

## Corporate Governance Report with Corporate Governance Declaration

Our actions are guided by the principles of responsible, transparent corporate management and control (corporate governance). HORNBACH has always accorded priority to high-quality corporate governance. It forms the basis for sustainable economic success and helps us enhance the trust placed in our company by our customers, business partners, investors, employees, and the financial markets. The standards and guidelines we adhere to over and above legal requirements are summarized in the Corporate Governance Declaration (§ 289f HGB), which includes the Corporate Governance Report of the Board of Management and the Supervisory Board (Point 3.10 of the German Corporate Governance Code in the version dated February 7, 2017).

### 1. Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 AktG dated December 2019

The general partner (HORNBACH Management AG, acting via its Board of Management) and the Supervisory Board of HORNBACH Holding AG & Co. KGaA hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG):

#### I. Preliminary remarks

The German Corporate Governance Code (the “Code”) is tailored to companies with the legal form of a stock corporation (“AG”) or a European Company (“SE”) and does not account for the special circumstances of partnerships limited by shares (“KGaA”). Many of the recommendations made in the Code can only be applied in modified form to HORNBACH Holding AG & Co. KGaA. The following factors in particular require consideration:

#### 1. Management

Many of the Code recommendations refer to the Board of Management. Unlike an AG, however, the KGaA does not have a Board of Management. At a KGaA, the tasks incumbent on the Board of Management are performed by the general partner, in this case HORNBACH Management AG.

#### 2. Supervisory Board

The Code recommendations concerning the Supervisory Board also do not account for the legal form of a KGaA, where the rights and obligations of the Supervisory Board differ from those at an AG. Specifically, the Supervisory Board of a KGaA does not have any personnel competence in respect of any Board of Management at the general partner and also cannot obligate the latter in terms of the company’s management by laying down transactions subject to approval requirements.

#### 3. Annual General Meeting

The Annual General Meeting of a KGaA basically has the same rights as that at an AG; it additionally passes resolution on the adoption of the company’s annual financial statements. Unlike at an AG, some of the resolutions adopted by the Annual General Meeting require the approval of the general partner. These include the adoption of the company’s annual financial statements.

## II. Declaration

The company basically complied with the recommendations of the Code in the version dated February 7, 2017 and published in the Federal Official Gazette on April 24, 2017 since the submission of its previous Declaration of Conformity in December 2018 and will continue to do so in future.

No application was or will be made of the recommendations in Points 3.4 (1) Sentence 3, 3.8 (3), 4.1.3 Sentence 2, 4.1.5 Sentence 1, 4.2, 4.3, 5.1.2, and 5.2 (3).

These deviations from the recommendations are due to the following considerations:

### a) Point 3.4 (1) Sentence 3:

The KGaA does not have a Board of Management. By resolution dated October 9, 2015, the Supervisory Board laid down the general partner's disclosure obligations in a Code of Procedure.

### b) Point 3.8 (3):

In Point 3.8 (3), the Code recommends agreeing a specified deductible in any D&O insurance policy taken out for the Supervisory Board. No such deductible has been agreed at the expense of Supervisory Board members. This would reduce the attractiveness of Supervisory Board activities, and thus also the company's chances in the competition to attract qualified candidates. The recommendation made in Point 3.8 (3) is therefore not followed.

### c) Point 4.1.3 Sentence 2:

According to Point 4.1.3 Sentence 2, the Board of Management should institute appropriate measures reflecting the company's risk situation (compliance management system) and disclose the main features of those measures. The KGaA does not have a Board of Management. Irrespective of this, the company has a compliance management system and discloses its main features.

### d) Point 4.1.5 Sentence 1:

According to Point 4.1.5 Sentence 1, when appointing the company's executives the Board of Management should consider the principle of diversity and in particular endeavor to achieve the appropriate consideration of women for such positions. The KGaA does not have a Board of Management.

### e) Point 4.2:

In Point 4.2, the Code makes several recommendations concerning the composition and remuneration of the Board of Management. The KGaA does not have a Board of Management. The Supervisory Board of HORNBAACH Holding AG & Co. KGaA has no responsibility for appointing and dismissing the members of the Board of Management at HORNBAACH Management AG or for specifying their contractual terms and conditions.

### f) Point 4.3:

In Point 4.3, the Code makes several recommendations concerning the treatment of conflicts of interest on the part of members of the Board of Management. The KGaA does not have a Board of Management. Conflicts of interest on the part of members of the Board of Management of the general partner, transactions with persons and enterprises closely related to such and any sideline activities are dealt with by the general partner. Pursuant to § 8 (1) Sentence 2 of the Articles of Association, however, the Supervisory Board represents the company in its dealings with the general partner in respect of all transactions.

**g) Point 5.1.2:**

The KGaA does not have a Board of Management. The Supervisory Board of a KGaA does not have any personnel competence in respect of the Board of Management of the general partner.

**h) Point 5.2 (3):**

The KGaA does not have a Board of Management. Within the framework of the amended responsibilities of the Supervisory Board, the Supervisory Board will, as previously, maintain contact with the general partner, inform the Supervisory Board and also convene extraordinary meetings for this purpose where appropriate.

Neustadt an der Weinstrasse, December 2019  
HORNBAACH Holding AG & Co. KGaA

The Supervisory Board of HORNBAACH Holding AG & Co. KGaA The Board of Management of HORNBAACH Management AG

The above Declaration of Conformity dated December 2019 has been published on our website together with all earlier Declarations of Conformity and is also available as a download.



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## 2. Specific Features of the Legal Form and Articles of Association of HORNBAACH Holding AG & Co. KGaA

HORNBAACH Holding AG & Co. KGaA, based in Neustadt an der Weinstrasse, is a partnership limited by shares (KGaA). Like a stock corporation, the KGaA is a corporation whose capital is divided into shares. Like a stock corporation, the KGaA is thus suited to a broad group of investors and to simple tradability of its shares. Like a limited partnership, the KGaA has two different groups of shareholders, the personally liable shareholder(s) on the one hand and limited shareholders on the other. HORNBAACH Holding AG & Co. KGaA is governed by the requirements of German law and the provisions of its Articles of Association.

### 2.1 Share capital and share class

The share capital of HORNBAACH Holding AG & Co. KGaA amounts to € 48,000,000.00 and is divided into 16,000,000 no-par ordinary bearer shares with a prorated amount of share capital of € 3.00 per share. The ordinary shares in the KGaA are admitted to trading in the Prime Standard of the Frankfurt Stock Exchange (ISIN DE0006083405/ WKN 608340).

### 2.2 Group management and supervisory structure and bodies

The statutory bodies of the KGaA are the general partner, the Supervisory Board, and the Annual General Meeting.

The Articles of Association of HORNBAACH Holding AG & Co. KGaA which, alongside legal requirements, define the competencies of the bodies in greater detail, can be downloaded from our website.

#### 2.2.1 General partner

The general partner of HORNBAACH Holding AG & Co. KGaA is HORNBAACH Management AG, represented by its Board of Management, which currently consists of two members. The Board of Management of the general partner manages the business of HORNBAACH Holding AG & Co. KGaA and represents the company to third parties. Pursuant to the Articles of Association, the authorization of the general partner to manage the business



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also extends to exceptional management measures not requiring the approval of limited shareholders at the Annual General Meeting.

The general partner does not participate either in the profit or loss or in the assets of the KGaA. The general partner is required to report regularly to the Supervisory Board of the KGaA.

Hornbach Familien-Treuhandgesellschaft mbH holds all shares in HORNBACK Management AG. Consistent with the provisions of the Articles of Association of the KGaA, the level of shareholding held by Hornbach Familien-Treuhandgesellschaft mbH in the share capital of HORNBACK Holding AG & Co. KGaA has to exceed 10 %. Furthermore, Hornbach Familien-Treuhandgesellschaft mbH must hold at least 50 % plus one share of the shares in HORNBACK Management AG.

### **2.2.2 Supervisory Board**

The supervisory board of a KGaA is essentially constituted in the same way as that of a stock corporation (AG). The Supervisory Board of HORNBACK Holding AG & Co. KGaA is obliged to supervise the company's management. However, it is not entitled to appoint the board of management of the general partner. Furthermore, as a general rule the supervisory board of a KGaA may not issue any code of procedure for the management or compile any list of transactions requiring its approval. Like at a stock corporation, members of the supervisory board are elected by the annual general meeting.

### **2.2.3 Annual General Meeting**

Limited shareholders exercise their rights, including their voting rights, at the Annual General Meeting. Each ordinary share in HORNBACK Holding AG & Co. KGaA grants one vote. HORNBACK Holding AG & Co. KGaA provides its shareholders with the services of a voting proxy bound to vote in line with instructions.

Legal requirements exclude the general partner, and for specific resolutions, its sole shareholder, Hornbach Familien-Treuhandgesellschaft mbH, from exercising voting rights. In particular, these include the election and dismissal of the Supervisory Board of HORNBACK Holding AG & Co. KGaA, which is therefore decided solely by the other limited shareholders. This means that Hornbach Familien-Treuhandgesellschaft mbH has no influence on the composition of the Supervisory Board of HORNBACK Holding AG & Co. KGaA. The voting prohibition also applies to the approval of the actions of the general partner and members of the Supervisory Board, as well as to the election of the auditor. The voting prohibition thus accounts for any potential conflict of interests.

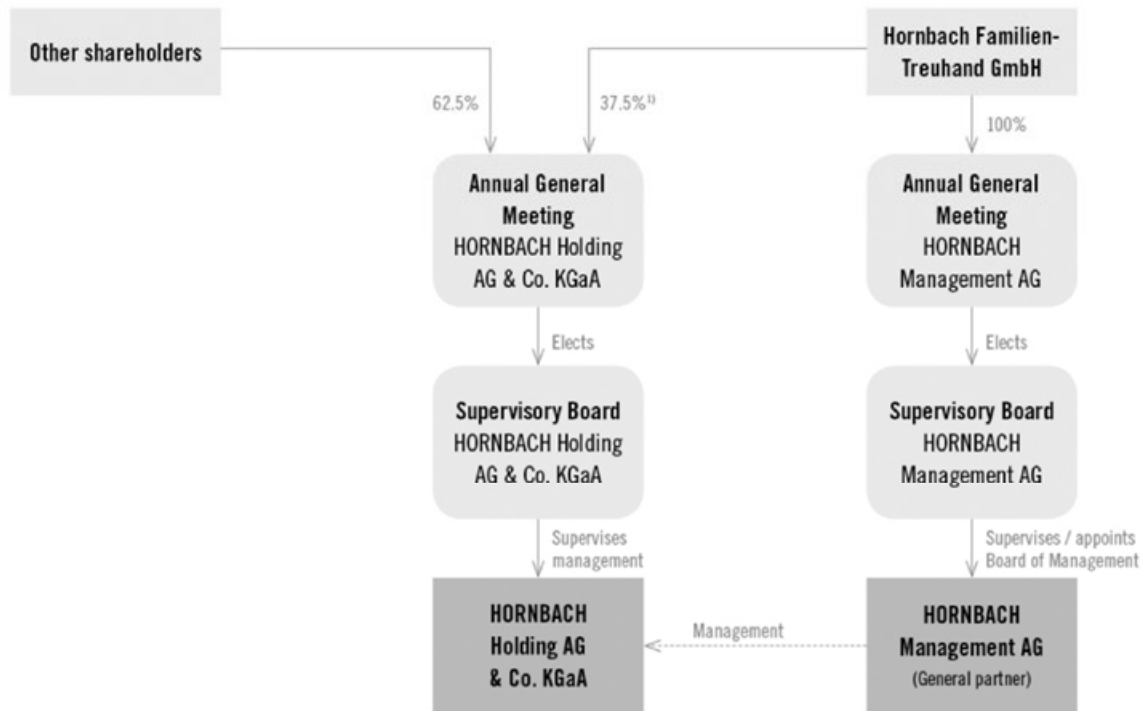
The requirements governing the preparation and execution of the Annual General Meeting are basically analogous to those at stock corporations. Pursuant to the Articles of Association, the meeting is generally chaired by the Supervisory Board Chairman.

Unlike at the annual general meeting of a stock corporation, subject to the approval of the general partner the Annual General Meeting of HORNBACK Holding AG & Co. KGaA also resolves on the adoption of the annual financial statements. The Annual General Meeting also decides on the appropriation of net profit.

Consistent with legal requirements, resolutions adopted by the Annual General Meeting require the approval of the general partner unless this is prohibited from voting on the individual matter in hand. This approval requirement applies to all matters for which the limited partnership requires the approval both of its general partner and of its limited shareholders. Resolutions adopted by the Annual General Meeting to amend the Articles of Association and other fundamental resolutions therefore basically require the approval of the general partner. At the Annual General Meeting, the general partner declares whether it approves the resolutions or intends to exercise its veto right. Such declarations are recorded in the minutes of the meeting.

## Structure of HORNBACH Holding AG & Co. KGaA

Status: February 29, 2020



<sup>1</sup> directly and indirectly; no voting rights for specific resolution items, such as the election of the Supervisory Board of HORNBACH Holding AG & Co. KGaA, formal approval of the actions of the general partner and Supervisory Board of the KGaA, election of the auditor: status: February 29, 2020.

Shareholders are regularly informed of all significant dates, such as the Annual General Meeting in particular, by means of the financial calendar published in the annual report, the quarterly financial reports, and on the company's homepage at [www.hornbach-group.com](http://www.hornbach-group.com).

## 3. Modus Operandi of Management and Supervisory Board

Unlike at a stock corporation, the dualistic system at a partnership limited by shares does not comprise a board of management and a supervisory board, but rather a general partner and a supervisory board.

### 3.1 Supervisory Board

The Supervisory Board of HORNBACH HOLDING AG & Co. KGaA consists of six members. The CVs of the Supervisory Board members have been published on our website. Unless otherwise stipulated by mandatory legal requirements, the Supervisory Board has this number of members.

The Supervisory Board Chairman coordinates the work of the Supervisory Board and attends to the affairs of the Supervisory Board externally. At its meetings, the Supervisory Board adopts resolutions with a simple majority of the votes cast unless otherwise required by law or the Articles of Association. In the event of a parity of votes in the Supervisory Board, the Supervisory Board Chairman has the casting vote.



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 Supervisory Board

The general partner and the Supervisory Board work together closely in the interests of the company. The Supervisory Board of HORNBAACH Holding AG & Co. KGaA monitors the management of the company by the general partner. To this end, the Board of Management of HORNBAACH Management AG is required to report regularly, promptly, and extensively on its intended business policy, real estate strategy, and corporate planning, as well as on the company's current sales and earnings performance. Its duties to provide information include reports on the company's profitability, planned transactions with a material influence on the company's net asset, financial, and earnings position, and reports on the company's risk management and risk situation.

Supervisory Board members are solely bound by the company's best interests. They are not dependent on any assignments or instructions. In their decisions, they may not pursue personal interests or exploit business opportunities available to the company for their personal benefit. Supervisory Board members are obliged to immediately disclose any conflicts of interest to the Supervisory Board Chairman, especially any such conflicts arising due to their performing any consultant or directorship function at the general partner, customers, suppliers, lenders or other business partners of the company. Any conflicts of interest on the part of a Supervisory Board member that are material and not only temporary result in the resignation of such member. No conflicts of interest arose in the year under report. Advisory and other service agreements and contracts for work between a Supervisory Board member and the company require approval by the Supervisory Board. The same applies to equivalent contracts with the general partner to the extent that the company is obliged by its Articles of Association to reimburse any resultant expenses. There were no contracts requiring such approval with Supervisory Board members of HORNBAACH Holding AG & Co. KGaA in the 2019/20 financial year.

The Supervisory Board of HORNBAACH Holding AG & Co. KGaA has the following committees:

- Nomination Committee
- Audit Committee
- Special Committee

The composition of the committees and a detailed description of their activities have been provided in the "Directors and Officers" and "Report of the Supervisory Board" chapters.

The Supervisory Board performs an efficiency review/self-assessment of its activities once a year. Based on a catalogue of questions prepared in advance, the Supervisory Board discusses the effectiveness of the work it and its committees perform in order to identify any potential improvements. This process was carried out at the December meeting.

### 3.1.1 Targets for the composition of the Supervisory Board, competence profile, diversity concept, and manner of implementation

Taking due account of the recommendations made in Point 5.4.1 of the German Corporate Governance Code (in the version dated February 7, 2017; corresponds to Recommendation C.1 in the version dated December 16, 2019), on December 20, 2017 the Supervisory Board adopted the targets for its composition, including a competence profile for the overall board. The corresponding Supervisory Board resolution also includes the diversity concept for the Supervisory Board, which has set the objective of creating space for younger members without losing experienced members. Given the diverse composition thereby envisaged and the resultant variety of viewpoints and perspectives accounted for, the concept is intended to ensure that the Supervisory Board can optimally perform its tasks.



**Directors and Officers  
Supervisory Board  
committees**

**Report of the Supervisory  
Board  
Committees and  
committee meetings**

Pursuant to the competence profile, the Supervisory Board of HORNBAACH Holding AG & Co. KGaA must possess the expertise needed to fulfill its supervisory function and to assess and monitor the transactions performed by the company. To this end, the Supervisory Board members must collectively be familiar with the sector in which the company operates. This particularly includes knowledge, skills, and professional expertise in managing a retail, service, and real estate group with activities in the fields of (a) building, acquiring and/or operating large-scale retail stores, especially DIY stores and home improvement centers, with or without garden centers, specialist stores, other specialist retail businesses, and e-commerce; (b) similar or other areas of the retail and wholesale sector; (c) manufacturing and processing products sold at the retail stores; (d) managing assets and acquiring, managing, and disposing of participating interests in domestic and foreign subsidiaries; (e) performing management and other services for subsidiaries and participating interests; and (f) acquiring, developing, planning, building, using, administering, disposing of and/or otherwise using land, whether built on or not, and leasehold rights. This also includes expertise in the fields of digitalization and technology, as well as in accounting, auditing, financing, and corresponding legal expertise, including expertise in the field of tax law.

In view of these factors, and to compile its competence profile, the Supervisory Board listed the following objectives for its composition which are both specific and tailored to the company's individual situation:

- Supervisory Board members must be reliable, possess the expertise needed to fulfill their supervisory function and to assess and monitor the transactions performed by HORNBAACH Holding AG & Co. KGaA, and must have sufficient time to dedicate to their duties as members of the Supervisory Board.
- The Supervisory Board must collectively have the knowledge, skills, and professional expertise required to properly perform its duties. In particular, expertise in matters relating to the operation of a retail company, asset and investment management, and real estate management must be available in the Supervisory Board, as must management experience, experience in managing and organizing companies, and experience in working in supervisory boards.
- The Supervisory Board must avoid potential conflicts of interest, and will continue to do so in future.
- The Supervisory Board should not include any members who hold directorships or perform advisory functions at any significant competitors.
- The composition of the Supervisory Board accounts for the diversity criterion, in particular with regard to the ages, genders, educational and career backgrounds of its members. The target share of women in the Supervisory Board to be reached by February 28, 2022 may of course be exceeded, but has been set at its existing level of no less than 1/6.
- As a general rule, the Supervisory Board should only include individuals who were no older than 70 at the time of their election.
- As a general rule, the Supervisory Board should only include individuals who have not been members of the Supervisory Board for four full terms already at the time of their election.
- The Supervisory Board should include a suitable number of independent members. The Supervisory Board believes that it is sufficient in this respect if at least half of its members are independent.
- Supervisory Board members who have sat on the Supervisory Board for more than three terms in office are now longer deemed as independent.

With regard to the two final objectives and to the recommendations made in the German Corporate Governance Code in the version dated December 16, 2019, the Supervisory Board resolved on May 20, 2020 that since publication of the aforementioned recommendations in the Federal Gazette on March 20, 2020 more than half of the shareholder representatives should be independent of the company and of the general partner and that Supervisory Board members who have been members of the Supervisory Board for longer than 12 years should, as a general rule, no longer be viewed as independent.

Supervisory Board proposals to the Annual General Meeting should – and will – take due account of these objectives and the diversity concept, while at the same time endeavoring to ensure that the competence profile for the Board as a whole is satisfied.

### 3.1.2 Implementation status for (i) the objectives underlying the composition of the Supervisory Board, (ii) the diversity concept, and (iii) the competence profile, as well as disclosures on the independence of Supervisory Board members

The current composition of the Supervisory Board meets the aforementioned composition-related objectives, complies with the diversity concept, and satisfies the competence profile. The members of the Supervisory Board complement one another in terms of their ages, educational, and career backgrounds, experience, and expertise in such a way that the Board as a whole can draw on a highly varied wealth of experience and broad range of skills. The Supervisory Board currently includes four female members (status: May 2020), as a result of which the target of 1/6 set for February 28, 2022, while upholding the current status, has been met (c.f. “Share of Women in Senior Management Positions” in Section 3.3). No members of the Supervisory Board of HORNBAACH Holding AG & Co. KGaA hold any directorships or perform advisory functions at significant competitors. The regular periods of membership and regular age limits are laid down in the Code of Procedure of the Supervisory Board and are complied with as such.

The Supervisory Board currently includes four independent members: These are Dr. John Feldmann, Simone Krah, Simona Scarpaleggia (since March 24, 2020) and Melanie Thomann-Bopp.

### 3.1.3 Individualized disclosure of meeting attendance

Supervisory Board	Meetings attended	Attendance in %
Dr. John Feldmann, Chairman	4/4	100.00
Martin Hornbach, Deputy Chairman	4/4	100.00
Erich Harsch, member until December 31, 2019	3/3	100.00
Simone Krah	4/4	100.00
Melanie Thomann-Bopp	4/4	100.00
Dr. Susanne Wulfsberg	4/4	100.00
<b>Total</b>		<b>100.00</b>

Audit Committee	Meetings attended	Attendance in %
Melanie Thomann-Bopp, Chairwoman	5/5	100.00
Dr. John Feldmann	5/5	100.00
Martin Hornbach	5/5	100.00
Simone Krah	5/5	100.00
<b>Total</b>		<b>100.00</b>

Special Committee	Meetings attended	Attendance in %
Melanie Thomann-Bopp	2/2	100.00
Dr. John Feldmann	2/2	100.00
Erich Harsch, member until December 31, 2020	2/2	100.00
Simone Krah, member since January 1, 2020*	-	-
<b>Total</b>		<b>100.00</b>

\* No meetings of the Special Committee were held in the months of January and February 2020.





**Directors and Officers**  
**Members of the Board of Management and their areas of responsibility**

### 3.2 Composition and modus operandi of the Board of Management

The Board of Management of the general partner, HORNBACH Management AG, comprises two members. Members of the Board of Management are bound to uphold the company's best interests. Compliance activities to ensure that the company adheres to laws, legal requirements and its own internal guidelines represent a key management task. The Supervisory Board of HORNBACH Management AG has imposed a Code of Procedure on the Board of Management of the general partner governing its management of HORNBACH Holding AG & Co. KGaA. The composition and areas of responsibility of the Board of Management are presented in the "Directors and Officers" chapter in this report.

In performing its duties, the Board of Management is required to work together with the other boards at the general partner and the company on a basis of trust. The members of the Board of Management bear joint responsibility for the overall management of the company. They work together as colleagues and inform each other about all key measures and developments in their areas of responsibility. The Board of Management meets at least twice a month and on an ad-hoc basis when required in the interests of the company and/or the general partner.

The Board of Management provides the Supervisory Board of HORNBACH Holding AG & Co. KGaA with regular, prompt and extensive information on all matters relevant to the company's and Group's corporate strategy, planning, business performance, financial and earnings position, risk situation and risk management. Furthermore, it presents the group investment, financial and earnings budgets to the Supervisory Board both for the forthcoming financial year and for the medium term (five years). The Chief Executive Officer provides immediate report to the Supervisory Board Chairman of any significant events of material relevance for assessing the situation, development and management of the company. Transactions and measures requiring Supervisory Board approval are submitted in good time.



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**Board of Management**

In their decisions, members of the Board of Management may not pursue personal interests or exploit business opportunities available to the company and/or the general partner for their personal benefit. Members of the Board of Management are obliged to disclose conflicts of interest to the Supervisory Board of the general partner without delay and to inform other members of the Board of Management. Members of the Board of Management may only pursue sideline activities, in particular supervisory Board mandates outside the Group, with the approval of the Supervisory Board Chairman of the general partner. The CVs of the members of the Board of Management have been published on our website.

### 3.3 Share of women in senior management positions

HORNBACH Holding AG & Co. KGaA is obliged under the "Act on the Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions" to set targets for the share of women on its Supervisory Board and the two senior management tiers below the Board of Management (of the general partner). The company set its first targets in this respect in summer 2015. These were to be met by June 30, 2017. In the meantime, the company has reviewed these targets and extended them through to February 28, 2022. Specifically:

#### 3.3.1 Women on the Supervisory Board and Board of Management

At a meeting in July 2015, the Supervisory Board of HORNBACH Holding AG & Co. KGaA had set the target share of women on the Supervisory Board to be reached by June 30, 2017 at no less than 1/6 pursuant to § 111 (5) AktG. At its meeting on May 24, 2017, the Supervisory Board confirmed this target, which was achieved, and extended the target of no less than 1/6, while upholding the current status, through to February 28, 2022. The Supervisory Board currently has four female members (status: May 2020).

As the Supervisory Board is not responsible for personnel-related topics on the Board of Management at the general partner HORNBACH Management AG, it was not able to set any targets for that body.

### 3.3.2 Women in the management tier below the Board of Management

At a meeting in July 2015, the Board of Management of the general partner HORNBACH Management AG had set the target share of women in the management tier beneath the Board of Management at the general partner, which only comprises one manager reporting to the Board of Management, to be reached by June 30, 2017 at a level of at least 0 %. By resolution adopted pursuant to § 76 (4) AktG in the year under report, the Board of Management of the general partner confirmed this target, which was achieved, and extended the target of at least 0 %, while upholding the current status, through to February 28, 2022. The company does not have any other management tiers.

## 4. Reporting and Auditing of Financial Statements

The HORNBACH Holding AG & Co. KGaA Group prepares its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The separate financial statements of HORNBACH Holding AG & Co. KGaA are prepared in accordance with the German Commercial Code (HGB). In line with legal requirements, the auditor is elected by the Annual General Meeting. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting with regard to the auditor to be elected. The auditor is independent and is responsible for the audit of the consolidated and separate financial statements, as well as for the audit review of the Group's half-year financial reports.

HORNBACH Holding AG & Co. KGaA has a risk management system that is continually enhanced and updated to account for changes in conditions. The functionality of the early warning risk management system is checked by the auditors.

## 5. Transparency

The company's shareholders, all capital market participants, financial analysts, investors, shareholder associations, and the media are regularly provided with up-to-date information about the company's situation, results, and any material changes in its business situation. The HORNBACH Holding AG & Co. KGaA Group reports on its situation in its

- Quarterly statements and half-year financial report
- Annual report
- Annual results press conference
- Conference calls with international financial analysts and investors
- Events with financial analysts and investors in Germany and abroad.

The documents and dates of relevance to the company's regular financial reporting activities are published on our homepage. Alongside this regular reporting, any information arising at HORNBACH Holding AG & Co. KGaA which is not publicly known and which is likely to influence the company's share price significantly is published in the form of ad-hoc announcements as insider information pursuant to Article 17 of the Market Abuse Regulation (MAR). All individuals working on behalf of the company and with access to insider information in the course of their activities are informed of the resultant obligations for them under insider law.

Members of the Board of Management of the general partner and the Supervisory Board of HORNBACH Holding AG & Co. KGaA, and individuals closely related to such, are required by Article 19 of the Market Abuse



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Regulation (MAR) to disclose transactions involving shares in the company or related financial instruments. In the year under report, the company was not notified of any own-account transactions by directors or individuals closely related to such.

## 6. Relevant Corporate Governance Practices



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We base our entrepreneurial activities on the legal frameworks valid in the various countries in which we operate. This places a wide variety of obligations on the overall HORNBAACH Group and its employees in Germany and abroad. As well as managing the company responsibly in accordance with the relevant laws, ordinances and other guidelines, we have also compiled internal group guidelines setting out the system of values and management principles we adhere to at the Group. We have published the information referred to below on our website.

### 6.1 Our system of values: the HORNBAACH Foundation

HORNBAACH is a forward-looking, family-managed company and is characterized by a clear system of values. The values on which this system is based are honesty, credibility, reliability, clarity and trust in people. This system of values, which had already been lived over many decades, was summarized in the so-called "HORNBAACH Foundation" in 2004. This model forms the cornerstone for our group strategy, everyday behavior, and corporate social responsibility. It lays down the basic values governing how we behave towards our customers, as well how our employees behave towards each other. Moreover, this foundation helps our shareholders, customers, and the general public, as well as our employees, to understand what the basis of our business success is.

### 6.2 Compliance

In a competitive climate, only those companies which manage to convince their customers with their innovation, quality, reliability, dependability, and fairness on an ongoing basis will succeed in the long term. Here, we see compliance with legal requirements, internal company guidelines and ethical principles (compliance) as absolutely crucial. HORNBAACH's corporate culture is based on these principles.

HORNBAACH has a value-based compliance system which primarily pursues the objective of preventing compliance infringements before they arise, where possible. The "HORNBAACH Foundation" forms the basis for HORNBAACH's system of values. The principles included in the "HORNBAACH Foundation" are fleshed out in the "HORNBAACH Values". These formulate the standards of conduct expected of managers and employees with regard to the stakeholder groups of "Government and Society", "Managers and Employees", "Customers, Suppliers and Competitors", and "Providers of Equity and Debt Capital". Among other factors, they set out how we meet our responsibility towards society, treat each other with respect, are committed to fair competition, act with integrity, and manage our financial reporting. The "HORNBAACH Values" have been translated into all languages relevant to the Group and made available to all employees.

The "Accepting and Granting Gratuities" code of conduct sets out guiding principles which make clear what HORNBAACH expects of its managers and employees in this regard. This code of conduct has been communicated on a top-down basis and distributed to employees in the form of a leaflet compiled in the relevant national language. Upon joining the company, our employees are informed about compliance-related topics with the assistance of the HORNBAACH Values and the codes of conduct.

The Board of Management of the general partner bears overall responsibility for compliance. One core component of HORNBAACH's compliance system is the Compliance Committee, which acts as the topmost advisory body for compliance organization. The Chief Compliance Officer is responsible for coordinating group-wide



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Compliance

compliance activities. This officer reports to the Board of Management and is responsible for permanently optimizing and further developing the Group's compliance organization and structures. The Chief Compliance Officer is supported by compliance officers operating on a decentralized basis in all of HORNBAACH's regions and departments. HORNBAACH's compliance system is subject to regular reviews and enhancements. Once a year, the Chief Compliance Officer holds a meeting with the compliance officers to coordinate compliance-related topics.

Compliance activities have a particular focus on the risks of "Improper conduct/corruption" and "Cartel law violations". Compliance Officers are surveyed to assess the development in risks which are already known and the potential materialization of new risks. The approach taken here was amended in the 2019/20 year under report. At meetings held on location and attended by the compliance officers and the relevant managers, the existing risks are surveyed in a structured manner and jointly assessed. Suitable measures are laid down to reduce the risks.

Since mid-2017, the compliance system has been supported by an internet-based whistleblower system. This provides employees, service providers, and suppliers worldwide with a further possibility of communicating directly with the Chief Compliance Officer. This way, potential infringements of compliance requirements can be reported, also anonymously if preferred.

Notifications received via existing channels of communication - for example by employees informing their direct managers or their departmental compliance officers - and those received via the whistleblower system are assessed by the Chief Compliance Officer. Where there are legitimate grounds to suspect a compliance-related infringement, the Group Internal Audit department investigates the matter. In this regard, measures are identified to prevent similar compliance infringements from arising at the outset. Where compliance infringements are actually detected, the company generally initiates labor law, criminal law, and civil law proceedings. In the year under report, there was a low single-digit number of confirmed compliance infringements at the HORNBAACH Holding AG & Co. KGaA Group.

## 7. Remuneration Report

The remuneration report presents the basic features and structure of the remuneration of the Board of Management and the Supervisory Board. It forms a constituent component of the group management report and is available on our website.



[www.hornbach-group.com](http://www.hornbach-group.com)

Investor Relations >

Corporate Governance >

Remuneration Report

## 8. Directors and Officers

### Supervisory Board of HORNBAACH Holding AG & Co. KGaA

#### Dr. John Feldmann

Chairman  
Supervisory Board Chairman of KION Group AG  
(until May 9, 2019)  
Former Executive Board member of BASF SE

#### Martin Hornbach

Deputy Chairman  
Managing Partner  
Corivus Gruppe GmbH

#### Erich Harsch (until December 31, 2019)

CEO of dm-drogerie markt GmbH & Co. KG  
(until December 31, 2019)  
CEO of HORNBAACH Baumarkt AG  
(since January 1, 2020)

#### Simone Krahl

(Managing) President of MMM-Club e.V.

#### Simona Scarpaleggia (since March 24, 2020)

Director of Global Initiative "Future of Work"  
at Ingka Group (IKEA)

#### Melanie Thomann-Bopp

Chief Financial Officer (CFO)  
Sovona Retail Deutschland GmbH

#### Dr. Susanne Wulfsberg

Director of Floggensee Stud, Veterinary Surgeon

### Supervisory Board committees

#### Audit Committee

Melanie Thomann-Bopp	Chairwoman
Dr. John Feldmann	
Martin Hornbach	
Simone Krahl	

#### Nomination Committee

Dr. John Feldmann	Chairman
Erich Harsch	until December 31, 2019
Simone Krahl	
Melanie Thomann-Bopp	since January 1, 2020

#### Special Committee

Melanie Thomann-Bopp	
Dr. John Feldmann	
Erich Harsch	until December 31, 2019
Simone Krahl	since January 1, 2020

### Board of Management of HORNBAACH Management AG

(general partner of HORNBAACH Holding AG & Co. KGaA)

### Members and areas of responsibility

#### Albrecht Hornbach

Chairman (CEO)  
DIY Stores / Garden Centers (HORNBAACH Baumarkt AG)  
Builders' Merchants (HORNBAACH Baustoff Union GmbH)  
Real Estate (HORNBAACH Immobilien AG)

#### Roland Pelka

Finance, Accounting and Tax,  
Group Controlling, Risk Management,  
Loss Prevention, Group Communications

**Supervisory Board of HORNBACH Management AG**

(general partner of HORNBACH Holding AG & Co. KGaA)

**Dr. Wolfgang Rupf**

Chairman  
Managing Partner, Rupf Industries GmbH,  
Rupf Engineering GmbH and Rupf ATG Casting GmbH

**Dr. John Feldmann**

Deputy Chairman  
Supervisory Board Chairman of KION Group AG  
(until May 9, 2019)  
Former Executive Board member of BASF SE

**Erich Harsch (until December 31, 2019)**

CEO of dm-drogerie markt GmbH & Co. KG  
(until December 31, 2019)  
CEO of HORNBACH Baumarkt AG  
(since January 1, 2020)

**Albert Hornbach**

SAP Interim Manager

**Christoph Hornbach**

School Director

**Georg Hornbach**

Head of Controlling Department and  
Head of Finance and Procurement Department  
Universitätsklinikum Köln

**Joerg Walter Sost**

Managing Partner  
J.S. Consulting GmbH

**Prof. Dr.-Ing. Jens P. Wulfsberg**

Professor of Production Technology  
Helmut-Schmidt-Universität/Universität der Bundeswehr  
Hamburg

**Dr. Susanne Wulfsberg**

Director of Flogensee Stud, Veterinary Surgeon