



**Declaration of Conformity with the German Corporate Governance Code  
pursuant to § 161 of the German Stock Corporation Act (AktG)**

**The general partner (HORNBAACH Management AG, acting via its Board of Management) and the Supervisory Board of HORNBAACH 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 HORNBAACH 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 HORNBAACH 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. Future-related section**

The company will basically comply in future with the recommendations of the Code in the version dated May 5, 2015 and published in the Federal Official Gazette on June 12, 2015 with the exception of the deviations listed below:

No application will be made of the recommendations in Points 3.4 Sentence 3, 3.8 (3), 4.1.5, 4.2, 4.3, 5.1.2, 5.2 (2), 5.2 (3), 5.4.1 (2) and (3), and 5.4.6 (3) Sentence 1.

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

**a) Point 3.4 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 4.2:**

In Point 4.2, the Code makes several recommendations concerning the composition and compensation 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.

**d) 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 side-line 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.

**e) 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.

**f) Point 5.2 (2):**

In Point 5.2 (2), the Code recommends that the supervisory board chairman should not simultaneously chair the audit committee. Given the expertise and industry experience of the Chairman and the fact that he also holds the same position in the Audit Committee of HORNBAACH Bau- markt AG, the largest subgroup, we deviate from this recommendation.

**g) 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 nevertheless maintain contact with the general partner, inform the Supervisory Board and also convene extraordinary meetings for this purpose where appropriate.

**h) Point 5.4.1 (2) and (3) and Point 4.1.5:**

According to Point 5.4.1 (2) and (3) of the Code, the supervisory board should specify concrete objectives regarding its composition that should be taken into account in the recommendations made by the supervisory board to the competent election bodies and published in the corporate governance report. Furthermore, according to the new version of the Code dated May 5, 2015, the supervisory board should specify a regular limit for the length of membership of the supervisory board. Overall, the company deviates from the recommendations made in Point 5.4.1 (2) and (3). In terms of the composition of its Supervisory Board, HORNBAACH Holding AG & Co. KGaA accords priority above all to the knowledge, ability and expert experience of the individual in question. The same criteria apply when the general partner selects candidates for management positions at the company (consistent with Point 4.1.5 of the Code).

**i) Point 5.4.6 (3) Sentence 1:**

In Point 5.4.6 (3) Sentence 1, the Code recommends that the compensation of supervisory board members be reported in the notes to the financial statements or the management report on an individual basis and broken down into its constituent components. Given that the amount of compensation paid to the Supervisory Board is governed by the Articles of Association, we see no need to disclose individual compensation packages. In response to suggestions received from shareholders, however, account will be taken of this recommendation starting with the reporting on the 2016/2017 financial year. The 2016/2017 Annual Report is scheduled for publication on May 30, 2017.

**III. Past-related section**

The recommendations of the Code in the version dated May 5, 2015 and published in the Federal Official Gazette on June 12, 2015 were basically complied with the exception of the deviations already listed and substantiated for the future in Section II.

Neustadt an der Weinstrasse, December 2016

HORNBAACH Holding AG & Co. KGaA

The Supervisory Board of  
HORNBAACH Holding AG & Co. KGaA

The Board of Management of  
HORNBAACH Management AG