

## **Corporate Governance Statement and Report on Corporate Governance**

### **Introduction**

Good and responsible corporate governance is today defined by nationally and internationally recognised standards. Efficient cooperation between the Managing Board and the Supervisory Board, respect of shareholders' interests as well as open and transparent corporate communication are key aspects of good corporate governance. The German Corporate Governance Code (hereinafter referred to as the "Code") was published by the Government Commission of the same name in 2002. The Code is regularly reviewed against the background of national and international developments and amended if required. The current version of the Code can be viewed at [www.dcgk.de/en/](http://www.dcgk.de/en/).

While the cross-industry and cross-company recommendations and suggestions of the Code are not binding, Article 161 of the German Stock Corporation Act (Aktiengesetz AktG) and Article 285 (16) of the German Commercial Code (Handelsgesetzbuch HGB) require an annual declaration by the Managing Board and the Supervisory Board in connection with the publication of the financial statements as to which recommendations of the Code have been and are being complied with and which recommendations have not been and are not being applied ("declaration of conformity"). The latest declaration of conformity issued by the Managing Board and the Supervisory Board of A.S. Création Tapeten AG, which is based on the Code as amended on April 24, 2017, is provided below.

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG consider the recommendations and suggestions of the Code an integral element of their work for the company. They regularly review the relevance of these standards, so that adequate compliance with the standards is ensured for the shareholders, the employees and, last but not least, for the company itself. In this declaration, the Managing Board and the Supervisory Board of A.S. Création Tapeten AG report on the company's corporate governance in accordance with Article 289f and Article 315d of the German Commercial Code (Handelsgesetzbuch HGB). Like the aforementioned declaration of conformity, the present Corporate Governance Statement refers to the Code as amended on April 24, 2017. This ensures the consistency of both documents.

On January 23, 2020, the Government Commission submitted a completely revised Code to the Federal Ministry of Justice and Consumer Protection for review. This is not merely an adjustment of the previous scope, but a fundamentally reformed version which also takes into account and implements the legal changes resulting from the Act Implementing the Second Shareholders' Rights Directive (ARUG II). This revised Code has not yet been published in the official section of the Federal Gazette and has therefore not yet come into force.

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG will base the forthcoming declaration of conformity and Corporate Governance Statement on the revised German Corporate Governance Code.

## **Declaration of conformity pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz AktG)**

The latest declaration of conformity was issued on January 29, 2020 with the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare that the company has complied with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (as amended on February 7, 2017 and published on April 24, 2017) since last year's declaration of conformity dated March 7, 2019, save for the following exceptions and will continue to do so:

- Pursuant to number 4.2.3 of the Code, the variable component of the Managing Board compensation shall have a multiple-year assessment basis that shall have essentially forward-looking characteristics. Moreover, early disbursements of multi-year variable compensation components shall not be permitted. At A.S. Création Tapeten AG, the variable component of the Managing Board compensation is based on the weighted average earnings after taxes of the past three fiscal years, which means that, if a loss is posted for a fiscal year, this negative amount is taken into account in determining the assessment basis. Each Managing Board member receives a percentage of this assessment basis. This variable, performance-based compensation component is disbursed in the following year, namely at the end of the month in which the consolidated financial statements are submitted to the shareholders. The Annual General Meeting of Shareholders of A.S. Création Tapeten AG approved this compensation system for the Managing Board on April 28, 2016, i.e. before the last amendment of the Code. The variable Managing Board compensation implemented by the company is not consistent with the wording of the Code's recommendation, as the defined multi-year assessment basis does not have essentially forward-looking characteristics.
- Pursuant to number 5.4.1 of the Code the Supervisory Board shall specify concrete objectives regarding its composition which take into account, among other things, an age limit for the members of the Supervisory Board and a regular limit of length of membership as well as diversity. The Supervisory Board of A.S. Création Tapeten AG is convinced that the proposals for the election of Supervisory Board members should be based exclusively on the functional and personal suitability of the candidates. As this suitability does not

depend on formal criteria such as age and the length of membership, the Supervisory Board does not comply with this recommendation of the Code.

## **Work of the Managing Board and the Supervisory Board**

A.S. Création Tapeten AG is a joint stock company under German law. One of the fundamental principles of German Stock Corporation Law is the dual management system comprising a Managing Board and a Supervisory Board, each of which has its own authorities. When it comes to managing and supervising the company, the Managing Board and the Supervisory Board of A.S. Création Tapeten AG cooperate closely and in a spirit of trust.

The members of the Managing Board are appointed by the Supervisory Board, which may also appoint a Chairman of the Managing Board. The Managing Board of A.S. Création Tapeten AG currently consists of the following members, whose individual and collective responsibilities are regulated by the rules of internal procedure:

- Daniel Barth (Chief Executive Officer), Strategy and International Sales
- Roland Bantel, Domestic Sales and Marketing
- Maik Krämer, Finance and Controlling
- Antonios Suskas, Production and Logistics

The tenure of the current Board members will end on November 18, 2021 for Mr Barth, on March 31, 2021 for Mr Bantel and Mr Krämer and on March 31, 2020 for Mr Suskas. The Supervisory Board has reappointed Mr Suskas as Managing Board member for another term of office until March 31, 2025.

The Managing Board is responsible for managing the company with due regard to the duties of care and diligence incumbent on the management team of a commercial organisation.

The Supervisory Board advises and supervises the Managing Board in managing the company. For major transactions, e.g. large investment projects or changes in the corporate structure, the Managing Board requires the prior approval of the Supervisory Board. The transactions requiring approvals are listed in the rules of internal procedure of the Managing Board.

The Managing Board informs the Supervisory Board about the course of the business and the situation of the company by monthly written reports as well as by oral and written reports presented at the Supervisory Board meetings. Extraordinary events are additionally reported by the Managing Board to the Supervisory Board in writing. In addition, the Chairman of the Supervisory Board is regularly informed by the Managing Board in personal meetings.

In accordance with the law and the statutes, the Supervisory Board of A.S. Création Tapeten AG consists of four members who are elected by the Annual General Meeting of Shareholders and two members who are elected by the workforce. The Supervisory Board elects a Chairman and a Vice Chairman from among its members. The Supervisory Board currently has the following members:

- Jochen Müller, Chairman
- Jella Susanne Benner-Heinacher, Vice Chairwoman
- Dr. Volker Hues
- Peter Mourschinetz, employee representative
- Rolf Schmuck, employee representative
- Dr. Stephan Zilkens

Dr. Zilkens was appointed member of the Supervisory Board by court order on August 9, 2019, after the long-serving Chairman of the Supervisory Board, Franz Jürgen Schneider, had resigned from the Supervisory Board for health reasons on May 9, 2019. Due to the appointment by court order, Dr. Zilkens' term of office will end at the end of the next Annual General Meeting of Shareholders after his appointment by court order, i.e. presumably in spring 2020. A new member of the Supervisory Board will therefore have to be elected at this Annual General Meeting of Shareholders. Dr. Zilkens has indicated that he is ready to stand for election. The terms of office of the other Supervisory Board members will expire at the end of the Annual General Meeting of Shareholders that will ratify their acts for fiscal 2020, i.e. presumably in spring 2021.

The Supervisory Board of A.S. Création Tapeten AG formed three committees from among its members:

- the Committee for Managing Board Matters, whose members are Mr Müller (Chairman), Dr. Hues and Dr. Zilkens,
- the Audit Committee, whose members are Dr. Hues (Chairman), Mr Müller and Mr Schmuck as well as
- the Nomination Committee, whose members are Ms Benner-Heinacher, Mr Müller and Dr. Zilkens.

The committees prepare the resolutions passed by the Supervisory Board as well as the topics to be discussed by it. In addition, the Supervisory Board has transferred decision-making powers to the committees within the limits of what is legally permissible. The individual tasks and powers are laid down in the rules of internal procedure of the Supervisory Board, which

also ensure that the Supervisory Board is informed of the findings and decisions of the committees.

The Committee for Managing Board Matters prepares the personnel decisions of the Supervisory Board, especially the appointment and discharge of Managing Board members and the renewal of their terms of office. It also prepares the resolutions passed by the Supervisory Board with regard to the compensation of the Managing Board.

The Audit Committee is responsible for monitoring the accounting and the accounting process and reviewing the effectiveness of the internal control, risk management and audit systems. It also deals with the audit of the annual accounts and addresses compliance issues. The Chairman of the Audit Committee is an independent financial expert and has special knowledge and experience in the application of accounting principles and internal control procedures.

The task of the Nomination Committee is to propose suitable candidates for the shareholder representatives for elections to the Supervisory Board. It is exclusively composed of Supervisory Board members elected by the shareholders.

### **Diversity policy pursuant to Article 289f (2) No. 6 HGB**

The “diversity policy” is the concept pursued for the Managing Board and the Supervisory Board with regard to aspects such as age, gender, educational or professional background. According to Article 289f (2) No. 6 HGB, a description of the diversity policy, the objectives pursued by it, the way it is implemented and the results achieved in the fiscal year is required.

### Diversity policy for the composition of the Managing Board

With regard to diversity in the composition of the Managing Board, the Supervisory Board of A.S. Création Tapeten AG aims to consider different professional and international experiences as well as to achieve an appropriate representation of both genders. When selecting Managing Board members, however, the Supervisory Board will not focus primarily on the diversity policy but rather on aspects such as knowledge, professional qualifications and the personality of the potential candidates. Priority shall always be given to the interests of the company, while taking into account all circumstances of the individual case. The diversity policy for the Managing Board of A.S. Création Tapeten AG thus serves as a complementary guideline in the selection of suitable candidates and primarily considers the following aspects:

- The Managing Board members shall be able to draw on different professional experiences and expertise. This applies to both their education and their professional experience at different companies and the stages of their career. At least one member of the Managing Board should ideally have a technical background.

- The composition of the Managing Board shall reflect an international dimension in terms of cultural origin, extended periods of employment abroad or a number of years at international enterprises. At least one member of the Managing Board should ideally have such an international background.
- When selecting candidates, attention should be paid to having different levels of experience in terms of age while at the same time avoiding an overly mature age structure on the Managing Board. An age limit of up to 65 years is to be stipulated in the contracts of the Managing Board members.
- With regard to diversity regarding the representation of the genders, please refer to the information on the targets for the share of women in the following chapter.

The aim of this diversity policy is to ensure that A.S. Création is led by an effective and efficient Managing Board whose members cooperate in a spirit of trust in the interest of the company and collectively have the required knowledge, skills and experience to successfully take A.S. Création forward. No changes on the Managing Board occurred in the fiscal year 2019.

#### Diversity policy for the composition of the Supervisory Board

With regard to diversity in its composition, the Supervisory Board of A.S. Création Tapeten AG aims to reflect a range of different professional and international experiences as well as to achieve an appropriate representation of both genders. With regard to its objective and when proposing candidates to the Annual General Meeting of Shareholders, however, the Supervisory Board will not focus primarily on the diversity policy but rather on aspects such as knowledge, professional qualifications and the personality of the potential candidates. Priority shall always be given to the interests of the company, while taking into account all circumstances of the individual case. The diversity policy for the composition of the Supervisory Board of A.S. Création Tapeten AG is primarily geared to the following aspects:

- The composition of the Supervisory Board shall ensure its ability to draw on industry expertise as well as professional experience in other areas. It is therefore expressly desired that the Supervisory Board members have different professional backgrounds. They shall cover the following skills profiles:
  - At least one Supervisory Board member should ideally have profound experience from senior positions in the consumer goods industry (including consumer goods trade) or in related sectors.
  - At least one Supervisory Board member should have profound experience in M&A transactions and in the integration of acquisitions.

- At least one Supervisory Board member should ideally have profound capital markets and corporate governance experience.
  - At least one member must have expertise in accounting or auditing within the meaning of Article 100 (5) of the German Stock Corporation Act (Aktiengesetz AktG).
- Different levels of experience due to age as well as a reasonable age mix should also be considered in the composition of the Supervisory Board. The Supervisory Board remains convinced, however, that the professional and personal qualification does not depend on formal criteria such as age and the length of membership of the Supervisory Board. Consequently, the diversity policy for the Supervisory Board of A.S. Création Tapeten AG does not stipulate any limits for such criteria.
- The composition of the Supervisory Board shall reflect an international dimension in terms of cultural origin, extended periods of employment abroad or several years at international enterprises. At least one quarter of the shareholder representatives should ideally have such an international background.
- With regard to diversity regarding the representation of the genders, please refer to the information on the targets for the share of women in the following chapter.
- More than half of the Supervisory Board members should be independent within the meaning of number 5.4.2 of the German Corporate Governance Code, whereby it is assumed that the fact that a member represents the workforce or has an employment contract with the A.S. Création Group is no reason to doubt their independence. Where shareholder representatives and employee representatives on the Supervisory Board are regarded separately, more than half of each group should be independent within the meaning of number 5.4.2 of the German Corporate Governance Code.
- At least half of the shareholder representatives on the Supervisory Board should be free from potential conflicts of interest, especially free from those conflicts which could arise from an advisory role or a role on a governing body of a customer, supplier, lender or other third party.
- Not more than two members of the Supervisory Board should be former members of the Managing Board.

The aim of this diversity policy is for A.S. Création Tapeten AG to have a well-balanced Supervisory Board which represents diverse skills, understands the business model of the

company and is therefore especially qualified to successfully perform its supervisory and advisory tasks. As explained above, the departure of Mr Schneider from the Supervisory Board and the appointment of Dr. Zilkens by court order led to a change on the Supervisory Board and thus to a change with regard to its diversity in the fiscal year 2019, as the Supervisory Board has lost a member who had many years of experience in the wallpaper industry. In return, a new member, Dr. Zilkens, has been appointed to the Supervisory Board by court order. Due to his business relations with companies from different industries and his insights into various business models, Dr. Zilkens can provide input for the future positioning of A.S. Création. The Supervisory Board therefore considers itself to be composed in a constructive manner that makes sense for the company. In 2020, the position on the Supervisory Board currently occupied by Dr. Zilkens, will have to be filled by the Annual General Meeting of Shareholders as he was merely appointed by court order. Dr. Zilkens has already indicated that he would be available in the event of a corresponding proposal and election to the Supervisory Board, which is appreciated by the Supervisory Board.

#### **Targets for the share of women pursuant to Article 76 (4) and Article 111 (5) AktG**

Under Article 76 (4) and Article 111 (5) of the German Stock Corporation Act (Aktiengesetz AktG), A.S. Création Tapeten AG is obliged to set targets for the share of women on the Managing Board and the Supervisory Board as well as the two management levels below the Managing Board. If the share of women is below 30 percent at the time the targets are set, the targets may no longer fall below the percentage reached. The deadlines for reaching and reviewing the targets can be chosen freely, with the maximum deadline being five years.

The Supervisory Board has specified a share of women of 16.7% for the Supervisory Board of A.S. Création Tapeten AG, which is to be reached by December 31, 2020. This share corresponds to the current composition of the Supervisory Board, which is composed of one woman and five men. When the Supervisory Board is elected as planned in spring 2021, both the shareholder representatives and the employee representatives on the Supervisory Board intend to examine to what extent a further increase beyond the currently applicable target is sensible and necessary from the company's perspective.

The Supervisory Board has specified a share of women of 0% for the Managing Board of A.S. Création Tapeten AG, which is to be reached by December 31, 2020. The Managing Board in its current composition has led A.S. Création only since November 18, 2018. It does not seem to be advisable to further adjust the composition of the Managing Board at the present stage. The Supervisory Board will give special consideration to the aspect of improved diversity on the Managing Board – especially a higher share of women – every time the composition of the Managing Board changes in order to meet its social responsibility. However, the qualification of

a candidate will remain the most important criterion for appointments to the Managing Board also in the future.

The Managing Board of A.S. Création Tapeten AG has specified a share of women of 14.3% for the first management level below the Managing Board, which is to be reached by December 31, 2021. The target for the share of women corresponds to the share as of December 31, 2016, as the generational change was implemented as of December 31, 2016. In the course of the year 2018, the share of women at the first management level had declined from 14.3% on December 31, 2017 to 0.0% on December 31, 2018 due to women terminating their employment contracts and suspending their employment because of parental leave. It was not possible to increase this percentage again as of December 31, 2019. The Managing Board will give special consideration to increasing the share of women when appointing replacements in the future, although in this case, too, the qualification of the candidate will be the most important decision-making criterion.

The share of women at the second management level of A.S. Création Tapeten AG is to be increased from 8.7% as of December 31, 2016 to 13.0% by December 31, 2021. The activities for the long-term development of young talent for functional and management positions were expanded already in 2016. For instance, new cooperations with schools and universities were agreed and existing contacts intensified. This approach addresses and supports both young women and young men. As of December 31, 2018, the share of women at the second management level already stood at 13.0% and was increased further to 15.0% by December 31, 2019, thus exceeding the target that had been set for December 31, 2021.

## **Accounting and audit**

The consolidated annual financial statements and the consolidated interim financial statements of A.S. Création Tapeten AG are prepared by the Managing Board on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements of A.S. Création Tapeten AG are prepared in accordance with the German Commercial Code (Handelsgesetzbuch HGB). The consolidated financial statements and the financial statements are audited by the auditors and the Supervisory Board. The consolidated interim financial statements are neither audited nor reviewed by the auditors but are discussed by the Managing Board and the Audit Committee prior to their publication.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, (Ernst & Young) were elected auditors for the consolidated and the separate financial statements for 2019 by the Annual General Meeting of Shareholders of the year 2019. Prior to the election, Ernst & Young issued a statement of independence as recommended by the German Corporate Governance Code.

This statement has not given rise to any doubt about the independence of Ernst & Young as an auditor. It was contractually agreed with the auditor that the Supervisory Board would be informed immediately of

- any grounds for disqualification or impartiality arising during the audit,
- any findings or incidents arising during the audit that are material for the tasks of the Supervisory Board and
- any findings indicating that the declaration issued by the Managing Board and the Supervisory Board with regard to the German Corporate Governance Code is incorrect.

## **Transparent corporate communication**

Open and transparent corporate communication is an important aspect of good corporate governance. Apart from clear and comprehensible contents, this aspect also calls for all stakeholders to have equal access to company information. A.S. Création attaches great importance to the Internet as an information medium that is freely accessible irrespective of time and place. The website of A.S. Création ([www.as-creation.de](http://www.as-creation.de)) therefore provides a wealth of well-structured company information for interested users, e.g. in the “Investor Relations” section, which contains comprehensive financial information on A.S. Création such as annual and interim reports as well as ad-hoc and press releases. All information is simultaneously available in German and English.

The planned dates of major regular events, i.e. the publication dates of the annual report and the interim reports as well as the date of the Annual General Meeting of Shareholders, are compiled in a financial calendar. It is published sufficiently in advance and posted on the website of A.S. Création.

Gummersbach, March 19, 2020

## **A.S. Création Tapeten AG**

On behalf of the Supervisory Board

On behalf of the Managing Board

Jochen Müller

Daniel Barth

Chairman of the Supervisory Board

Chairman of the Managing Board