

Remuneration Report

The remuneration report presents the basic features of the remuneration system for the Board of Management of the general partner (HORNBAACH Management AG), the Supervisory Board of the general partner (HORNBAACH Management AG), and the Supervisory Board of HORNBAACH Holding AG & Co. KGaA, as well as the remuneration of individual members of the Board of Management and Supervisory Board in the 2020/21 financial year under report.

1. Remuneration of Board of Management of HORNBAACH Management AG

1.1 Basic features of remuneration system

The Supervisory Board of HORNBAACH Management AG adopted a new remuneration system for the members of the Board of Management of HORNBAACH Management AG on December 18, 2019. The new remuneration system has been in effect for members of the Board of Management since March 1, 2020. The remuneration of the Board of Management is regularly reviewed by the Supervisory Board.

1.1.1 Overview

The remuneration of members of the Board of Management comprises fixed and variable components. Fixed remuneration components for the members of the Board of Management are the fixed annual salary, ancillary benefits, and the company pension scheme. The variable components are one-year variable remuneration ("OVR") and multiyear variable remuneration ("MVR"). Furthermore, the remuneration system stipulates share ownership guidelines ("SOG") for members of the Board of Management.

1.1.2 Fixed remuneration components

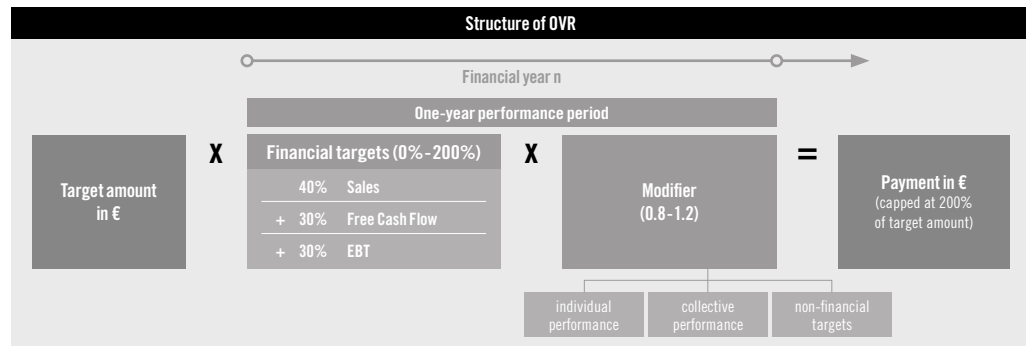
Members of the Board of Management receive a fixed annual salary in twelve monthly instalments. Ancillary benefits are also granted: In particular, these include the provision of a company car that can also be used privately, allowances for private health insurance, voluntary retirement insurance or alternatively contributions to a private life insurance policy, and accident insurance (fatality and invalidity). Divergent rules apply in some cases for members of the Board of Management who are simultaneously members of the Board of Management of HORNBAACH Baumarkt AG and are already entitled to the respective ancillary benefit due to their employment relationship at that company. Moreover, members of the Board of Management are covered by the D&O insurance policy taken out by HORNBAACH Holding AG & Co. KGaA. In addition, HORNBAACH Management AG provides members of its Board of Management with coverage in a defined contribution company pension scheme. This commitment involves payment of half-yearly pension contributions amounting to 12.5 % of fixed gross annual salary.

1.1.3 Variable remuneration components

Performance-related variable remuneration comprises one-year variable remuneration (OVR) and multiyear variable remuneration (MVR).

One-year variable remuneration (OVR)

OVR is a performance-related bonus with a one-year assessment period. In the first step, OVR is dependent on key financial performance criteria at HORNBAACH Holding AG & Co. KGaA. In the second step, the Supervisory Board may apply a modifier to account for the performance of the individual member of the Board of Management, the collective performance of the overall Board of Management, and the achievement of relevant non-financial targets.



The three financial performance criteria used to calculate the amount of OVR remuneration paid are: sales (weighted at 40 %), free cash flow, and earnings before taxes (“EBT”), both of which weighted at 30 %. This on the one hand provides an incentive for the Board of Management to focus its activities on the growth strategy pursued by the company. On the other hand, it provides an incentive for continually increasing the company’s earnings strength and internal financing potential.

The figures reported in the approved and audited consolidated financial statements of HORNBACH Holding AG & Co. KGaA for the respective financial year are taken as the basis for reference.

The Supervisory Board of HORNBACH Management AG sets targets for the individual financial performance criteria before the beginning of the respective financial year. Upon expiry of the financial year, total target achievement is calculated on the basis of target achievement in the individual financial performance criteria. To determine target achievement for the three financial performance criteria, for each criterion the Supervisory Board of HORNBACH Management AG compares the actual value upon expiry of the financial year with the actual value for the previous year (strategic growth rate).

To supplement the financial performance criteria, the Supervisory Board of HORNBACH Management AG stipulates criteria for the modifier, generally before the beginning of the respective financial year. By way of the modifier, the Supervisory Board can assess the performance of the individual member of the Board of Management, the performance of the overall Board of Management, and the achievement of non-financial targets, such as stakeholder and ESG (Environment, Social, Governance) targets, referring in each case to HORNBACH Management AG and HORNBACH Holding AG & Co. KGaA respectively.

The individual modifier is determined by the Supervisory Board of HORNBACH Management AG at its due discretion. The modifier generally amounts to 1.0 and may be adjusted to a value between 0.8 and 1.2 if the financial performance criteria alone do not adequately reflect the performance of the member of the Board of Management. Pursuant to the transitional provisions for OVR in the employment contracts, for OVR in the 2020/21 financial year the company has applied the modifier with the factor 1.0.

The OVR target amount is disbursed in the event of 100 % target achievement. If the employment relationship begins or ends in the current financial year, the target amount is proportionately reduced on a pro rata temporis basis as of the beginning or end of the employment relationship. The same applies by analogy to periods in which the member of the Board of Management, while still employed, has no claim to remuneration. If the employment relationship ends, the OVR is calculated for the current financial year in accordance with general provisions governing the OVR and paid at the regular date. All claims to OVR relating to a current assessment period, i.e. a current financial year, lapse without replacement or compensation in the following “bad leaver” cases: The employment contract with the member of the Board of Management ends prior to expiry of the assessment period due to extraordinary termination by the company for a compelling

reason pursuant to § 626 of the German Civil Code (BGB) for which the member of the Board of Management is responsible; the appointment of the member of the Board of Management ends before expiry of the assessment period due to the appointment being revoked as a result of a gross breach of duty, or the appointment of the member of the Board of Management ends before expiry of the assessment period due to his or her resigning, without such resignation being caused by a breach of duty on the part of the company or by ill health on the part of the member of the Board of Management or of a close family member.

The annual OVR payment amount is capped at a maximum of 200 % of the target amount. The payment amount is due for payment at the latest in the month following approval of the consolidated financial statements of HORNBAACH Holding AG & Co. KGaA for the financial year to which the OVR refers.

Multiyear variable remuneration (MVR)

MVR is structured as a performance cash plan that is granted annually in rolling tranches. Each tranche of the performance cash plan has a four-year term ("performance period"). Each performance period begins on March 1 of the first financial year in the performance period ("grant year") and ends on February 28/29 of the third year following the grant year.

In the first step, MVR is dependent on key financial performance criteria at HORNBAACH Holding AG & Co. KGaA. In the second step, the Supervisory Board may apply a modifier to account for the performance of the individual member of the Board of Management, the collective performance of the overall Board of Management, and achievement of relevant non-financial targets, each referring to HORNBAACH Management AG and HORNBAACH Holding AG & Co. KGaA. Following expiry of the performance period, the target achievement for MVR is calculated over the four-year performance period and the payment amount for each member of the Board of Management is determined in line with the level of target achievement.

The key financial performance criteria for MVR are the relative total shareholder return ("TSR") of HORNBAACH Holding AG & Co. KGaA compared with the TSRs of companies listed in the SDAX throughout the entire performance period (except Hornbach Holding AG & Co. KGaA with ISIN DE0006083405), which is weighted at 25 %, and the return premium (expressed by the return on capital employed, "ROCE") less the weighted average cost of capital ("WACC") ("ROCE premium over WACC") of the Group during the four-year performance period, which is weighted at 75 %. This on the one hand creates long-term incentives to generate an adequate return for shareholders, also by comparison with the market. On the other hand, the remuneration system for members of the Board of Management presents and promotes all aspects of sustainably profitable value creation resulting from their entrepreneurial actions.

By analogy with OVR and the principles presented in 1.1.3, the Supervisory Board may supplement the financial performance criteria with the modifier to account for the performance of the individual member of the Board of Management, the performance of the overall Board of Management, and the achievement of non-financial targets such as stakeholder and ESG targets, in each case referring to HORNBAACH Management AG and HORNBAACH Holding AG & Co. KGaA, and, at its due discretion, set the modifier at between 0.8 and 1.2 for each member of the Board of Management.

The MVR target amount is disbursed in the event of 100 % target achievement. If the employment relationship or MVR participation entitlement of the respective member of the Board of Management begins or ends during the grant year, the target amount is proportionately reduced on a pro rata temporis basis. This means that the target amount of MVR is reduced by 1/365 for each day in the grant year on which there was no employment relationship or no entitlement to participate. The same applies by analogy to periods in which the member of the Board of Management, while still employed, has no claim to remuneration. If the employment

relationship ends, the MVR is calculated for the current performance periods in accordance with general provisions governing the MVR and paid at the regular date. All claims to MVR relating to a current assessment period, i.e. a current performance period, lapse without replacement or compensation in the “bad leaver” cases presented for the OVR in 1.1.3.

The MVR payment amount is capped for each tranche at a maximum of 200 % of the target amount. The payment amount is due for payment at the latest in the month following approval of the consolidated financial statements of HORNBACH Holding AG & Co. KGaA for the final financial year in the four-year performance period.

Share ownership guideline (SOG)

For the duration of their employment contracts, members of the Board of Management are obliged to acquire a minimum number of shares in HORNBACH Holding AG & Co. KGaA and retain ownership of such (“SOG target”).

The SOG target amounts to 150 % of the fixed annual gross salary for the Chairman and 100 % of the fixed annual gross salary for regular members of the Board of Management. From the first payment of MVR through to achievement of the SOG target, the member of the Board of Management is obliged to use 50 % of the MVR payment amount (tax net amount) each financial year to acquire shares in HORNBACH Holding AG & Co. KGaA. In individual cases and at its own due discretion, the Supervisory Board may approve deviations from the SOG terms following due consideration of individual circumstances.

1.2 Maximum remuneration

The total remuneration to be granted for a financial year (total of all remuneration components expended for the respective financial year, including fixed annual salary, variable remuneration components, company pension scheme, and ancillary benefits) for members of the Board of Management – irrespective of whether they are paid in that financial year or at a later point in time – has a maximum cap (“maximum remuneration”). Maximum remuneration amounts to € 2,040,000 for the Chairman, and € 520,000 for regular members of the Board of Management. If remuneration exceeds the maximum, the MVR payment amount is reduced for the respective grant year.

Irrespective of the maximum remuneration hereby stipulated, the payment amounts for individual variable remuneration components are capped at 200 % of the respective target amounts.

1.3 Remuneration upon premature termination of employment contracts

Should the activity of a member of the Board of Management be terminated prematurely, then any potential severance pay, including ancillary benefits, is capped at a maximum of two annual remuneration packages. If the remaining term of the employment contract amounts to fewer than two years, the severance pay may not exceed the contractual remuneration for the remaining term (severance pay cap). The calculation of the severance pay cap is generally based on total remuneration for the past financial year and, where appropriate, also on expected total remuneration for the current financial year.

If a retrospective prohibition on competition is agreed, then any severance pay is imputed to the remuneration agreed as compensation for such prohibition. If the employment contract is terminated by the member of the Board of Management, or due to a compelling reason for which he or she is responsible, then severance pay is precluded.

1.4 Remuneration of members of Board of Management in 2020/21 financial year

1.4.1 Remuneration of Board of Management in the 2020/21 financial year

Total remuneration of the Board of Management of the general partner HORNBACH Management AG for performing its duties on behalf of the HORNBACH Holding AG & Co. KGaA Group in the 2020/21 financial year amounted to € 3,903k (2019/20: € 1,963k). Of this, € 1,317k was fixed remuneration (2019/20: € 966k) and € 2,586k (2019/20: € 997k) involved performance-related components.

Total remuneration of members of Board of Management in 2020/21 financial year

Incumbent members	Non-performance-related components € 000s	Performance-related components (OVR) € 000s	Components with long-term incentive effect (MVR) € 000s	Total remuneration 2020/21 € 000s	Total remuneration 2019/20 ⁴⁾ € 000s
Albrecht Hornbach	578	265	425	1,268	947
Roland Pelka ¹⁾²⁾	642	810	888	2,340	1,016
Karin Dohm ²⁾³⁾	97	102	96	295	0
Total	1,317	1,177	1,409	3,903	1,963

¹⁾ In addition to the remuneration components for the 2020/21 financial year, the remuneration of Roland Pelka also includes variable remuneration components for the 2021/22 financial year.

²⁾ Total remuneration also includes remuneration borne by HORNBACH Baumarkt AG.

³⁾ Member of the Board of Management since January 1, 2021

⁴⁾ Conversion of the remuneration system in FY 2020/21; total remuneration in 2019/20 not comparable

1.4.2 Pension commitments

Service costs totaling € 296k were expensed pursuant to IFRS for members of the Board of Management in the 2020/21 financial year (2019/20: € 210k). The following overview presents the service cost and the present value of the pension obligations attributable to individual members of the Board of Management.

Incumbent members	Service cost 2020/2021 € 000s	Service cost 2019/2020 € 000s	Amount of pension provision February 28, 2021 ²⁾ € 000s
Albrecht Hornbach	120	90	1,021
Roland Pelka	153	120	8,334
Karin Dohm ¹⁾	23	0	28
Total	296	210	9,383

¹⁾ Member of the Board of Management since January 1, 2021

²⁾ The obligation also includes voluntary payments by the members themselves.

2. Remuneration of the Supervisory Board

2.1 Remuneration system for members of Supervisory Board of HORNBAACH Holding AG & Co. KGaA

Supervisory Board remuneration is governed by § 17 of the Articles of Association of HORNBAACH Holding AG & Co. KGaA. Pursuant to § 113 (3) AktG, the remuneration system was confirmed by the Annual General Meeting on July 10, 2020.

2.1.1 Contribution made by remuneration system for Supervisory Board members to promoting business strategy and long-term development

Given that its structure conforms to market norms, the Supervisory Board remuneration makes it possible to attract suitable candidates for the position of Supervisory Board member. The Supervisory Board remuneration therefore helps to ensure that the Supervisory Board as a whole is able to perform its duties of supervising and advising the General Partner in an appropriate and competent manner and thus promotes the business strategy and long-term development of HORNBAACH Holding AG & Co. KGaA.

2.1.2 Remuneration components

The remuneration of Supervisory Board members comprises fixed annual basic remuneration and inclusion in a financial loss liability insurance policy maintained by HORNBAACH Holding AG & Co. KGaA.

The fixed annual basic remuneration amounts to € 50,000.00 for the Chairman of the Supervisory Board, € 40,000.00 for the Deputy Chairman of the Supervisory Board, and € 20,000.00 for each other member of the Supervisory Board. Furthermore, Supervisory Board members also sitting on a Supervisory Board committee receive fixed committee remuneration. Fixed committee remuneration amounts to:

- Audit Committee: € 22,500.00 for the chairman and € 9,000.00 for each other committee member
- All other committees: € 10,000.00 for the chairman and € 4,000.00 for each other committee member.

The fixed annual basic remuneration and fixed committee remuneration are granted for each financial year and are each due for payment on the day after the Annual General Meeting adopting the annual financial statements for the respective financial year. Remuneration is proportionately reduced on a pro rata temporis basis if a member of the Supervisory Board or a committee is not a member of such for the full financial year or does not chair the respective body for the full financial year.

HORNBAACH Holding AG & Co. KGaA reimburses any sales tax incurred on the fixed annual basic remuneration and the fixed committee remuneration to the extent that Supervisory Board members are entitled to charge the company separately for sales tax and exercise this right.

If a member of the Supervisory Board is at the same time a member of the Supervisory Board of the General Partner and receives remuneration from the General Partner for his or her activities, the fixed annual basic remuneration and fixed committee remuneration are reduced by half. The same applies with respect to the additional portion of remuneration paid to the Chairman and Deputy Chairman if the relevant person is at the same time the Chairman or Deputy Chairman of the Supervisory Board of the General Partner.

Furthermore, Supervisory Board members are included in a financial loss liability insurance policy maintained by HORNBAACH Holding AG & Co. KGaA at its own expense for its directors and officers.

2.1.3 Procedure for determining, implementing, and reviewing the remuneration system

At the proposal of the general partner and the Supervisory Board, the Annual General Meeting determines Supervisory Board remuneration in the Articles of Association or by adopting a resolution. At present, Supervisory Board remuneration is determined in the Articles of Association. The Annual General Meeting adopts a

resolution on Supervisory Board remuneration at least once every four years. To prepare the resolution to be adopted by the Annual General Meeting, the general partner and Supervisory Board each review whether the Supervisory Board remuneration is still in the interests of HORNBAACH Holding AG & Co. KGaA and appropriate, particularly in respect of its amount and structure. If necessary, the general partner and the Supervisory Board propose a suitable adjustment for approval by the Annual General Meeting.

2.2 Remuneration of Supervisory Board of HORNBAACH Management AG

Supervisory Board remuneration is governed by § 4.7 of the Articles of Association of HORNBAACH Management AG. The remuneration of Supervisory Board members comprises fixed annual basic remuneration. The fixed annual basic remuneration amounts to € 50,000.00 for the Chairman of the Supervisory Board, € 40,000.00 for the Deputy Chairman of the Supervisory Board, and € 20,000.00 for each other member of the Supervisory Board. Furthermore, Supervisory Board members also sitting on a Supervisory Board committee receive fixed committee remuneration. Fixed committee remuneration amounts to:

- Audit Committee: € 22,500.00 for the chairman and € 9,000.00 for each other committee member
- Personnel Committee: € 15,000.00 for the chairman and € 6,000.00 for each other committee member
- All other committees: € 10,000.00 for the chairman and € 4,000.00 for each other committee member.

The fixed annual basic remuneration and fixed committee remuneration are granted for each financial year and are each due for payment on the day after the Annual General Meeting adopting the annual financial statements for the respective financial year. Remuneration is proportionately reduced on a pro rata temporis basis if a member of the Supervisory Board or a committee is not a member of such for the full financial year or does not chair the respective body for the full financial year. HORNBAACH Management AG reimburses any sales tax incurred on the fixed annual basic remuneration and the fixed committee remuneration to the extent that Supervisory Board members are entitled to charge the company separately for sales tax and exercise this right.

2.3 Remuneration of Supervisory Board members in year under report

The total remuneration of the Supervisory Board of HORNBAACH Holding AG & Co. KGaA (pursuant to § 314 (2) No. 6a HGB) for the 2020/21 financial year amounted to € 363k (2019/20: € 354k). Of this, € 234k was basic remuneration (2019/20: € 220k) and € 129k was remuneration for committee activity (2019/20: € 134k). This total remuneration includes remuneration totaling € 161k for positions held on the Supervisory Board of HORNBAACH Baumarkt AG (2019/20: € 166k). Of this, € 100k was basic remuneration (2019/20: € 97k) and € 61k was remuneration for committee activity (2019/20: € 69k). Remuneration for the positions held on the Supervisory Board of HORNBAACH Holding AG & Co. KGaA amounted to € 202k in the year under report (2019/20: € 188k), of which € 134k was basic remuneration (2019/20: € 123k) and € 68k was remuneration for committee activity (2019/20: € 65k).

The remuneration of the Supervisory Board of HORNBAACH Management AG for the 2020/21 financial year amounted to a total of € 215k (2019/20: € 227k). Like in the previous financial year (€ 227k), the remuneration for the 2020/21 financial year (€ 215k) solely comprised basic remuneration.

We present the Supervisory Board remuneration for members of the Supervisory Board of HORNBAACH Holding AG & Co. KGaA (and additionally the Supervisory Board remuneration at HORNBAACH Baumarkt AG attributable to these members) and of HORNBAACH Management AG in individualized form below.

Incumbent members	Financial year	Basic remuneration HORNBAACH Holding AG & Co. KGaA	Basic remuneration HORNBAACH Management AG	Basic remuneration HORNBAACH Baumarkt AG	Total committee remuneration HORNBAACH Holding AG & Co. KGaA	Total committee remuneration HORNBAACH Baumarkt AG	Total
		€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
Dr. Wolfgang Rupf ¹⁾	2020/21	0	50	0	0	0	50
	2019/20	0	50	0	0	0	50
Dr. Susanne Wulfsberg ^{1) 2)}	2020/21	10	20	0	0	0	30
	2019/20	10	20	0	0	0	30
Dr. John Feldmann ^{1) 2) 3)}	2020/21	25	40	40	11	24	140
	2019/20	25	40	40	11	24	140
Erich Harsch ^{1) 2) 3)}	2020/21	0	0	0	0	0	0
	2019/20	8	17	17	3	8	53
Albert Hornbach ¹⁾	2020/21	0	20	0	0	0	20
	2019/20	0	20	0	0	0	20
Christoph Hornbach ¹⁾	2020/21	0	20	0	0	0	20
	2019/20	0	20	0	0	0	20
Georg Hornbach ¹⁾	2020/21	0	20	0	0	0	20
	2019/20	0	20	0	0	0	20
Steffen Hornbach ¹⁾	2020/21	0	5	0	0	0	5
	2019/20	0	0	0	0	0	0
Martin Hornbach ^{2) 3)}	2020/21	40	0	20	9	15	84
	2019/20	40	0	20	9	15	84
Joerg Walter Sost ¹⁾	2020/21	0	20	0	0	0	20
	2019/20	0	20	0	0	0	20
Prof. Dr.-Ing. Jens P. Wulfsberg ¹⁾	2020/21	0	20	0	0	0	20
	2019/20	0	20	0	0	0	20
Simone Krah ²⁾	2020/21	20	0	0	17	0	37
	2019/20	20	0	0	14	0	34
Simona Scarpaleggia ^{2) 3)}	2020/21	19	0	20	0	0	39
	2019/20	0	0	0	0	0	0
Melanie Thomann-Bopp ^{2) 3)}	2020/21	20	0	20	31	22	93
	2019/20	20	0	20	28	22	90
Total	2020/21	134	215	100	68	61	578
	2019/20	123	227	97	65	69	581

(Differences due to rounding up or down to nearest € 000)

¹⁾ Member of Supervisory Board of general partner (HORNBAACH Management AG)

²⁾ Member of Supervisory Board of HORNBAACH Holding AG & Co. KGaA

³⁾ Member of Supervisory Board of HORNBAACH Baumarkt AG