



**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, several 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 February 7, 2017 and published in the Federal Official Gazette on April 24, 2017 with the exception of the deviations listed below:

No application 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, 5.2 (3), and 5.3.2 (3) Sentence 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 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.

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 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.

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

i) Point 5.3.2 (3) Sentence 3:

In Point 5.3.2 (3) Sentence 3, 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 Baumarkt AG, we deviate from this recommendation.

III. Past-related section

1. Period since submission of previous Declaration of Conformity in December 2016 through to publication of new version of Code on April 24, 2017

The recommendations of the “German Corporate Governance Code” in the version dated May 5, 2015 and published in the Federal Official Gazette on June 12, 2015 were basically complied with in the period since the submission of the previous Declaration of Conformity dated December 2016 through to publication of the new version of the Code on April 24, 2017 with the exception of the deviations listed below.

No application was made of the following recommendations included in the old version: Points 3.4 (1) Sentence 3, 3.8 (3), 4.1.5 Sentence 1, 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 were due to the following considerations:

a) Point 3.4 (1) Sentence 3 old version:

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) old version:

In Point 3.8 (3), the previous version of the Code recommended agreeing a specified deductible in any D&O insurance policy taken out for the Supervisory Board. No such deductible was 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) of the old version was therefore not followed.

c) Point 4.2 old version:

In Point 4.2, the previous version of the Code made 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 HORNBACH Holding AG & Co. KGaA has no responsibility for appointing and dismissing the members of the Board of Management at HORNBACH Management AG or for specifying their contractual terms and conditions.

d) Point 4.3 old version:

In Point 4.3, the previous version of the Code made 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.

e) Point 5.1.2 old version:

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) old version:

In Point 5.2 (2), the previous version of the Code recommended 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 held the same position in the Audit Committee of HORNBACH Baumarkt AG, we deviated from this recommendation.

g) Point 5.2 (3) old version:

The KGaA does not have a Board of Management. Within the framework of the amended responsibilities of the Supervisory Board, the Supervisory Board chairman nevertheless maintained contact with the general partner and informed the Supervisory Board [and also convened extraordinary meetings for this purpose where appropriate].

h) Point 5.4.1 (2) and (3) old version and Point 4.1.5 Sentence 1 old version:

According to Point 5.4.1 (2) and (3) of the previous version 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, the supervisory board should specify a regular limit for the length of membership of the supervisory board. Overall, the company deviated 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 accorded priority above all to the knowledge, ability and expert experience of the individual in question. The same criteria applied when the general partner selected candidates for management positions at the company (consistent with Point 4.1.5 Sentence 1 of the previous version of the Code).

i) Point 5.4.6 (3) Sentence 1 old version:

In Point 5.4.6 (3) Sentence 1, the previous version of the Code recommended 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 saw no need to disclose individual compensation packages. In response to suggestions received from shareholders, however, account was taken of this recommendation starting with the reporting on the 2016/2017 financial year. The 2016/2017 Annual Report was published on May 29, 2017.

2. Period since publication of new version of Code on April 24, 2017

The recommendations of the “German Corporate Governance Code” in the version dated February 7, 2017 and published in the Federal Official Gazette on April 24, 2017 were basically complied with apart from the deviations already listed and substantiated for the future in Section II.

Furthermore, the company also did not comply with the recommendations in Point 5.4.1 (2) to (4). Overall, the company deviated from these recommendations. In terms of the composition of its Supervisory Board, HORNBAACH Baumarkt AG accorded priority above all to the knowledge, ability and expert experience of the individual in question.

Neustadt an der Weinstrasse, December 2017

HORNBAACH Holding AG & Co. KGaA

The Supervisory Board of
HORNBAACH Holding AG & Co. KGaA

The Board of Management of
HORNBAACH Management AG