



## **Report on corporate governance pursuant to Article 289a of the German Commercial Code (Handelsgesetzbuch HGB)**

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 Managing Board and the Supervisory Board of A.S. Création Tapeten AG have traditionally been committed to these standards.

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 normally reviewed once a year against the background of national and international developments and amended if required. The latest amendments were decided by the Government Commission on June 18, 2009. The current version of the Code can be viewed at [www.corporate-governance-code.de](http://www.corporate-governance-code.de).

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 (so-called 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.



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

The latest declaration of conformity was issued on March 9, 2010 and had the following wording:

“The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare that the company complied with the recommendations made by the "Government Commission on the German Corporate Governance Code" as amended on June 6, 2008 in the period from March 4, 2009 to June 18, 2009 subject to the exceptions stated in last year's declaration of conformity dated March 4, 2009 and that, thereafter, the company has complied and will continue to comply with the German Corporate Governance Code as amended on June 18, 2009 subject to the following exceptions.

- **Agreement of a deductible under a D&O insurance**

*(pursuant to Section 3.8 of the Code)*

A third-party consequential loss insurance (so-called D&O insurance) policy has been taken out for the Managing Board and the Supervisory Board. A deductible has not been agreed. This will be done by June 30, 2010:

- **Agreement of a severance payment cap**

*(pursuant to Section 4.2.3 of the Code)*

The Code recommends fixing a cap for severance payments in Managing Board contracts in the event of premature termination of a contract without serious cause. The severance payment is recommended not to exceed the value of two years' compensation including fringe benefits and compensate no more than the remaining term of the contract. The Managing Board contracts of A.S. Création Tapeten AG signed before the coming into force of this recommendation do not include such a cap. Given that the terms of office of all Managing Board members will end on March 31, 2011 (i.e. in about one year's time), the Supervisory Board sees no need to amend the existing Managing Board contracts.

- **Specification of an age limit for the members of the Supervisory Board**

*(pursuant to Section 5.4.1 of the Code)*

The Supervisory Board of A.S. Création Tapeten AG is convinced that proposals for election to the Supervisory Board should exclusively be based on the professional expertise and personal background of the candidates, both of which are unrelated to the formal criterion of age. The Supervisory Board has therefore opted not to fix an age limit.



- **Introduction of a performance-related compensation for the Supervisory Board**

*(pursuant to Section 5.4.6 of the Code)*

The current statutes of A.S. Création Tapeten AG stipulate no performance-related compensation, but only fixed compensation of the Supervisory Board. In the opinion of the Managing Board and the Supervisory Board it is not clear to what extent performance-related compensation would have a positive effect on the work of a Supervisory Board and a company's economic success."

### **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 three members, whose individual and collective responsibilities are regulated by the rules of internal procedure:

- Jörn Kämper (Chairman), Sales and Marketing
- Maik Holger Krämer, Finance and Controlling
- Bernhard Wagner, Production

The terms of office of the current Board members will end on March 31, 2011.

The Managing Board is responsible for managing the company with the due diligence of a prudent businessman.

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 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 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:

- Franz Jürgen Schneider, Chairman
- Dr. Rüdiger Liebs, Vice Chairman
- Jella Susanne Benner-Heinacher
- Peter Mourschinetz, employee representative
- Dr. Dieter Schadt
- Rolf Schmuck, employee representative

The terms of office of all Supervisory Board members will expire at the end of the General Meeting of Shareholders that will ratify their acts for fiscal 2010, i.e. presumably in spring 2011.

The Supervisory Board of A.S. Création Tapeten AG formed three committees:

- the Committee for Managing Board Matters  
(Members: Mr Schneider, Dr. Liebs and Dr. Schadt),
- the Audit Committee and  
(Members: Dr. Liebs, Mr Schneider and Mr Schmuck)
- the Nomination Committee  
(Members: Mr Schneider, Ms Benner-Heinacher and Dr. Schadt).

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 certain decision-making powers to the committees to the extent this is permissible under applicable laws. The individual tasks and powers are laid down in the rules of internal procedure of the Supervisory Board which also ensure that the full 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 fixing of the total compensation of the Managing Board (including potential reductions).

The Audit Committee is responsible for monitoring 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 accounting or auditing.

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.

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

The basic elements of the compensation schemes and the amount of the compensation received by the Managing Board and the Supervisory Board are published in the annual compensation report, which forms part of the management report.

### **Directors' dealings**

According to Article 15a of the German Securities Trading Act (Wertpapierhandelsgesetz WpHG), the members of the Managing Board and of the Supervisory Board of A.S. Création Tapeten AG as well as other persons who have regular access to insider information and who are authorised to take significant corporate decisions are obliged to report their own dealings in A.S. Création shares or related financial instruments (i.e. so-called directors' dealings) if these dealings exceed a total of € 5,000 in a calendar year. This obligation also applies to persons and legal entities that are closely related to one of the aforementioned persons. A.S. Création Tapeten AG complies with its obligation to publish all reports received without delay and has a policy of posting these reports also on its website.

As of December 31, 2009 members of the Managing Board and members of the Supervisory Board held 8,664 shares and 890,546 shares respectively. The Managing Board and the Supervisory Board thus hold a combined 30.0% of the A.S. Création shares.

### **Accounting and audit**

The consolidated 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 (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.



The General Meeting of Shareholders of the year 2009 elected KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, (KPMG) auditors of the consolidated and the separate financial statements. Prior to the election, KPMG 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 KPMG 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 Germany 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 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 9, 2010

#### **A.S. Création Tapeten AG**


The Managing Board



Kämper



Krämer



Wagner