. In future, dual study courses are to be established not only in the commercial but also in the industrial sector.

To achieve our objective to secure young talent, we want to keep the percentage of trainees/apprentices in relation to the German workforce<sup>5</sup> at a high level of at least 7% per year. In 2019, trainees/apprentices represented 7.8% (2018: 8.4%) of the German workforce.<sup>6</sup>

## **2.4. Compliance with laws and regulations**

To mitigate the risk of unlawful behaviour in the company and to create the necessary preconditions, A.S. Création Tapeten AG began to establish a Compliance Management System in 2010. The aim of A.S. Création is to ensure that all relevant legal provisions are fulfilled by the Group. Most importantly, we pursue a zero-tolerance policy against corruption and money laundering. Under the guidance of the Compliance Officer, a Compliance Management System has been installed which defines specific measures to ensure compliance with applicable laws and regulations.

For the areas of occupational and production safety as well as compliance with energy and environmental requirements at the production plant in Wiehl-Bomig, there is a list of all legal provisions that are relevant for the company. This list of legal provisions has been drawn up in cooperation with an external service provider and is updated annually. The Compliance Officer is responsible for monitoring compliance with the provisions on the list and also organises appropriate measures and organises or conducts staff trainings.

In the area of data protection, a list of all processes involving personal data has been created. This list is updated annually by the Compliance Officer. Based on the requirements resulting from the processes and any innovations, processes are established and staff trainings are conducted.

Particular attention was paid to the areas of money laundering/corruption/competition law. The following measures have been implemented, for instance:

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<sup>5</sup> Basis: full-time equivalents

<sup>6</sup> At A.S. Création Tapeten AG, trainees/apprentices represented 7.8% (2018: 8.5%) of the workforce in 2019.

- Training courses on competition law are organised every two years for all (sales) staff who maintain contacts with external stakeholders; participation in these courses is mandatory. Apart from competition law, other current legal topics are addressed in these training courses if and when necessary.
- A special organisational instruction has been developed for the sales department, which ensures, inter alia, that the economic beneficiaries of a potential customer are known to the company before a contract is signed.
- To prevent corruption and money laundering, the company has developed a guideline that has been checked for completeness and correctness by a law firm. Compliance is ensured by regular random checks.
- The employees of A.S. Création additionally have the possibility to report all cases of potential non-compliance, infringements and/or suspicions to the Compliance Officer, who will guarantee their anonymity.

We did not become aware of any violations relating to corruption and money laundering in 2019.

The Compliance Officer regularly reports to the Managing Board and agrees other measures that become necessary with the latter.

Gummersbach, March 9, 2020

## **A.S. Création Tapeten AG**

The Managing Board

Barth

Bantel

Krämer

Suskas