

## Corporate Governance Statement

### **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 Government Commission revised the Code from scratch in 2019. The version of the Code dated December 16, 2019 (hereinafter referred to as the "Code 2019") is a fundamentally reformed version of the Code, which also takes into account and implements the legal changes resulting from the Act Implementing the Second Shareholders' Rights Directive. The Code 2019 was published in the official section of the Federal Gazette on March 20, 2020 and has been effective since that date. 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) requires 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 can be found 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).

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

The latest declaration of conformity was issued on January 26, 2021 with the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare,

1. for the period from January 29, 2020 to March 20, 2020, that the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 (“Code 2017”) were complied with, save for the following exceptions:
  - Pursuant to number 4.2.3 of the Code 2017, 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 Code 2017 came into force. The variable Managing Board compensation implemented by the company is not consistent with the wording of the recommendation of the Code 2017, as the defined multi-year assessment basis does not have essentially forward-looking characteristics.
  - Pursuant to number 5.4.1 of the Code 2017 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.

and

2. for the period commencing March 20, 2020, that the recommendations of the Government Commission on the German Corporate Governance Code as amended on December 16, 2019 (“Code 2019”) have been and will continue to be complied with, save for the following exceptions:
- Recommendation A.2 of the Code 2019 requires the main features of the compliance management system to be disclosed. As the last corporate governance statement was issued on March 19, 2020, i.e. prior to the publication of the Code 2019, it does not contain such a disclosure. The Managing Board and the Supervisory Board intend to implement this recommendation of the Code 2019 in the next corporate governance statement, which is expected to be issued in March 2021.
  - Pursuant to recommendation B.2 of the Code 2019, the Supervisory Board shall, together with the Managing Board, ensure that there is long-term succession planning and describe the approach in the corporate governance statement. The Supervisory Board of A.S. Création Tapeten AG is convinced that long-term succession planning for the Managing Board members is an internal and confidential matter, especially if there are potential candidates in the company who may still need to develop their personality or leadership skills. If the approach to long-term succession planning is published, there is a risk that conclusions may be drawn at a very early stage of the process about those persons who, according to the Managing Board and the Supervisory Board, should be considered for succession. This is why the Supervisory Board of A.S. Création Tapeten AG does not comply with this recommendation of the Code 2019.
  - Pursuant to recommendation B.5 of the Code 2019, the age limit for members of the Managing Board shall be disclosed in the corporate governance statement. The last corporate governance statement was issued on March 19, 2020, i.e. prior to the publication of the Code 2019, and does not contain such a disclosure. The Managing Board and the Supervisory Board intend to implement this recommendation of the Code 2019 in the next corporate governance statement, which is expected to be issued in March 2021.
  - Pursuant to recommendation C.1 of the Code 2019, the names of the independent Supervisory Board members representing shareholders shall be published in the corporate governance statement. As the last corporate governance statement was issued on March 19, 2020, i.e. prior to the publication of the Code 2019, it does not contain such information. The Managing Board and the Supervisory Board intend to implement this recommendation of the Code

2019 in the next corporate governance statement, which is expected to be issued in March 2021.

- Pursuant to recommendation C.2 of the Code 2019, an age limit shall be specified for members of the Supervisory Board. 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 the latter does not depend on age, the Supervisory Board does not comply with this recommendation of the Code 2019.
- Pursuant to recommendation C.14 of the Code 2019, a detailed curriculum vitae of each Supervisory Board member shall be published on the company's website. The Supervisory Board of A.S. Création Tapeten AG is convinced that the brief curricula vitae of the Supervisory Board members published on the company's website provide a sufficient basis for the presentation of the Supervisory Board members. This means that the Supervisory Board does not fully comply with this recommendation of the Code 2019.
- Pursuant to recommendation D.1 of the Code 2019, the rules of procedure of the Supervisory Board shall be published on the company's website. The rules of procedure of the Supervisory Board are a document that solely serves the internal organisation of the Supervisory Board. As the report of the Supervisory Board and the corporate governance statement include detailed information on the work of the Supervisory Board and its committees, we see no added value and, hence, no justified interest of the investors in such publication. This is why the Supervisory Board does not comply with this recommendation of the Code 2019.
- Pursuant to recommendation D.11 of the Code 2019, the Audit Committee shall conduct an evaluation of the quality of the annual audit on a regular basis. To date, the Audit Committee of A.S. Création Tapeten AG has regularly reviewed the quality of the annual audit in discussions and talks with the Managing Board and the auditor. There is, however, no formalised evaluation process. This means that the Supervisory Board does not fully comply with this recommendation of the Code 2019. The Audit Committee intends to implement a formalised process with objectively assessable indicators starting with the evaluation of the 2020 annual audit.
- Recommendations G.1 to G.16 of the Code 2019 contain detailed recommendations regarding the remuneration of the Managing Board. In this respect, the Code 2019 differs very clearly from previous versions. The system of

Managing Board remuneration set out in the current Managing Board contracts and approved by the Annual General Meeting of Shareholders on April 28, 2016 was developed before the Code 2019 came into force. This is why the current remuneration system for the Managing Board does not comply with all recommendations of the Code 2019. For example, the current remuneration system does not provide for target total remuneration (recommendations G.1 and G.2) and does not distinguish between short-term and long-term targets (recommendations G.6 and G.7). Moreover, the company has no share-based variable remuneration components (recommendation G.10). While the employment contracts of the Managing Board members provide for the variable remuneration components to be adjusted in the event of a material change in the economic or legal framework conditions, they do not provide for the variable remuneration to be reclaimed (recommendation G.11).

## **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), Corporate Strategy, Marketing and Sales
- Maik Krämer, Finance and Controlling
- Antonios Suskas, Production and Logistics

Mr Roland Bantel resigned from the Managing Board of A.S. Création Tapeten AG with effect from March 31, 2020. The Domestic Sales and Marketing Departments, for which Mr Bantel had previously been responsible, are now the responsibility of Mr Barth.

The tenure of the current Board members will end on March 31, 2025 for Mr Suskas, on November 18, 2021 for Mr Barth and on March 31, 2021 for Mr Krämer. The Supervisory Board has already reappointed Mr Barth for a further term of office running until October 31, 2026 and Mr Krämer for a further term of office running until March 31, 2024.

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

While there were no changes in the composition of the Supervisory Board in the fiscal year 2020, the Annual General Meeting of Shareholders confirmed the court appointment of Dr. Zilkens.

The terms of office of the 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 on May 6, 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 Mr Müller (Chairman), Ms Benner-Heinacher 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.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their duties. This self-assessment is carried out by means of questionnaires for the entire Supervisory Board and for its committees, which are completed by the Supervisory Board members and evaluated anonymously. The results of the survey are discussed by the Supervisory Board and, if necessary, the latter defines measures to be implemented to improve the work of the Supervisory Board. The last self-assessment was carried out in the fiscal year 2020.

### **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 had specified a share of women of 16.7% for the Supervisory Board of A.S. Création Tapeten AG, which was to be reached by December 31, 2020. This share corresponds to the composition of the Supervisory Board as of December 31, 2020, when it was composed of one woman and five men. This means that the target specified was reached for the period ended December 31, 2020. For the next five years, i.e. until December 31, 2025, the Supervisory Board has specified an unchanged target of 16.7% for the share of women on the Supervisory Board of A.S. Création Tapeten AG. This is due, on the one hand, to the legal provision in Article 111 (5) Sentence 2 AktG, according to which no target may be specified that is lower than the share achieved if the share of women is below 30%. On the other hand, this target takes into account that there will be a change with regard to the currently only female member of the Supervisory Board when this year's regular election of Supervisory Board members is held.

With the Code 2019 now stipulating that a Supervisory Board member is no longer considered independent if he/she has been a member of the Supervisory Board for more than twelve years, Ms Benner-Heinacher no longer counts as an independent Supervisory Board member from a corporate governance point of view, as she has been a member of the Supervisory Board of A.S. Création Tapeten AG since April 7, 1998. Against the background of her professional activities as Deputy Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Ms Benner-Heinacher will not stand for re-election. Mr Kämper, who had been a member of the board of A.S. Création Tapeten AG from 1998 until 2016, having been in charge of sales and marketing and having been chairman of the board as of 2001, will stand for election. The Supervisory Board will make no proposals for further changes to the shareholder representatives on the Supervisory Board. If Mr Kämper is elected by the Annual General Meeting of Shareholders scheduled for May 6, 2021 and if the other shareholder representatives standing for election are re-elected, the share of women among the shareholder representatives will be 0%. Besides Ms Benner-Heinacher, the two employee representatives on the Supervisory Board, Mr Schmuck and Mr Mourschinetz, have also decided not to stand for another term of office as they have both been in office for over 20 years. The employees will elect their future representatives on the Supervisory Board on April 13, 2021, with both women and men standing for election from today's point of view. Provided that (at least) one female candidate is elected, the future share of women among the employee representatives will be 50% and thus the share of women on the full Supervisory Board of A.S. Création Tapeten AG will be 16.7%. This would correspond to the target of 16.7% now set for the Supervisory Board as a whole.

The Supervisory Board had specified a share of women of 0% for the Managing Board of A.S. Création Tapeten AG, which was to be reached by December 31, 2020. The actual figure on December 31, 2020 was in line with this target. The Managing Board in its current composition has led A.S. Création Tapeten AG only since April 1, 2020. 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. This is why the Supervisory Board has again set the new target at 0%. This target has been specified until December 31, 2025.

The Managing Board of A.S. Création Tapeten AG had specified a share of women of 14.3% for the first management level below the Managing Board, to be reached by December 31, 2021. In the course of the year 2018, the share of women at the first management level had declined to 0.0% on December 31, 2018 due to women terminating their employment contracts and suspending their employment because of parental leave. This share was increased to 7.1% as of December 31, 2020. 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. It is currently impossible to predict whether the target set will be reached by the end of the period for which it was specified. By the end of that period, the Managing Board will determine a new target for the period until December 31, 2026 on the basis of current developments.

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 co-operations with schools and universities were agreed and existing contacts intensified. This approach addresses and supports both young women and young men. The share of women at the second management level already stood at 20.0% as at December 31, 2020. While this means that the target set for December 31, 2021 is already clearly exceeded, it is possible that this figure will change before the end of 2021, i.e. by the end of the deadline set. By the end of that period, the Managing Board will determine a new target for the period until December 31, 2026 on the basis of current developments.

## **Diversity policy**

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.

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.

The Supervisory Board is of the opinion that the current composition of the Managing Board meets the key objectives of the diversity policy.

#### 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 special knowledge and experience in the application of accounting principles and internal control procedures and be familiar with audits of financial statements.
- 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.
- More than half of the shareholder representatives on the Supervisory Board should be independent within the meaning of recommendation C.6 of the Code 2019.
- 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.

In the opinion of the shareholder representatives on the Supervisory Board, Mr Müller, Dr. Hues and Dr. Zilkens are independent from the company within the meaning of recommendation C.7 of the Code 2019. By contrast, Ms Benner-Heinacher has served on the Supervisory Board for more than twelve years, which means that she is no longer considered an independent member of the Supervisory Board as defined in the Code 2019. The company thus currently complies with recommendation C.7 of the Code 2019, according to which more than half of the shareholder representatives should be independent.

The Supervisory Board is of the opinion that its current composition meets all key objectives of the diversity policy.

## **Compliance management system**

To ensure compliance with the relevant legal provisions and the company's internal guidelines, the Managing Board of A.S. Création Tapeten AG has established a compliance management system for the company and its subsidiaries, which is the responsibility of the Legal and Compliance Department; the latter reports to the Managing Board member in charge of Finance and Controlling. The Head of Legal and Compliance is also the person to contact for all suspicious events throughout the Group. In the context of the compliance management system, the relevant legal provisions are identified against the background of A.S. Création's business model and prioritised in the context of a risk assessment. Depending on this classification, appropriate measures are defined in consultation with the Managing Board to ensure compliance with rules and regulations in all areas of the company. This may involve, for example, the development of procedural instructions or the implementation of training courses. The Legal and Compliance Department regularly carries out random checks throughout the Group to verify compliance with the rules by individual employees. Furthermore, the internal control systems of the Group companies are subjected to regular reviews by external specialists. The Head of Legal and Compliance regularly directly informs the Audit Committee of the Supervisory Board about the compliance measures taken and of any compliance violations. While the compliance management system is designed to minimise the risk of compliance violations in the Group, it cannot provide absolute security, as compliance with rules and regulations depends not only on the

technical and organisational measures implemented, but also on the behaviour of each individual.

Gummersbach, March 18, 2021

## **A.S. Création Tapeten AG**

On behalf of the Supervisory Board

On behalf of the Managing Board

Jochen Müller

Chairman of the Supervisory Board

Daniel Barth

Chairman of the Managing Board