

Combined non-financial Group report pursuant to section 315b HGB of A.S. Création Tapeten AG for the fiscal year 2020

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 2020 Group sales, it is the larger of the two divisions. The wallpapers are primarily produced in Germany at A.S. Création Tapeten AG in Wiehl-Bomig. In addition, wallpapers have also been produced by the Belarusian Group company OOO Profistil since spring 2018. The other operating 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.

Headquartered in Germany, the Furnishing Fabrics Division markets curtains and furnishing fabrics as well as products from the sun protection sector, such as pleated blinds, roller blinds and vertical blinds.

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 A.S. Création's value chain. On the one hand, because demand trends and the changing legal framework require 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. On the other hand, because sustainability is part of A.S. Création's self-conception as a company with a long-term orientation. As such, the company must be aware of the impact of its business activities on the environment and on society in order to ensure sustainable development.

To coordinate the large number of projects and initiatives pursued in this context within the A.S. Création Group and to increase its efforts in this area, a new staff unit has been established, which will define the future sustainability development of A.S. Création and be responsible for its implementation together with the Chairman of the Managing Board as of January 1, 2021.

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, input materials and energy, is therefore just as important as the search for and development of new raw materials and input materials that reduce the environmental impact of wallpapers over their life cycle.
- Securing young talent
Wallpaper is a fashionable product that is subject to colour and design trends. A.S. Création therefore needs people who identify such trends and put them into practice. The same applies to the changing conditions in the markets in which the company operates. 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, it was examined whether material risks arise from the business activity or in connection with the 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 specified 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 the company's 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-479¹. Moreover, the product-related emissions of all A.S. Création wallpapers meet the requirements of the German AgBB² provisions and of the lowest emission class “A+” pursuant to the relevant French provisions.

In addition, all nonwoven and paper wallpapers of A.S. Création are certified with the FSC seal, which guarantees the use of wood and paper products from responsibly managed forests. The Forest Stewardship Council (FSC) contributes to the maintenance of the forest ecosystem and thereby also protects animal and plant species threatened with extinction.

To permanently meet these high quality standards, A.S. Création has decided to refine the established quality assurance processes and controls on an ongoing basis. The Quality Management Team installed in the company thus monitors compliance with the relevant standards, norms and requirements at the German manufacturing location. The quality management system certified to ISO 9001:2015 is therefore of great importance to A.S. Création. The subsidiary OOO Profistil has set itself the goal of also obtaining DIN ISO 9001 certification in 2021.

2.2. Resource management

A.S. Création Tapeten AG and OOO Profistil are manufacturing companies; 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 efficiently. 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 the one 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. Thanks to the intelligent design of OOO Profistil’s production facility, no separate heating system is needed for the production building proper. Two downstream water heat exchangers in the exhaust air purification systems cover the entire heating requirements of the production facility. Hot air recirculation systems (gas) and an open-air cooling system (electricity) allow additional potential for energy savings to be tapped.

A.S. Création Tapeten AG has a certified energy management system. In 2019, it was successfully recertified to the new ISO 50001:2018 standard. OOO Profistil in Belarus has no corresponding certification, but employs its own Energy Officer, who is exclusively responsible for the monitoring and control of the company’s consumption data and their reporting to the local

¹ 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)

² Committee for the health assessment of building products

authorities. The Energy Officer regularly exchanges information on energy-related topics with A.S. Création Tapeten AG.

To monitor the progress made in optimising energy efficiency, quarterly energy reports on the production plant in Wiehl-Bomig have been prepared for the Managing Board since 2018. Besides a detailed analysis of the key performance indicators, which places a special focus on energy intensity, emissions and material consumption, 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 energy-intensive systems. 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.

In 2020, the focus of the energy optimisation measures was on improving the control of the production facilities. For this purpose, specialised measuring devices were installed at individual machines, which record the energy consumption of the systems depending on the selected settings. Based on the results of these measurements, the system controls were adjusted to improve the energy efficiency of the production facilities.

Thanks to the measures implemented, the energy consumption per ton of finished product produced³ was reduced from 2,486 kWh in 2019 to 2,441 kWh in 2020. Further improvements were prevented by the fact that a consistent utilisation of the production capacities over the course of the year was made impossible by the coronavirus pandemic. The goal is to reduce the energy consumption per ton of finished product produced to a level of 2,250 kWh by 2024.

The action plan for 2021 contains further measures to increase the energy efficiency of the production machines; for instance, additional savings are to be achieved in peripheral equipment. The replacement of air compressors plays an essential role here. In addition, the energy efficiency of the heating system of the administrative building in Bomig is to be improved by switching to smaller heating circuits.

The Belarusian company OOO Profistil started production in spring 2018, and the first stage of expansion was completed only in the course of 2020. Due to the coronavirus pandemic, the production facilities could not be utilised consistently over the course of the year. These special circumstances in 2020 currently make it impossible to give a reliable statement about the energy consumption under normal production conditions. Consequently, the year 2021 will be taken as the basis for the analysis of the plant's energy consumption and the definition of targets based on such analysis.

³ The digital printing department is not included in the calculation of the tons produced.

2.3. Securing young talent

Wallpaper is a fashionable product that is subject to colour and design trends, which 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 wealth of ideas and the ability to anticipate trends. It is therefore not only important for the company to create an open and unbiased organisational culture which supports the above aspects. In addition, the 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 an average 70.3% (previous year: 70.4%) of the employees of the A.S. Création Group, i.e. the majority, worked in Germany in 2020. The consequences of the demographic change in Germany, in particular the increasing average age of the workforce and the growing competition for young talent, will therefore present A.S. Création with special challenges. A good working environment as well as attractive vocational and further training opportunities are therefore of great relevance 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 the company and its products, 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 14 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 A.S. Création continues to be seen as an interesting and reliable employer offering attractive apprenticeships, the company 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 three schools, in particular, A.S. Création establishes regular contacts with the target groups; the company offers interested young people internships as well as the possibility to explore different professions to give them an insight into the various 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. also provide their trainers with important feedback.

A.S. Création attaches great importance to establishing structures within the 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 the company is perceived as a credible, convincing employer and will be successful in the long term. In this context, product workshops are planned for all trainees and apprentices in 2021. To give all trainees and apprentices even better insight into the entire company, cross-departmental training has been intensified to give trainees and apprentices a better understanding of the company as a whole and improve the networking between the individual departments.

For 2020, it was planned to expand the securing of young talent beyond the commercial sector. To this end, an additional dual study course was introduced for the areas of marketing and communication. An additional focus is placed on the targeted development of young talent in technical professions. In this field, cooperations with technical universities and colleges are planned for 2021.

To achieve the objective of securing young talent, the company wants to keep the percentage of trainees in relation to the German workforce⁴ at a high level of at least 7% per year. At 6.5% (previous year: 7.8%), the trainee ratio was below this target in the coronavirus year 2020.

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 already began to establish a Compliance Management System in already back in 2010. The aim of A.S. Création is to ensure that the Group complies with all relevant legal provisions. Most importantly, the company pursues 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-Bornig, 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 new developments, processes are established and staff trainings are conducted.

⁴ Basis: full-time equivalents

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

- 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.

A.S. Création did not become aware of any violations relating to corruption and money laundering in 2020.

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

Gummersbach, March 10, 2021

A.S. Création Tapeten AG

The Managing Board

Barth

Krämer

Suskas