

HORNBACH Baumarkt AG
76878 Bornheim bei Landau/Pfalz

ISIN DE0006084403

INVITATION TO THE ANNUAL GENERAL MEETING

We hereby invite our shareholders to attend our
Annual General Meeting
at 11.00 a.m. (CEST) on Thursday, July 9, 2020.

The Annual General Meeting will be held in the form of a **virtual Annual General Meeting** as defined in Art. 2 § 1 (2) of the German Act on Mitigating the Consequences of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*; Federal Law Gazette I 2020, P. 569; hereinafter "PandemieG"), i.e. without the physical presence of shareholders or their authorized representatives. The meeting will be broadcast live on the internet for our shareholders. Shareholders will exercise their votes exclusively via electronic communication (postal vote) or by granting powers of attorney. The venue for the Annual General Meeting as defined in the German Stock Corporation Act (*Aktengesetz – AktG*) is Hornbachstrasse 11, 76879 Bornheim. Further details can be found in the information provided after the agenda at the end of the invitation.



AGENDA

1. Presentation of the adopted annual financial statements for the 2019/2020 financial year, the approved consolidated financial statements for the 2019/2020 financial year and combined management report for HORNBACH Baumarkt AG and the Group, the report of the Supervisory Board, and the explanatory report of the Board of Management in respect of the disclosures made pursuant to § 289a and § 315a of the German Commercial Code (*Handelsgesetzbuch* – HGB)

Consistent with the relevant statutory requirements, no resolution is required for Agenda Item 1, as the Supervisory Board already adopted the annual financial statements and approved the consolidated financial statements on May 19, 2020.

2. Resolution on the appropriation of net profit for the 2019/2020 financial year

The Board of Management and the Supervisory Board propose to appropriate the net profit reported for the 2019/2020 financial year

amounting to € 21,628,760.00
as follows:

Distribution of a dividend of € 0.68
per no-par ordinary share
for 31,807,000 no-par ordinary shares € 21,628,760.00

Should HORNBACH Baumarkt AG hold any treasury stock upon such resolution being adopted by the Annual General Meeting, then pursuant to the German Stock Corporation Act (*Aktiengesetz* – AktG) such shares shall have no dividend entitlement. Sums attributable to no-par ordinary shares without dividend entitlement will be carried forward.

3. Resolution on approval of Board of Management members' actions in the 2019/2020 financial year

The Board of Management and Supervisory Board propose that the actions of the members of the Board of Management in the 2019/2020 financial year be approved for this period.

4. Resolution on approval of Supervisory Board members' actions in the 2019/2020 financial year

The Board of Management and Supervisory Board propose that the actions of the members of the Supervisory Board in the 2019/2020 financial year be approved for this period.

5. Election of auditor and group auditor for the 2020/2021 financial year and of auditor for the audit review of the half-year financial report for the 2020/2021 financial year

Based on the recommendation made by the Audit Committee, the Supervisory Board proposes that Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, should be elected as auditor and group auditor for the 2020/2021 financial year and as auditor for the audit review of the condensed interim consolidated financial statements and interim management report for the first half of the 2020/2021 financial year pursuant to § 115 (5) and § 117 No. 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG).

The Audit Committee declared that its recommendation was free of undue influence by third parties and that no clauses restricting its selection of the type referred to in Article 16 (6) of the EU Audit Regulation had been imposed.

6. Resolution on approval of the remuneration system for members of the Board of Management

Pursuant to § 120a (1) AktG in the version applicable since January 1, 2020 and in accordance with the German Second Shareholder Rights Directive Implementation Act (*Gesetz zur Umsetzung der Zweiten Aktionärsrechterichtlinie* – ARUG II) dated December 12, 2019, the Annual General Meeting of a publicly listed company must adopt a resolution approving the remuneration system for members of its Board of Management upon any material change being made to such system, and otherwise at least once every four years.

Pursuant to ARUG II transitional provisions, § 120a (1) AktG and the provisions of ARUG II in respect of the contents and presentation of the remuneration system do not yet require mandatory application at the 2020 Annual General Meeting of HORNBACH Baumarkt AG. However, on May 19, 2020 the Supervisory Board already approved a new remuneration system for the members of the Board of Management that conforms to the provisions of ARUG II and takes due account of the recommendations made in the amended version of the German Corporate Governance Code. Furthermore, in the interests of good corporate governance, the Board of Management and the Supervisory Board have decided to present the new remuneration system for members of the Board of Management on a voluntary basis for approval pursuant to § 120a (1) AktG at the Annual General Meeting on July 9, 2020 already.

The Supervisory Board proposes that the remuneration system for members of the Board of Management as decided by the Supervisory Board on May 19, 2020 and set out below should be approved

Remuneration system for members of the Board of Management of HORNBACH Baumarkt AG

A. BASIC FEATURES OF THE REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF MANAGEMENT AT HORNBACH BAUMARKT AG

The remuneration system for members of the Board of Management makes a major contribution towards promoting and implementing the corporate strategy of HORNBACH Baumarkt AG, namely of continually expanding the company's position in the European do-it-yourself market by way of organic growth. The company's sales and profitability are to be sustainably increased by expanding an internationally successful retail format. On the one hand, this involves focusing on the strategic enhancement of this concept and expanding the store network at locations offering above-average growth potential in Germany and abroad. On the other hand, it involves further promoting online retail activities in Germany and other European countries to sustainably boost the competitive position of HORNBACH Baumarkt AG as an omni-channel retailer.

The remuneration system for members of the Board of Management provides incentives that are consistent with and support this corporate strategy: The one-year variable remuneration is oriented towards the financial performance criteria of sales, free cash flow ("FCF"), and earnings before taxes ("EBT"). This on the one hand helps to ensure that the activities of the Board of Management are oriented towards the growth strategy pursued by the company. On the other hand, it provides incentives for continually increasing the company's earnings strength and its internal financing potential.

To ensure that the remuneration of members of the Board of Management is oriented towards the company's long-term performance, the multiyear variable remuneration accounts for a major share of total remuneration. This multiyear variable remuneration has a four-year term and is granted in annual tranches. The multiyear variable remuneration thus accounts for the company's performance over multiyear cycles. The multiyear variable remuneration is oriented to a return premium (expressed by the return on capital employed, "ROCE") less the weighted average cost of capital ("WACC") and to the relative total shareholder return ("TSR") of HORNBACH Baumarkt AG. The remuneration is therefore linked to a key performance figure based on the internal corporate strategy and to an external relative key performance figure. This on the one hand promotes achievement of core internal strategic objectives and on the other hand takes account of the long-term interests of shareholders.

Furthermore, variable remuneration also integrates key non-financial performance criteria. This contributes to the company's sustainable further development by also presenting the concerns of core stakeholders in the remuneration system for members of the Board of Management.

To ensure that the interests of members of the Board of Management are aligned even more closely with those of the shareholders and to promote the sustainable and long-term development of HORNBACH Baumarkt AG, members of the Board of Management are also obliged to acquire shares in HORNBACH Baumarkt AG and to hold these for the duration of their employment contracts.

The remuneration system for members of the Board of Management has a clear and understandable structure. It conforms to the requirements of the German stock corporation Act (*Aktiengesetz – AktG*), as amended by the German Second Shareholder Rights Directive Implementation Act (ARUG II) dated December 12, 2019 (Federal Law Gazette Part I 2019, No. 50, dated December 19, 2019) and takes account of the recommendations of the the German Corporate Governance Code (DCGK) in the version which took effect on March 20, 2020.

The new remuneration system is applicable for members of the Board of Management from March 1, 2020.

B. DETAILS OF THE REMUNERATION SYSTEM

I. Remuneration components

1. Summary of remuneration components and their relative share of remuneration

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

REMUNERATION COMPONENT	ASSESSMENT PARAMETER
FIXED REMUNERATION COMPONENTS	
Fixed annual salary	in 12 equal monthly instalments at the end of each calendar month
Fringe benefits	<ul style="list-style-type: none"> • Private use of a company car • Accident insurance • Employer contribution to health and nursing care insurance • Contribution to voluntary pension insurance or, alternatively, to life insurance policy, in both cases amounting to 50 % of the respectively valid pension insurance rate up to the contribution assessment ceiling • D&O insurance cover
Company pension scheme	<p>Plan type: Defined contribution commitment</p> <p>Contribution: Half-yearly pension contribution amounting to 12.5 % of fixed gross annual salary</p>
VARIABLE REMUNERATION COMPONENTS	
One-year variable remuneration (OVR)	<p>Plan type: Target bonus</p> <p>Cap: 200 % of target amount</p> <p>Performance criteria: <ul style="list-style-type: none"> • Sales (40 %), free cash flow (30 %), and EBT (30 %) • Modifier (0.8-1.2) </p> <p>Assessment period: One year (forward-looking)</p> <p>Payment date: Month in which consolidated financial statements for respective financial year are approved, at latest month thereafter</p>
Multiyear variable remuneration (MVR)	<p>Plan type: Performance cash plan</p> <p>Cap: 200 % of target amount</p> <p>Performance criteria: <ul style="list-style-type: none"> • Relative TSR (25 %), ROCE premium over WACC (75 %) • Modifier (0.8-1.2) </p> <p>Performance period: Four years (forward-looking)</p> <p>Payment date: Month in which consolidated financial statements for final financial year in four-year performance period are approved, at latest month thereafter</p>
SOG	<ul style="list-style-type: none"> • Obligation to use 50 % of MVR payment amount to acquire shares in HORNBACH Baumarkt AG. • SOG target: 150 % of one fixed gross annual salary for Chairman; 100 % of one fixed gross annual salary for regular member of Board of Management • Shares to be held for duration of activity on Board of Management

Based on the remuneration system, the Supervisory Board stipulates specific target total remuneration for each member of the Board of Management. This should stand in a reasonable relationship to the tasks and performance of the member of the Board of Management as well as to the company's condition and should not exceed standard remuneration without any particular reasons. Total target remuneration comprises the total amount of all remuneration components relevant to total remuneration. For OVR and MVR, reference is made to the target amount upon 100 % target achievement. The share of total target remuneration attributable to multiyear variable remuneration exceeds the share attributable to one-year variable remuneration. The relative shares of fixed and variable remuneration components are presented below as a proportion of total target remuneration.

approx. 50 %	approx. 20 %	approx. 30 %
Fixed remuneration	Variable remuneration	Variable remuneration
Fixed annual salary + Fringe benefits + Company pension scheme	OVR	MVR

For all members of the Board of Management, fixed remuneration (fixed annual salary, contributions to company pension scheme, and fringe benefits) accounts for approximately 50 % of total target remuneration, while variable remuneration also makes up approximately 50 % of total target remuneration. The share of total target remuneration attributable to OVR (target amount) amounts to approximately 20 %, while the equivalent share for MVR (target amount) amounts to approximately 30 %.

Due to developments in expenses for contractually agreed fringe benefits and for new appointments, actual shares may deviate slightly from those stated above in future financial years.

2. Fixed remuneration components

Members of the Board of Management receive a fixed annual salary in twelve monthly instalments. Fringe benefits are also granted: HORNBACH Baumarkt AG provides each member of the Board of Management with a company car that can also be used privately. Should a member of the Board of Management decide not to use a company car, HORNBACH Baumarkt AG provides the respective member with a settlement payment based on the average monthly costs of providing a company car. Furthermore, HORNBACH Baumarkt AG provides members of the Board of Management with accident insurance (fatality and invalidity) and covers the maximum employer contribution permitted by law to health insurance and voluntary retirement insurance or alternatively contributions to a private life insurance policy. The contribution amounts to 50 % of the respectively valid retirement insurance rate up to contribution assessment ceiling. Moreover, members of the Board of Management are covered by the D&O insurance policy taken out by HORNBACH Baumarkt AG. In addition, HORNBACH Baumarkt AG provides members of its Board of Management with coverage in a defined contribution company pension scheme. This commitment involves payment of a half-yearly pension contributions amounting to 12.5 % of fixed gross annual salary.

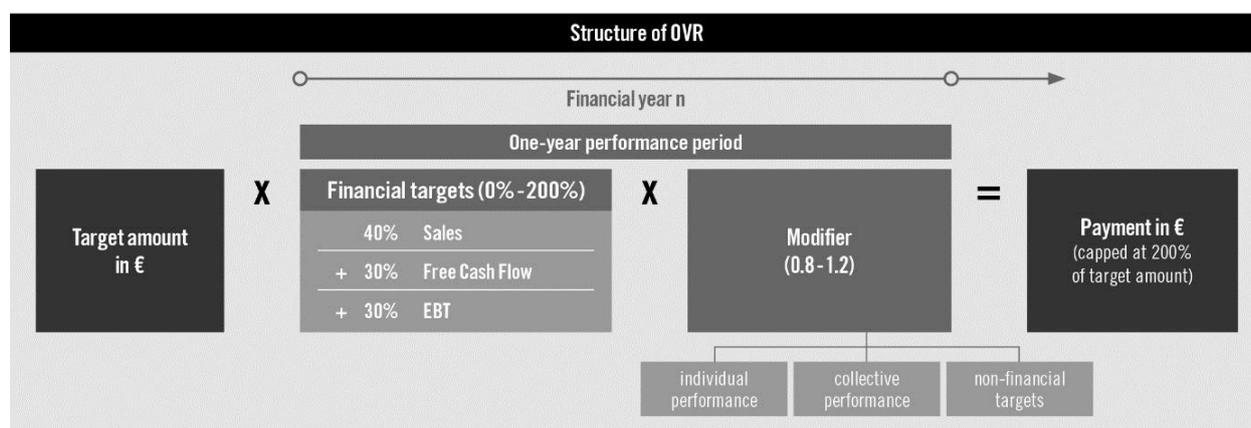
3. Variable remuneration components

The variable components of remuneration are described below. The disclosures illustrate the connection between achievement of the respective performance criteria and the amounts paid as variable remuneration. Furthermore, the disclosures show how and when the members of the Board of Management can access the variable remuneration amounts thereby granted.

3.1 One-year variable remuneration (OVR)

3.1.1 Conditions governing 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 HORNBACH Baumarkt AG. 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.

- Sales correspond to the consolidated (net) sales reported in the consolidated income statement in the company's approved and audited consolidated financial statements for the respective financial year.
- The free cash flow designates the resources freely available to the company to redeem financial liabilities.
- EBT corresponds to the consolidated earnings before taxes on income reported in the consolidated income statement in the company's approved and audited consolidated financial statements for the respective financial year.

The figures reported in the company's approved and audited consolidated financial statements for the respective financial year are taken as the basis for reference. Should a figure needed to calculate a sub-target not be specifically reported in the company's approved and audited consolidated financial statements, the company calculates this figure itself and has the accuracy of its calculation checked by an external auditor.

The Supervisory Board 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 compares the actual value upon expiry of the financial year with the actual value for the previous year (strategic growth rate). For each financial performance criterion, the Supervisory Board determines:

- A threshold value corresponding to a sub-target achievement rate of 0 %,
- A target value corresponding to a sub-target achievement rate of 100 %,
- A maximum value corresponding to a sub-target achievement rate of 200 %.

Values lying between the threshold and target values and between the target and maximum values are interpolated on a linear basis.

Based on the financial performance criteria, the total target achievement rate is calculated using the following formula:

Total target achievement = target achievement for sales x 40 % + target achievement for free cash flow x 30 % + target achievement for EBT x 30 %

To supplement the financial performance criteria, the Supervisory Board stipulates criteria for the modifier, generally before the beginning of the respective financial year. Should the Supervisory Board not stipulate any new criteria for the modifier before the beginning of the respective financial year, then application is made in the respective financial year of the criteria stipulated by the Supervisory Board for the previous 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.

- Performance criteria for assessing the performance of the individual member of the Board of Management may, for example, include: major financial achievements in the department, individual contributions to significant cross-functional projects, relevant strategic achievements in the department, or the implementation of key projects.
- Performance criteria for assessing the collective performance of the Board of Management may, for example, include: the development in stationary and online market share, the achievement of major company targets, cooperation with the Supervisory Board and within the Board of Management, or sustainable strategic, technical, and structural company development.
- In its non-financial targets, the Supervisory Board may, for example, account for: customer information and customer satisfaction, employee recruitment, employee satisfaction, employee development and retention, responsible procurement, or product responsibility and product range, as well as further ESG targets.

The individual modifier is determined by the Supervisory Board at its due discretion and dependent on the degree of achievement in those criteria referred to in assessing the performance of the individual member of the Board of Management, in assessing the performance of the overall Board of Management, and in assessing the achievement of non-financial targets. 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. The targets and the assessment of the extent to which they were achieved are subsequently explained in the remuneration report for the respective financial year.

Total target achievement as calculated on the basis of the financial performance criteria is multiplied with the modifier (0.8 to 1.2) and the target amount stipulated in euros in the employment contract (OVR = individual target amount x degree of total target achievement x modifier) and – subject to the identification of a malus trigger 3.3) – produces the payment amount.

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 Baumarkt AG for the financial year to which the OVR refers.

In the event of exceptional events or developments, such as the acquisition or disposal of a company section, the Supervisory Board is entitled to temporarily adjust the terms of the OVR plan to an appropriate extent at its due discretion.

If the employment relationship of the member of the Board of Management 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 (e.g. due to suspension of the employment relationship or inability to work without entitlement to continued 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 (*Bürgerliches Gesetzbuch – 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.

3.1.2 Transitional provisions for OVR

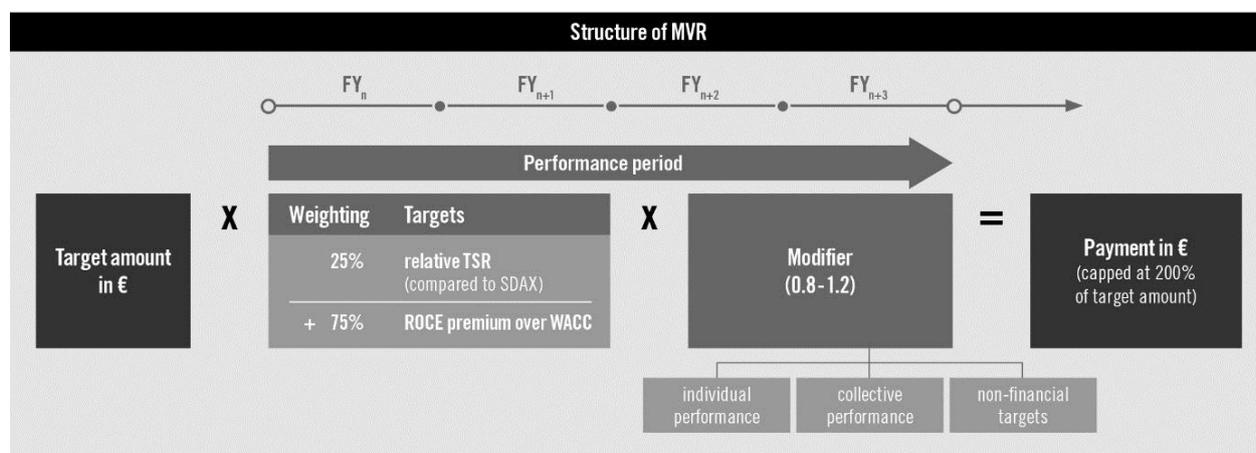
In the 2020/21 financial year, the company will apply the modifier for the OVR with a factor of 1.0.

3.2 Multiyear variable remuneration (MVR)

3.2.1 Conditions governing 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 Baumarkt AG. 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. 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 Baumarkt AG compared with the TSRs of companies listed in the SDAX, 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 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 all aspects of sustainably profitable value creation resulting from their entrepreneurial actions.

The TSR is defined for the company and for each other company in the comparative group as the development in the share price including the dividends paid per share during the performance period. Achievement of the relative TSR sub-target is determined by stating the TSR (share price and dividend development) of the company in relation to the TSRs of companies in the comparative group (SDAX) during the performance period. The comparative group consists of companies listed in the SDAX index in the XETRA trading system of Deutsche Börse AG (or the successor trading system) throughout the entire performance period. One exception relates to Hornbach Holding AG & Co. KGaA, which does not form part of the comparative group.

The Supervisory Board is entitled to adjust the comparative group for future tranches before the beginning of the respective performance period.

To determine target achievement for the relative TSR of HORNBAACH Baumarkt AG compared with the comparative companies, the relative rank achieved by HORNBAACH Baumarkt AG within the respective comparative group is calculated (ranking).

Target achievement for the ROCE premium over WACC sub-target is measured as the difference between the ROCE and the WACC during the performance period. This key expresses the extent to which the company was able to earn its costs of capital in the past financial year.

The ROCE key figure stands for return on capital employed and is expressed as a percentage. This key figure is intended to measure the efficiency with which the company employed its capital. It is calculated by dividend operating earnings less allocable taxes (“Nopat” = net operating profit after tax) by capital employed. In this case, capital employed is defined as equity plus financial debt less cash and cash equivalents.

The WACC (weighted average cost of capital) expresses the level of return required on capital employed, taking due account of the relation of equity and debt capital, as a percentage. This cost of capital rate is usually calculated on the basis of data observable on the market for comparable companies (peer groups) and their equity and debt capital structures. Furthermore, account is taken of country-specific risk premiums. To measure target achievement, an average WACC derived from weighting the country-specific WACC and its respective segment share of the Group’s total assets is calculated. Before the beginning of the performance period, the Supervisory Board sets a target in respect of the difference in percentage points between ROCE and WACC. To calculate target achievement, for each year in the performance period the difference between the actual ROCE and WACC figures in percentage points and the average over the four-year performance period is calculated.

For both financial performance criteria, the Supervisory Board determines:

- A threshold value corresponding to a sub-target achievement rate of 0 %,
- A target value corresponding to a sub-target achievement rate of 100 %,
- A maximum value corresponding to a sub-target achievement rate of 200 %.

Values lying between the threshold and target values and between the target and maximum values are interpolated on a linear basis.

Based on the financial performance criteria, the total target achievement rate is calculated using the following formula:

Total target achievement = target achievement for TSR x 25 % + target achievement for ROCE premium over WACC x 75 %

By analogy with OVR and the principles presented in B.1.3.1, 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 and, at its due discretion, set the modifier at between 0.8 and 1.2 for each member of the Board of Management.

Total target achievement calculated on the basis of the financial performance criteria is multiplied by the modifier (0.8 to 1.2) and the target amount stipulated in euros in the employment contract (MVR = individual target amount x degree of total target achievement x modifier) and – subject to the identification of a malus trigger (cf. 3.3) – produces the payment amount.

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 Baumarkt AG for the final financial year in the four-year performance period.

In the event of exceptional events or developments, such as the acquisition or disposal of a company section, the Supervisory Board is entitled to temporarily adjust the terms of the MVR plan to an appropriate extent at its due discretion.

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 (e.g. due to suspension of the employment relationship or inability to work without entitlement to continued 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 3.1.

3.2.2 Transitional provisions for MVR

The transition from the existing retrospective multiyear variable remuneration to the prospective performance cash plan outlined in this remuneration system will give rise to a three-year payment gap. For the 2020/21, 2021/22, and 2022/23 financial years, members of the Board of Management are therefore entitled to a prepayment amounting to 25 % of the target amount of the MVR tranche granted for the respective financial year. If a member of the Board of Management opts for a prepayment, the prepayment is made at the beginning of the following financial year. At the end of the respective performance period, the prepayment made is offset against the payment amount from the performance cash plan.

Example: At the end of the 2021/22 – 2024/25 performance period, the actual payment amount from the performance cash plan is calculated as follows: Payment amount calculated from the performance cash plan (2021/22 – 2024/25) – prepayment (2021/22) = actual payment amount from the performance cash plan at the end of the 2021/22 – 2024/25 performance period.

If the actual payment amount from the respective performance cash plan falls short of the prepayment already made for this performance cash plan, the member of the Board of Management is obliged to repay the excess gross amount paid.

3.3 Malus and clawback provision for variable remuneration

3.3.1 Malus

If the member of the Board of Management has demonstrated misconduct (“malus trigger”) during the assessment period – the relevant one-year assessment period for OVR and four-year assessment period for MVR – the Supervisory Board may, at its own due discretion, reduce the payment amount thereby calculated by up to 100 %.

A malus trigger is deemed to apply in particular if the member of the Board of Management has breached his or her duties, acted improperly, or materially breached his or her duties of care pursuant to § 93 AktG in the assessment period. The Supervisory Board bases its decision concerning the existence and extent of any malus in particular on the degree of culpability, the significance of the duty thereby breached, the weighting of the individual’s contribution to the cause of the breach, the amount of any damages, the existence of previous personal or organizational misconduct in the three financial years preceding the assessment period, and the existence of any official sanctions.

If a malus trigger arises in a financial year covered by the assessment period for several variable remuneration components, the malus may be ascertained for each of these variable remuneration components, i.e. several variable remuneration components with multiyear assessment periods may be subject to a malus as a result of the same trigger.

Example: If a malus trigger is identified in the 2023/24 financial year, the malus may be stipulated for the OVR for the 2023/24 assessment period and for the MVR for the 2020/21 to 2023/24, 2021/22 to 2024/25, 2022/23 to 2025/26, and 2023/24 to 2026/27 assessment periods.

3.3.2 Clawback

HORNBACH Baumarkt AG is entitled to request repayment by the member of the Board of Management of the OVR and/or MVR payment amount (“clawback”) if it transpires, following payment of the respective amount, that a published set of consolidated financial statements relating to the OVR and/or MVR assessment period was objectively erroneous and therefore had to be retrospectively corrected

and, based on the corrected consolidated financial statements, no OVR and/or MVR payment amount, or a lower payment amount, would have arisen (“clawback event”).

This claim to repayment is asserted at the due discretion of the Supervisory Board. The repayment claim corresponds to the difference between the amounts actually paid by HORNBACH Baumarkt AG and those amounts that would have been paid to the member of the Board of Management in accordance with the OVR and MVR provisions on the basis of the corrected consolidated financial statements. In the event of a clawback event, the member of the Board of Management is, as a general rule, obliged to repay the gross amount.

3.4 Share ownership guideline (SOG)

The obligation on the part of members of the Board of Management to acquire and hold shares forms a further material component of the remuneration system. This is intended to promote the company’s sustainable and long-term development. For the duration of their employment contracts, members of the Board of Management are obliged to acquire a minimum number of shares in HORNBACH Baumarkt AG 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 Baumarkt AG. 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 (e.g. restrictions on acquisition of shares due to contractual, company-internal, or statutory requirements).

II. Minimum and maximum remuneration

The minimum remuneration to be granted for a financial year, comprising fixed annual salary and the contribution to the company pension scheme, amounts to € 843,750 plus fringe benefits for the Chairman, € 625,000 plus fringe benefits for the Deputy Chairman, and € 562,500 plus fringe benefits for regular members of the Board of Management.

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 fringe 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 € 2,703,750 for the Chairman, € 2,015,000 for the Deputy Chairman, and € 1,822,500 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.

III. Remuneration-related transactions

1. Terms of remuneration-related transactions

The employment contracts concluded with members of the Board of Management are valid for the duration of their current appointments and, as of the date on which the resolution concerning the remuneration system is adopted, have the following terms:

- Contract with Mr. Harsch: until December 31, 2024
- Contract with Mr. Pelka: until September 30, 2021
- Contract with Ms. Jäger: until November 30, 2021
- Contract with Mr. Kühn: until September 30, 2024
- Contract with Mr. Leiner: until February 28, 2022
- Contract with Dr. Schobert: until December 31, 2022.

Unless agreed otherwise, the employment contracts are extended by a further appointment term.

No special termination rights apply in the event of a change of control, neither has any commitment been made to pay benefits upon the premature termination of Board of Management activity due to a change of control.

2. Compensation for dismissal

Should the activity of a member of the Board of Management be terminated prematurely, then any potential severance pay, including fringe 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.

IV. Consideration of remuneration and employment terms of employees when determining the remuneration system

The Supervisory Board regularly reviews the remuneration of the Board of Management. In assessing the appropriateness of remuneration, it considers the peer group of HORNBAACH Baumarkt AG (horizontal comparison based on remuneration of members of Board of Management) and the company's internal remuneration structure (vertical comparison).

The vertical comparison refers to the relationship between remuneration of the Board of Management and the remuneration of the first management tier, as well as of the overall workforce at HORNBAACH Baumarkt AG. The Supervisory Board takes due account of the development in remuneration for these groups and of how this relationship has developed over time.

V. Procedure for determining, implementing, and reviewing the remuneration system

The Supervisory Board decides on a clear and understandable remuneration system for members of the Board of Management. The Personnel Committee is responsible for preparing the Supervisory Board resolution on and regular review of the remuneration system. To this end, the Personnel Committee prepares a report and a draft resolution. The Supervisory Board reviews the remuneration system at its own due discretion and at the latest every four years. Here, the Supervisory Board performs a market comparison and accounts in particular for any changes in the environment in which the company operates, its overall financial position and strategy, changes and trends in national and international corporate governance standards, and the development in remuneration and employment terms for employees pursuant to IV. If necessary, the Supervisory Board obtains advice from external remuneration experts and other consultants. Here, the Supervisory Board ensures that such experts and consultants are independent of the Board of Management and takes precautions to avoid conflicts of interest.

The Supervisory Board presents the remuneration system thereby adopted for approval by the Annual General Meeting whenever material changes are made, and otherwise at least every four years. If the Annual General Meeting does not approve the system in the form presented, the Supervisory Board submits a revised remuneration system at the latest for approval by the next Annual General Meeting.

The remuneration system applies for members of the Board of Management from March 1, 2020. To implement the remuneration system, on behalf of HORNBAACH Baumarkt AG the Supervisory Board has, with the members of the Board of Management, agreed corresponding changes to the employment contracts and set target values for the 2020/21 financial year in accordance with the remuneration system hereby proposed for approval.

The Supervisory Board and its Personnel Committee take suitable measures to ensure that potential conflicts of interest on the part of the Supervisory Board members participating in the discussions and decisions concerning the remuneration system can be avoided and, where applicable, resolved. Each Supervisory Board member is obliged to disclose conflicts of interest to the Supervisory Board Chairman. The Supervisory Board Chairman discloses conflicts of interest relating to his person to his Deputy. The Supervisory Board decides how any existing conflict of interest should be addressed in each individual case. In particular, one option is for the Supervisory Board member that is subject to a conflict of interest not to participate in a meeting or individual discussions and decisions by the Supervisory Board or its Personnel Committee.

The Supervisory Board may temporarily deviate from the remuneration system (procedures and provisions governing remuneration structure) and its individual components, or in respect of individual remuneration components of the remuneration system, or introduce new remuneration components, if such measure is necessary to safeguard the long-term interests of HORNBAACH Baumarkt AG. The Supervisory Board reserves such deviations for exceptional circumstances, such as economic or company crises. In an economic crisis, the Supervisory Board may in particular deviate from the conditions governing the OVR and/or MVR plans. Such deviations may temporarily reduce maximum remuneration.

7. Resolution on approval of the remuneration system for Supervisory Board members

Pursuant to § 113 (3) AktG in the version applicable since January 1, 2020, the Annual General Meeting of a publicly listed company must adopt a resolution approving the remuneration and the remuneration system for members of its Supervisory Board at least once every four years.

The provisions of § 113 (3) AktG and the German Second Shareholder Rights Directive Implementation Act (*Gesetz zur Umsetzung der Zweiten Aktionärsrechterichtlinie*– ARUG II) in respect of the contents and presentation of the remuneration system in accordance with

ARUG II transitional provisions do not yet require the mandatory presentation of the remuneration system at the 2020 Annual General Meeting of HORNBAACH Baumarkt AG. In the interests of good corporate governance, the Board of Management and the Supervisory Board have decided to present the remuneration and the remuneration system for members of the Supervisory Board on a voluntary basis for the adoption of a resolution pursuant to § 113 (3) AktG at the Annual General Meeting on July 9, 2020 already.

The remuneration paid to members of the Supervisory Board is governed by § 15 of the Articles of Association of HORNBAACH Baumarkt AG.

§ 15 of the Articles of Association of HORNBAACH Baumarkt AG is as follows:

**“§ 15
Supervisory Board Remuneration**

- (1) From the 2012/2013 financial year, in addition to the reimbursement of his or her expenses, each Supervisory Board member receives fixed remuneration of € 20,000.00 payable retrospectively on the day after the Annual General Meeting taking receipt of the annual financial statements for the respective financial year. The Chairman receives two-and-a-half times and the Deputy Chairman twice the fixed remuneration. From the 2012/2013 financial year, Supervisory Board members also sitting on a Supervisory Board committee receive additional fixed committee remuneration, amounting to € 9,000.00 for the Audit Committee, € 6,000.00 for the Personnel Committee, and € 4,000.00 for the Mediation Committee, should this latter committee be convened, retrospectively payable together with the fixed remuneration pursuant to Sentence 1. Supervisory Board members chairing a Supervisory Board committee receive two-and-a-half times the respective committee remuneration.
- (2) Supervisory Board members only sitting on the Supervisory Board for part of a financial year receive proportionately lower remuneration on a pro rata temporis basis. Corresponding provisions apply for remuneration pursuant to (1) Sentence 2 and fixed committee remuneration pursuant to (1) Sentences 3 and 4 should the respective member retire from the Supervisory Board or from the respective function while remaining in the Supervisory Board.
- (3) Sales tax is refunded by the company to the extent that Supervisory Board members are entitled to charge the company separately for sales tax and exercise this right.
- (4) To protect its interests, the company maintains a financial loss liability insurance policy for its directors, officers, and senior management. This policy also covers Supervisory Board members, who are co-insured at the company's expense.”

Having closely examined the remuneration regulations for members of the Supervisory Board, the Board of Management and the Supervisory Board concluded that these serve the interests of HORNBAACH Baumarkt AG and are appropriate. The Board of Management and the Supervisory Board therefore propose that the Annual General Meeting should confirm the existing remuneration regulations for Supervisory Board members and that the remuneration system for Supervisory Board members set out below should be adopted.

Remuneration system for Supervisory Board members

I. Contribution made by remuneration system for Supervisory Board members to 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 Board of Management in an appropriate and competent manner and thus promotes the business strategy and long-term development of HORNBAACH Baumarkt AG.

II. 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 Baumarkt AG.

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 member;
- Personnel Committee: € 15,000.00 for the chairman and € 6,000.00 for each other member; and
- Mediation Committee – if convened in the financial year – € 10,000.00 for the chairman and € 4,000.00 for each other 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 to which the annual financial statements for the respective financial year are presented. 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.

HORNBACH Baumarkt 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.

Furthermore, Supervisory Board members are included in a financial loss liability insurance policy maintained by HORNBACH Baumarkt AG at its own expense for its directors and officers.

III. Procedure for determining, implementing, and reviewing the remuneration system

At the proposal of the Board of Management 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 Board of Management and Supervisory Board each review whether the Supervisory Board remuneration is still in the interests of HORNBACH Baumarkt AG and appropriate, particularly in respect of its amount and structure. If necessary, the Board of Management and the Supervisory Board propose a suitable adjustment for approval by the Annual General Meeting.

8. Resolution on approval of a domination and profit transfer agreement between HORNBACH Baumarkt AG and a subsidiary (HORNBACH Beteiligungen GmbH)

A domination and profit transfer agreement was concluded on May 4, 2020 between HORNBACH Baumarkt AG as the controlling company and its wholly-owned subsidiary HORNBACH Beteiligungen GmbH, Bornheim/Pfalz, as the dependent company.

To become effective, the domination and profit transfer agreement i.a. requires approval by the company's Annual General Meeting.

The Board of Management and Supervisory Board propose the adoption of the following provisions:

The conclusion of the domination and profit transfer agreement between HORNBACH Baumarkt AG and HORNBACH Beteiligungen GmbH dated May 4, 2020 is approved.

The domination and profit transfer agreement has the following material contents:

- In the preamble to the contract, HORNBACH Baumarkt AG is defined as the “**controlling company**” and HORNBACH Beteiligungen GmbH as the “**controlled company**”.
- The controlled company subjects the management of its company to the controlling company.
- The controlling company is entitled to issue instructions to the managing directors of the controlled company in respect of the management of the latter. The powers of the controlling company to issue instructions extend to all operating divisions and may be issued in general or in respect of a specific case. No instruction may be issued to uphold, amend, or terminate the contract.
- Unless compelling legal provisions dictate otherwise, the managing directors of the controlled company are obliged to comply with the instructions issued by the controlling company. The right to issue instructions applies from the time at which the agreement takes effect.
- Subject to the contents of the following bullet point, the controlled company is obliged to transfer its entire profit to the controlling company for the duration of the agreement in accordance with the provisions of § 301 AktG in its respectively valid version.
- With the approval of the controlling company, the controlled company may allocate amounts from its annual net surplus – except statutory reserves, where applicable – to its revenues reserves (§ 272 (3) HGB) only to the extent that such allocation is commercially

permissible and economically justifiable on the basis of sound commercial assessment. At the request of the controlling company, in accordance with the currently valid version of § 301 Sentence 2 AktG, amounts allocated to other revenue reserves during the term of the agreement may be withdrawn from revenue reserves and transferred as profit.

- The claim to profit transfer arises upon expiry of the financial year at the controlling company and becomes due for payment upon adoption of the annual financial statements of the controlled company for the past financial year.
- The controlling company is obliged pursuant to § 302 AktG in its respectively valid version to compensate for any annual net deficit arising at the controlled company during the term of the agreement. Pursuant to § 302 AktG, this obligation to compensate for losses does not apply if the annual net deficit is compensated for by withdrawing amounts from other revenue reserves that have been allocated to such during the term of the agreement.
- Entitlement to loss compensation arises upon expiry of the financial year at the controlled company and becomes due for payment at this time.
- The managing directors of the controlled company are obliged to report to the controlling company on an ongoing basis on the business performance of the controlled company and at all times to provide all information requested on all business and organizational matters at the controlled company. The controlling company is itself at all times entitled to inspect the accounts and correspondence of the controlled company. The agreement is concluded subject to approval by the Annual General Meeting of the controlling company and the shareholders' meeting of the controlled company and becomes effective upon being added to the Commercial Register entry of the controlled company.
- The agreement will be applied for the first time for the financial year at the controlled company beginning on March 1, 2020, and at the earliest for the financial year at the controlled company in which the agreement becomes effective. The right to issue instructions may only be exercised from the time at which the agreement is added to the Commercial Register entry of the controlled company.
- The agreement is concluded for an indefinite period. It may be terminated as of the end of a financial year at the controlled company, with due compliance with a three-month notice period, and at the earliest upon expiry of five (actual) years since the beginning of the financial year in which the agreement was first applied. The right to terminate the agreement prematurely due to compelling reason remains unaffected.
- If, during the term of the agreement, the existence of a tax group for corporate income tax purposes is not to be recognized, or is not recognized, for a given financial year, a further minimum term of five (actual) years begins as of the beginning of the financial year at the controlled company in which the requirements for a tax group for corporate income tax purposes are met for the first time or once again.
- The controlled company bears the costs arising in connection with concluding the agreement.

As HORNBAACH Beteiligungen GmbH is a direct wholly-owned subsidiary of HORNBAACH Baumarkt AG, the domination and profit transfer agreement does not provide for any compensation pursuant to § 304 AktG or for any settlement obligation pursuant to § 305 AktG. Similarly, the agreement also did not require inspection by an expert auditor pursuant to § 293b (1) AktG.

From the convening of the Annual General Meeting, the following documents are available for inspection at the HORNBAACH Group's website under Investor Relations > Annual General Meetings (www.hornbach-group.com):

- The domination and profit transfer agreement
- The annual financial statements and management reports of HORNBAACH Baumarkt AG for the past three financial years
- The opening balance sheet of HORNBAACH Beteiligungen GmbH as of February 26, 2020 and the annual financial statements of HORNBAACH Beteiligungen GmbH for the short financial year until February 29, 2020
- The joint report of the Board of Management of HORNBAACH Baumarkt AG and the management of HORNBAACH Beteiligungen GmbH pursuant to § 293a AktG.

These documents will also be available for inspection during the company's Annual General Meeting.

9. Election of a Supervisory Board member

Erich Harsch stood down from his position as a Supervisory Board member of HORNBACH Baumarkt AG as of the expiry of December 31, 2019. By order of Landau in der Pfalz District Court on January 9, 2020, Simona Scarpaleggia was appointed to succeed him as a Supervisory Board member until the conclusion of the present Annual General Meeting.

Pursuant to § 96 (1) AktG in conjunction with § 7 (1) Sentence 1 No. 2 of the German Codetermination Act (*Mitbestimmungsgesetz – MitbestimmG*), and § 11 (1) of the Articles of Association, the Supervisory Board consists of eight shareholder representatives and eight employee representatives. Pursuant to § 101 (1) AktG in conjunction with § 8 (1) MitbestG, the shareholder representatives on the Supervisory Board must be elected by the Annual General Meeting. Cumulative fulfilment of the gender quota has been objected to pursuant to § 96 (2) Sentence 3 AktG. The shareholder and employee representatives on the Supervisory Board must therefore each include at least two women and at least two men in order to satisfy the minimum representation requirement (30 %) pursuant to § 96 (2) Sentence 1 AktG.

THE SUPERVISORY BOARD PROPOSES THAT

Simona Scarpaleggia, Director of the global initiative “Future of Work” at Ingka Group (IKEA), Leiden (Netherlands), and resident in Zurich (Switzerland)

should be elected to the company’s Supervisory Board as a shareholder representative; pursuant to § 11 (5) of the Articles of Association, Simona Scarpaleggia should be elected for the remainder of the term in office to which Erich Harsch would have been entitled if he had not stood down from his position, i.e. through to the conclusion of the Annual General Meeting approving the actions of the Supervisory Board for the 2022/2023 financial year.

The proposal takes due account of the objectives adopted by the Supervisory Board on December 19, 2017 and May 19, 2020 in respect of its composition and endeavors to comply with the collective competence profile adopted for the Supervisory Board.

With regard to Recommendation C.13 of the German Corporate Governance Code in its version dated December 16, 2019, it is stated that Simona Scarpaleggia does not have any personal and/or business relationships to the company, the governing bodies of the company, or any shareholder with a material interest in the company.

FURTHER DISCLOSURES ABOUT THE CANDIDATE PROPOSED FOR ELECTION TO THE SUPERVISORY BOARD IN AGENDA ITEM 9

Simona Scarpaleggia

Born in: 1960

Nationality: Italian

Studies in Political Sciences at L.U.I.S.S. University in Rome, graduating with a master’s degree; Master in Business Administration at SDA Bocconi Business School in Milan; Doctor of Letters Honoris Causa from the International University in Geneva

Professional career:

1983 - 1985	Specialist for industrial and trade union relations within the Montedison Group
1985 - 1988	HR manager at the subholding Iniziativa Me. TA at the Montedison Group
1988 - 1994	HR director at C.E.I Compagnia Elettrotecnica Italiana S.p.A.
1994 - 2000	HR director at Sara Lee D.E. Italy S.p.A.
2000 - 2004	HR director at IKEA Italia Retail s.r.l.
2004 - 2007	Store manager at Porta di Roma store at IKEA Italia Retail s.r.l.
2007 - 2010	Deputy country manager at IKEA Italia Retail s.r.l.
2009 - 2011	Co-founder and first president at Valore D (association of companies supporting gender balance and women’s advancement in their organization)
2010 – 10/2019	CEO of IKEA AG Switzerland
2011 - 2015	Board member of the Italian Swiss Chamber of Commerce
2013 - 2017	Co-founder and first president of “Advance – Women in Swiss Business”
since 2016	Co-chair of the United Nations “High-Level Panel on Women’s Economic Empowerment”
since 10/2019	Head of global initiative “Future of Work” at the Ingka Group (IKEA)

Membership of statutory supervisory boards:

- IKEA Foundation
- EDGE Certified Foundation
- HORNBACH Holding AG & Co. KGaA - group mandate -

Membership of comparable German and foreign control bodies:

- ZHdK (Zurich University of the Arts), member of Advisory Board
- Economics Faculty of Zurich University, member of Advisory Board
- Faculty of International Management at St. Gallen University, member of Advisory Board
- Digital Switzerland, member of Advisory Board

Relevant knowledge, skills, and professional expertise:

Simona Scarpaleggia (*1960) studied political sciences and obtained an MBA. In 2000, she joined IKEA Italy as an HR manager. From 2010 to 2019, she was CEO of IKEA Switzerland. Since October 2019, Simona Scarpaleggia has been head of the global initiative “Future of Work” at the Ingka Group (IKEA).

In 2013, she founded «Advance – Women in Swiss Business». Since 2016, she has also been co-chair of the United Nations “High-Level Panel on Women’s Economic Empowerment”.

Notes regarding the Agenda Items

The adopted annual financial statements of HORNBACH Baumarkt AG for the 2019/2020 financial year, the approved consolidated financial statements for the 2019/2020 financial year, the combined management report for HORNBACH Baumarkt AG and the Group, and the explanatory report of the Board of Management in respect of the disclosures made pursuant to § 289a and § 315a HGB, the report by the Supervisory Board on the 2019/2020 financial year, which was adopted by the Supervisory Board and signed by the chairman of the Supervisory Board, as well as the proposal by the Board of Management and the Supervisory Board on the utilization of unappropriated net profit, have been available pursuant to § 175 (2) Sentence 4 AktG and § 124a AktG at the HORNBACH Group's website under Investor Relations > Annual General Meetings (www.hornbach-group.com) since the date on which the Annual General Meeting was convened and will also be available for inspection there during the Annual General Meeting on July 9, 2020.

Further information about the convening of the meeting

1. Virtual Annual General Meeting

The Board of Management has, with the approval of the Supervisory Board, resolved to hold the Annual General Meeting in the form of a virtual Annual General Meeting as defined in Article 2 § 1 (2) of the German Act on Mitigating the Consequences of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*; Federal Law Gazette I 2020, P. 569; hereinafter “PandemieG”), i.e. without the physical presence of shareholders or their authorized representatives.

For shareholders that registered correctly for the Annual General Meeting respectively their authorized representatives, the entire Annual General Meeting, including the answering of any questions and voting, will be broadcast (video and audio) live on the password-protected online portal at the HORNBACH Group's website under Investor Relations > Annual General Meetings at www.hornbach-group.com. The personal access data required for this purpose will be forwarded to shareholders, once they have registered for the Annual General Meeting, respectively to their authorized representatives together with the “AGM Ticket”.

2. Conditions for participating in the virtual meeting and exercising voting rights

Pursuant to Article 17 (1) of the Articles of Association in conjunction with Art. 2 § 1 (2) Nos. 2-4 PandemieG, shareholders respectively their authorized representatives are entitled to participate in the virtual Annual General Meeting and exercise their voting rights, if they have registered and submitted proof of their shareholding to the company in good time ahead of the Annual General Meeting. In order to provide proof of shareholding, a certification issued in text form in German or English by the depository financial institution and valid as of the beginning of the 21st day prior to the Annual General Meeting, i.e., **Thursday, June 18, 2020, 00.00 hours**, (“record date”) will be sufficient.

Both the registration and the proof of shareholding must have been received by the company at least six days prior to the Annual General Meeting (not counting the date of the Annual General Meeting and the date of receipt), i.e. by the latest on **Thursday, July 2, 2020, 24:00 hours**, at the following address, fax number, or e-mail address:

HORNBACH Baumarkt AG
c/o HV-Management GmbH
Pirnaer Strasse 8
68309 Mannheim
Fax: +49 (0) 621 718592-40
E-mail: anmeldestelle@hv-management.de

The company is entitled to request further appropriate proof should it have any doubts as to the correctness or authenticity of the proof. Should such proof not be provided, or not in suitable form, then the company is entitled to reject the shareholder in question pursuant to Article 17 (3) of the Articles of Association.

3. Significance of the record date

From the perspective of the company, only those persons or institutions having presented proof of shareholding are deemed as shareholders entitled to participate in the virtual Annual General Meeting and exercise their voting rights. The right to participate in the virtual Annual General Meeting and scope of voting rights are measured solely in terms of the shareholding held by the shareholder at the record date.

The record date does not involve any restriction on the disposability of such shareholding. Even when such shareholding is disposed of completely or in part following the record date, shareholders' participation in the virtual Annual General Meeting and the scope of their voting rights are based solely on the shareholding held by the shareholder on the record date, i.e. disposals or other assignments of shares following the record date have no implications for their entitlement to participate in the virtual Annual General Meeting and the scope of their voting rights. The same applies for the acquisition of shares or any increase in the number of shares held following the record date.

Persons not yet holding any shares as of the record date and only becoming shareholders subsequently are not entitled to participate or exercise any voting rights, unless they have been authorized as proxies or empowered to exercise such rights.

The record date has no implications for dividend entitlement.

4. Voting procedures, proxy voting

Voting by shareholders and their authorized representatives is executed exclusively via electronic communication (postal vote) or by the voting proxy appointed by the company and authorized and provided with corresponding instructions by the shareholders or their authorized representatives.

- a. Shareholders that have registered correctly may exercise their voting rights via electronic postal vote. To do so, through to the close of voting by the meeting chairman at the virtual Annual General Meeting, they may cast, amend, or withdraw their vote via the password-protected online portal at the HORNBACH Group's website under Investor Relations > Annual General Meetings at www.hornbach-group.com.
- b. Shareholders not wishing to exercise their voting rights in person are entitled to have their voting rights exercised by an authorized party, e.g. a shareholders' association, or a person of their choice, or by the voting proxy appointed by the company. In these cases as well, shareholders must register for the Annual General Meeting in due time and submit proof of their shareholding in accordance with the aforementioned requirements. Authorized representatives can submit votes by postal vote (see a.). Furthermore, the authorized representative may in turn authorize the voting proxy appointed by the company (see e.).

The issuance of a power of attorney, its revocation, and the proof of authorization vis-à-vis the company must be made in text form, unless the authorized representative is an intermediary (e.g. a financial institution), a shareholders' association, or any other equivalent person or institution pursuant to § 135 AktG.

The following postal address and fax number are available for shareholders to issue powers of attorney vis-à-vis the company and submit proof of any authorization issued to the representative until the latest on Wednesday, July 8, 2020, 18.00 hours:

HORNBACH Baumarkt AG
c/o HV-Management GmbH
Pirnaer Strasse 8
68309 Mannheim
Fax: + 49 (0) 621 718592-40

Furthermore, through to the close of voting by the meeting chairman at the virtual Annual General Meeting, the password-protected online portal will be available for this purpose at the HORNBACH Group's website under Investor Relations > Annual General Meetings at www.hornbach-group.com.

Intermediaries (e.g. financial institutions), shareholders' associations, and the other equivalent persons and institutions pursuant to § 135 AktG may stipulate different requirements for the form of power of attorney used to authorize them. In such cases, shareholders are requested to agree the form and procedure for issuing powers of attorney in good time with the person or institution to be authorized.

- c. The comments in b. apply by correspondence to the revoking or amendment of powers of attorney.
- d. A form for issuing or revoking powers of attorney and submitting proof of such authorization is available for download from the HORNBACH Group's website under Investor Relations > Annual General Meetings at www.hornbach-group.com. Upon request, a text version of this form will be forwarded. Wherever possible, shareholders are requested to issue powers of attorney using the form provided for this purpose by the company.
- e. As an additional service, we provide our shareholders and their authorized representatives with the option of being represented in accordance with their instructions at the Annual General Meeting by a voting proxy appointed by the company. This proxy exercises voting rights on the exclusive basis of the instructions issued by the shareholder or their authorized representatives.

Please note that voting proxies cannot accept any instructions to make statements, pose questions, submit motions, or declare objections.

Those wishing to issue powers of attorney and instructions to the voting proxy appointed by the company are requested to do so using the password-protected online portal at www.hornbach-group.com or the form for issuing powers of attorney and instructions available for download from the HORNBACH Group's website under Investor Relations > Annual General Meetings at www.hornbach-group.com. Upon request, a text version of this form will be forwarded. The form for issuing powers of attorney and instructions is also printed on the reverse side of the AGM ticket.

Powers of attorney and instructions issued by correctly registered shareholders respectively their authorized representatives to the voting proxy appointed by the company must have been received by the company at the postal address or fax number stated above under b. or via the password-protected online portal at www.hornbach-group.com by the deadlines stated there; the same applies for the amending or revoking of powers of attorney or instructions. The time at which the respective document is received by the company is decisive.

5. Shareholders' rights

a. Minority motions pursuant to § 122 (2) AktG

Pursuant to § 122 (2) AktG, shareholders whose combined shareholdings are equivalent to one twentieth of the share capital or a prorated amount of € 500,000.00 are entitled to request that items be added to the agenda and announced. Such requests must be received by the company at least 30 days prior to the Annual General Meeting (not counting the date of the Annual General Meeting and the date of receipt), and thus at the latest by **Monday, June 8, 2020, 24:00 hours**. Such requests must be addressed in writing to the Board of Management of HORNBACH Baumarkt AG. Please use the following address:

HORNBACH Baumarkt AG
Board of Management
Hornbachstrasse 11
76879 Bornheim bei Landau/Pfalz

Each new agenda item must be accompanied by a substantiation or a draft resolution. The respective shareholders are required by § 122 (2) and (1) Sentence 3 AktG to submit documentary evidence that they have owned the shares for at least 90 days prior to the company receiving the motion (not counting the date of receipt) and that they will hold the shares until the Board of Management decides on the motion.

b. Countermotions and election proposals pursuant to § 126 (1) and § 127 AktG

Shareholders may submit countermotions to any proposal made by the management concerning a specific agenda item. Shareholders may also propose candidates for election as auditors and/or Supervisory Board members. Shareholders are requested to communicate any countermotions and election proposals exclusively to the following address, fax number, or e-mail address:

HORNBACH Baumarkt AG
Investor Relations/Hauptversammlung
Hornbachstrasse 11
76879 Bornheim bei Landau/Pfalz
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The company will publish any countermotions and election proposals requiring publication and received at the aforementioned address, fax number, or e-mail address at the latest on **Wednesday, June 24, 2020, 24:00 hours**, together with the shareholder's name, any substantiation provided – furnished where appropriate with the contents to be added pursuant to § 127 Sentence 4 AktG – and any statement to be made by the management, on the HORNBACH Group's online communications platform at www.hornbach-group.com.

The company may forego publication of a countermotion and its substantiation if the conditions set out in § 126 (2) AktG apply, specifically if publication of such by the Board of Management would constitute a criminal offense, if the countermotion would lead to a resolution at the Annual General Meeting that would infringe the law or the Articles of Association, if the substantiation contains obviously incorrect or misleading information in material aspects, or if it contains insulting material, if a countermotion submitted by the shareholder on the same issue has already been published in connection with an Annual General Meeting of the company pursuant to § 125 AktG, if the same countermotion submitted by the shareholder with basically the same substantiation has already been published by the company in connection with at least two Annual General Meetings pursuant to § 125 AktG in the past five years and such countermotion was subsequently supported by less than one-twentieth of the share capital represented at the Annual General Meeting, if it is apparent that the shareholder does not intend to participate in or be represented at the Annual General Meeting, or if the shareholder did not propose a countermotion previously communicated, or have such countermotion proposed by others, at two Annual General Meetings in the past two years.

Substantiations of countermotions do not have to be published when they exceed a total of 5,000 characters in length. The above paragraphs apply *mutatis mutandis* to proposals submitted by shareholders for the election of auditors and/or Supervisory Board members. Apart from those cases set out in § 126 (2) AktG, the Board of Management may also forego publication of election proposals submitted by shareholders when they do not include the name, profession exercised, and town/city of residence of the auditors and/or Supervisory Board members thereby proposed, as well as disclosures on their membership of other statutory supervisory bodies in the case of candidates proposed for election to the Supervisory Board. Disclosures on membership of comparable supervisory bodies at companies in Germany and abroad should also be appended.

c. Opportunity to ask questions pursuant to Art. 2 § 1 (2) PandemieG

At an Annual General Meeting held without the physical presence of shareholders or their authorized representatives pursuant to Art. 2 § 1 (2) PandemieG, shareholders that have registered correctly respectively their authorized representatives are granted the opportunity to ask questions electronically. To enable questions to be answered in the more difficult conditions resulting from the COVID-19 pandemic, the Board of Management has, with the approval of the Supervisory Board, decided that questions pursuant to Art. 2 § 1 (2) Sentence 2 PandemieG must be formulated in German and submitted via the company's password-protected online portal at www.hornbach-group.com at the latest by Monday, July 6, 2020, 24:00 hours. Deadline compliance is determined by the time at which the question is received by the company.

The opportunity to ask questions does not involve a right to receive an answer. Pursuant to Art. 2 § 1 (2) PandemieG, the Board of Management decides at its due and free discretion as to which questions it answers and how. The Board of Management is not required to answer all questions, but may rather aggregate questions and in the interest of other shareholders select reasonable questions.

6. Declaration of objections

Shareholders respectively their authorized representatives who exercise their voting rights are entitled to have their objection to a resolution adopted at the Annual General Meeting recorded in the protocol compiled by the notary public. Such objections must be declared during the Annual General Meeting, i.e. between the opening of the Annual General Meeting and the closing of such and submitted via the password-protected online portal at www.hornbach-group.com.

7. Further explanations and information on the company's website

The information for the Annual General Meeting required by § 124a AktG is available to shareholders at the HORNBACH Group's website under Investor Relations > Annual General Meetings (www.hornbach-group.com).

8. Data protection information

We collect personal data about you if you register for the Annual General Meeting and/or about any person you authorize if you issue powers of attorney for your voting rights. Furthermore, we collect data about you and/or about any person you authorize if you exercise your voting rights by post, if you issue powers of attorney and instructions to the voting proxy appointed by the company, and/or when the online portal is used. Personal data is collected in accordance with the requirements of the EU's General Data Protection Regulation (GDPR) and of all other relevant legislation. This data is collected to enable shareholders to exercise their rights at the Annual General Meeting and to enable the Annual General Meeting to be organized and conducted in an orderly manner. Details of your rights and of the treatment of your personal data by the responsible body, HORNBACH Baumarkt AG, can be found on the internet at www.hornbach-gruppe.com/HV-Datenschutz/HBM.

Total number of shares and voting rights upon the convening of the Annual General Meeting

Upon the convening of the Annual General Meeting, the company's share capital of € 95,421,000 is divided into 31,807,000 no-par ordinary shares. Each no-par ordinary share grants one vote, meaning that at the time the Annual General Meeting was convened, there were 31,807,000 voting rights in accordance with the Articles of Association. The company is not entitled to exercise any voting rights attributable to treasury stock; the company did not hold any treasury stock upon the convening of the Annual General Meeting.

Bornheim, May 2020

HORNBACH Baumarkt AG
The Board of Management