

# Non-Financial Group Report

## 1. Fundamentals of Non-Financial Group Report

### 1.1 Group structure and business model

The structure and business model of the HORNBACH Group are presented below.

HORNBACH Holding AG & Co. KGaA is the parent company of the HORNBACH Group. It does not have any operations itself, but has a number of major subsidiaries. In addition to HORNBACH Baumarkt AG, the largest operating subgroup at which the do-it-yourself (DIY) retail activities across Europe are pooled, the HORNBACH Group also comprises the HORNBACH Baustoff Union GmbH subgroup (regional builders' merchants) and the HORNBACH Immobilien AG subgroup (real estate and location development). As of the balance sheet date on February 28, 2018, the Group had a total of 19,614 employees, of which 8,234 outside Germany. In the 2017/18 financial year (March 1, 2017 to February 28, 2018), the HORNBACH Group generated net sales of € 4.14 billion. The HORNBACH Group was founded in 1877 and is family managed, now in the fifth generation. It has the legal form of a partnership limited by shares (KGaA) and is publicly listed.

In accordance with the Articles of Association, the general partner of HORNBACH Holding AG & Co. KGaA is HORNBACH Management AG, represented by its Board of Management, which currently consists of two members. The Board of Management of the general partner manages the business of HORNBACH Holding AG & Co. KGaA and represents the company to third parties. Hornbach Familien-Treuhandgesellschaft mbH holds all shares in the general partner of HORNBACH Holding AG & Co. KGaA.

Our business activities focus on do-it-yourself (DIY) retail with DIY stores and garden centers, as well as on online DIY retail in Germany and eight other European countries. These retail activities, which focus on the needs of private end customers (business-to-consumer: B2C), are managed at HORNBACH Baumarkt AG, which is by the largest operating subgroup. In addition, HORNBACH is also active in the regional builders' merchant business via its HORNBACH Baustoff Union GmbH subsidiary, which chiefly focuses on specialist retail with commercial customers (business-to-business: B2B). The principal task performed by the HORNBACH Immobilien AG subgroup is to support the DIY retail business by developing stationary retail properties for group-internal use.

The internationalization of procurement provides us with broad-based access to global procurement markets and enables us to forge strategic, long-term partnerships with suppliers and industry. These partnerships benefit both sides. We offer each supplier and manufacturer the opportunity to structure the B2B supply chain as efficiently as possible. Suppliers are able to make large-scale logistical deliveries directly to each location, or to supply the merchandise indirectly via our central logistics hubs. This way, we provide regional manufacturers as well with the opportunity of growing outside their existing sales regions and supplying goods to additional countries.

With net sales of € 3,891 billion in the 2017/18 financial year, the HORNBACH Baumarkt AG subgroup contributed 94% of consolidated sales and employed around 95% of the HORNBACH Group's total workforce at the balance sheet date. The HORNBACH Baustoff Union GmbH (HBU) subgroup accounts for € 248 million, and thus around 6% of sales, as well as for around 5% of the Group's employees. HORNBACH Immobilien AG does not have any operating customer business or proprietary employees.



**Group Management Report**  
**Group Fundamentals**

## 1.2 Materiality analysis

Non-financial topics within the Group's own business activities or supply chain and at customers which impact on the aspects defined in § 289c of the German Commercial Code (HGB) were identified by surveying internal and external stakeholders and then compared with the assessments compiled by the managers responsible for the various topics at the Group. Within a materiality matrix, these non-financial topics were evaluated in terms of their relevance for our business activities and their implications for the aspects defined in § 289c HGB. The findings were agreed with the Board of Management in order to ensure consistent and comprehensive reporting for the overall Group.

Pursuant to § 289c HGB, non-financial topics count as material when they have significant implications for CSR aspects (environment, employees, human rights, social welfare, and anti-corruption) and are also relevant to the Group's business activities (business performance, business results, and situation).

Our business success is intrinsically linked to the trust our customers place in us and how satisfied they are with us. Their consumption and purchasing behavior in turn has a material impact on CSR aspects. Against this backdrop, seven material topics were identified for this non-financial group report:

1. Product range and customer information
2. Responsible procurement
3. Product responsibility
4. Employee recruitment
5. Employee satisfaction
6. Employee development and retention
7. Compliance

## 1.3 Risk assessment

All material non-financial topics were subject to a risk assessment to ascertain whether our business activities, supply chain, or customers gave rise to any material risks for the aspects defined in § 289c HGB. This investigation accounted for the probability of occurrence and the scope of negative implications for the aspects. No risks requiring report were identified at the HORNBAACH Holding AG & Co. KGaA Group. These (potential) risks were classified for the first time within our group-wide risk management in the current year and will be regularly reviewed and updated in future.

## 1.4 Sustainability management

We base all of our group-wide entrepreneurial actions on the HORNBAACH Values. We are convinced that responsibility as embodied in corporate social responsibility (CSR) is a prerequisite for our long-term economic success and for our company's future prospects.

The strategies, targets, and management approaches for those non-financial topics deemed material are mainly defined by HORNBAACH Baumarkt AG and managed by that company's Board of Management. The Board of Management is regularly involved in topic-specific measures and kept informed about their implementation. The topics of product range and customer information, responsible procurement, and product responsibility are allocated to the member of the Board of Management responsible for procurement, imports, store planning, store development, quality management, environment, and CSR. The topics of employee recruitment, employee satisfaction, employee development and retention, and compliance (anticorruption measures) are managed by the member of the Board of Management responsible for personnel (labor director), who is responsible for personnel, real estate, construction, technical procurement, internal audit, legal affairs, and compliance.



**Group Management Report  
Risk Report**



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Corporate Governance >  
HORNBAACH Values**

Within the Board of Management of HORNBAACH Management AG, the general partner of HORNBAACH Holding AG & Co. KGaA, the CEO is responsible for the operating business at the two subsidiaries HORNBAACH Baumarkt AG and HORNBAACH Baustoff Union.

### 1.5 Framework

The reporting contents are based exclusively on the materiality definition and content requirements stipulated in the German CSR Directive Implementation Act (CSR-RUG). No use has therefore been made of any framework.

## 2. Material Non-Financial Aspects

The HORNBAACH Baumarkt AG subgroup holds a dominant position within the HORNBAACH Holding AG & Co. KGaA Group, and that both in terms of the Group's business activities and of their implications for the aspects defined in § 289c HGB. The Baumarkt subgroup in turn generates the predominant share of its retail sales with private end customers (B2C). The B2C retail business at HORNBAACH Baumarkt AG therefore contributes by far the largest share of the Group's sales and is also the most important lever in terms of implications for the aspects defined in § 289c HGB.

The material non-financial aspects identified for the Group are only partly relevant to the HORNBAACH Baustoff Union GmbH subgroup and had not yet been pursued in a separate concept upon the preparation of this declaration. We nevertheless reserve the right to map the concepts outlined in the non-financial group declaration of HORNBAACH Holding AG & Co. KGaA onto HORNBAACH Baustoff Union GmbH as well in future.

In view of this, unless indicated otherwise the concept described in this non-financial group report relates exclusively to the targets, strategies, management approaches, and measures at the HORNBAACH Baumarkt AG subgroup. In what follows, the terms "we", "HORNBAACH" and "group-wide" are synonymous with the HORNBAACH Baumarkt AG subgroup.

### 2.1 Product range and customer information

#### 2.1.1 Targets and strategy

Our DIY stores with garden centers and online stores provide our DIY customers with a broad and deep product range and also offer product and project-based information and competent advice with regard to product features and their suitability for implementing specific construction and renovation projects. This way, we aim to enable our customers to make the right purchase decision for their situation. The ability to make a well-informed, independent decision in favor of or against a specific product is a prerequisite for high customer satisfaction and for building a permanent, trust-based customer relationship. This in turn forms the basis for the Group's business success.

By offering the maximum possible transparency concerning the source, contents, and environmental implications of our product ranges – throughout their entire lifecycles – we also aim to enable our customers to consider ecological, health, and social welfare factors when reaching their purchase decisions. Given consumers' growing interest in responsible lifestyles, increasing the range of corresponding products on offer also harbors growth opportunities for the company.

### 2.1.2 Management approach and measures

Internal evaluations and external consumer surveys provide us with indications of our customers' satisfaction with our product range and the information and services we offer.

As part of our operating activities, we collect feedback from our customers and analyze their purchasing behavior. We also factor customer evaluations posted at our online DIY stores into this process. On this basis, we endeavor to continually align our product range, services, and associated information and advice more closely to customers' needs. Not only that, when it comes to independent consumer surveys conducted to evaluate the performance of stationary DIY stores and garden centers in the European countries in which the Group operates we accord priority to being ranked among the best providers in terms of overall satisfaction, product range selection, specialist advice, value for money, and prices compared with competitors.

To ensure that our employees are available for customers, and thus also safeguard the quality of advice provided in our retail business, we based our staff deployment planning on expected customer frequency volumes. Two key factors highly significant to our business success are the ability to attract well-qualified specialist staff and the provision of regular training and further development measures to our employees. Furthermore, HORNBACH provides digital product information and video tutorials in its online stores and on social media. These offer information on how to use the products, for example, or explain DIY projects on a step-by-step basis ("HORNBACH Meisterschmiede").

Our product range gives customers the option of using low-emission products for their construction and renovation projects and this way to minimize the use or presence of harmful substances in their living environments. We label these products with widely recognized seals, such as Blauer Engel or the eco-INSTITUT seal. Furthermore, we actively indicate the energy and water-saving functions of products and do not stock controversial products or articles that pose a risk to the environment, such as glyphosate herbicides or plants whose cultivation involves the use of neonicotinoids (bee conservation).

HORNBACH's procurement organization manages our product range and the need for product and project-based customer information. To enable us to account as closely as possible for customers' needs in the countries in which we operate our DIY retail business, the procurement organization accounts for both central and regional requirements when listing suppliers. The timber source declaration which is a legal requirement in Switzerland, for examples, reaches our customers in all of the countries in which HORNBACH operates.

As a matter of principle, we base our product range on the HORNBACH Values. Conversely, that means we reserve the right to delist product ranges when they clearly infringe the HORNBACH Values.

### 2.1.3 Target achievement status

HORNBACH does not collect any quantitative key performance data to measure or manage satisfaction with its product and application information or the sustainability of the product range. The company refers exclusively to qualitative indicators for this non-financial aspect.

In Kundenmonitor Deutschland (Servicebarometer AG) and equivalent consumer surveys conducted in other European countries in the 2017/18 financial year, HORNBACH was ranked first or second in the "Overall satisfaction" shown by customers with DIY and home improvement stores, and that in all regions covered by the respective surveys. Furthermore, HORNBACH was ranked first in most regions for the criteria relating to product range, value for money, and specialist advice.



**Non-Financial Group  
Report**

**2.4 Employee recruitment  
2.6 Employee development  
and retention**



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HORNBACH Values**

In the 2017/18 financial year, HORNBAACH significantly extended its digital information offering for DIY customers in Sweden, Slovakia, and Romania by launching online stores in these regions. Following the launch of the online store in Romania in January 2018, we now have cross-channel e-commerce operations in all of the European countries with HORNBAACH DIY stores and garden centers.

## 2.2 Responsible procurement

### 2.2.1 Targets and strategy

Consistent, reliable product availability is a factor which influences both HORNBAACH's sales and its customers' satisfaction levels. Procurement and merchandise availability are therefore crucial to the company's business performance. One basic prerequisite involves ensuring the supply capability and reliability of our suppliers at all times. Moreover, in the context of our product responsibility we also attend to compliance with minimum social welfare and environmental protection standards within our supply chain, especially in the case of private label products, timber products, and natural stone products. Private label products account for around one quarter of sales in our DIY retail business. The minimum standards referred to are set out in HORNBAACH's CSR Policy and include the prohibition of child and forced labor, as well as compliance with local environmental legislation.

### 2.2.2 Management approach and measures

To monitor the supply chain, HORNBAACH works with an early-warning risk detection CSR system ("CSR map") that was developed in cooperation with the Austrian startup company Sophiesystems and the University of Vienna. The system on the one hand includes the article master data for HORNBAACH's product range, as well as supplier audit reports. On the other hand, it provides country-specific information, including corruption indices, environmental indices, and social welfare indices. Together, all this data is used to present a so-called risk tree on the basis of which individual articles can be assessed. Not only that, the CSR map is also connected to a news system that processes items of news in real time. The news items are presented in relationship to the products, factories, and suppliers entered in the system. This way, potential interruptions and CSR-related risks in the supply chain can be rapidly detected and avoided or reduced.

For us, the basic requirements of social responsibility include acknowledgement of international standards as codified in the conventions of the International Labor Organization (ILO). ILO requirements form one basis for the audit catalog used in the factory audits we commission. These involve standardized audits, mainly of production sites for the products we stock as HORNBAACH private label products or import directly from non-EU countries. The factory audits are conducted by certified, independent audit institutes at least once a year for each production site. Should any failure to comply with these standards be identified, then an action plan is agreed with the respective supplier. The identification of severe infringements would lead to the business relationship being terminated.

Merchandise orders may only be placed with those private label and/or import suppliers which meet HORNBAACH's criteria and have passed all factory audits. Compliance with this requirement in the order process is ensured by way of our SAP QM system and managed by the "Quality Management, Environment, and CSR" department.

Timber is a commodity of particularly great importance for the Group's product range. HORNBAACH's CSR Policy requires that we exclusively procure FSC<sup>1</sup>-certified tropical timber or timber from sustainable European production. This is intended to ensure that the social welfare and work safety standards set out in the CSR Policy are complied with in the production of the timber. To document the source of the timber used and



Non-Financial Group  
Report

2.3 Product responsibility



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Corporate Governance >  
HORNBAACH Values

<sup>1</sup> Forest Stewardship Council

identify timber products from illegal or disputed sources, HORNBAACH works closely with suppliers, particularly in the context of its involvement in the FSC, as well as with environmental protection organizations. Furthermore, when importing natural stones HORNBAACH ensures that these come from companies that document their compliance with international social welfare and work safety standards in regular factory audits.

### 2.2.3 Target achievement status

A total of 423 factory audits were conducted at suppliers in the 2017/18 financial year (2016/17: 364). In the year under report, there were no cases (2016/17: 0) in which HORNBAACH was required to terminate the business relationship with the supplier.

## 2.3 Product responsibility

### 2.3.1 Targets and strategy

Product responsibility is one of the bases of our business success. One key aspect of this responsibility involves product quality, a factor which makes a key contribution to customer satisfaction and trust-based customer retention. As a sustainable retailer, our aim here is to ensure that all products sold by HORNBAACH are of irrefutable quality. Furthermore, we believe that responsible procurement and sustainable product features (water-saving, energy-saving, etc.), a factor which also includes environmentally compatible packaging and product disposal, play an ever more important role in how customers perceive companies. These therefore constitute further relevant aspects of our product responsibility.

Our product responsibility particularly relates to private label products, as well as to other imported articles and articles including the commodities of timber and natural stone. Not only that, defective products also pose a risk to the retailer's reputation. We therefore make every effort to ensure the quality of our entire product range in accordance with our CSR Policy.

### 2.3.2 Management approach and measures

HORNBAACH's quality management covers the entire procurement chain, particularly in the case of imported and private label products. Quality management also deals with complaints monitoring and product recalls, for example when defects arise in products already in circulation.

In organizational terms, these activities are located at the "Quality Management, Environment, and CSR" department. This performs the following trial-sample product checks either itself or by commissioning external service providers. These are intended to safeguard the highest possible level of product quality:

- Testing products in terms of safety, contaminants, and suitability for use with the assistance of certified testing institutes
- Merchandise inspection both during production and prior to shipment
- Supervising the loading of merchandise into containers
- Merchandise inspection once the containers arrive at our logistics centers
- Group-wide regular extraction of samples from our HORNBAACH stores for testing by certified independent audit institutes.

Within the product development process, we also work on optimizing the packaging for our private label products. Efforts are made here to reduce the volume of packaging and use recyclable materials and secondary resources.

To assist with environmentally compatible disposal, we offer group-wide solutions for the acceptance and disposal of lighting materials, old electrical appliances, building foam, waste oil, and batteries.



Non-Financial Group  
Report  
2.2 Responsible  
procurement



Non-Financial Group  
Report  
2.2 Responsible  
procurement

### 2.3.3 Target achievement status

In the 2017/18 financial year, HORNBAACH's quality management and certified independent audit institutes performed 1,732 (2016/17: 1,686) product quality tests (safety, contaminants, suitability for use) and 2,353 (2016/17: 2,259) article acceptance audits. Together, these correspond to 4,640 person-days (2016/17: 3,925) performed by independent audit institutes on behalf of HORNBAACH.

## 2.4 Employee recruitment

### 2.4.1 Targets and strategy

HORNBAACH has a great need for specialist and management staff at its HORNBAACH DIY stores and garden centers, logistics centers, and administration departments. As a general rule, we aim to meet our requirements for specialist and management staff with internal candidates.

### 2.4.2 Management approach and measures

We recruit a large share of our fresh talent from HORNBAACH's training and study programs. We basically train the right number of people to cover our own requirements. This way, we ensure that all trainees and participants in dual work-study programs have good chances of being accepted by the company once they have successfully completed their training or study program. Recruitment is managed on a decentralized basis in line with requirements at individual locations. In selecting suitable applicants, the operating units are assisted by the relevant HR department.

We aim to adapt the range of training positions on offer to current requirements in both quantitative and qualitative terms. To cover our need for personnel we work closely together, for example, with Chambers of Industry and Commerce (IHK), colleges offering dual work-study programs, and various cooperation partners in other European countries. Given the rapid advance of digitization, numerous new vocational programs have arisen in recent years, such as the "E-commerce specialist" dual work-study program.

In training the next generation of suitably qualified staff, we benefit from the high quality standards offered by the dual vocational training system in Germany, among other factors. We also work with comparable dual work-study training programs in Austria and Switzerland. Not only that, in Romania we are assisting in implementing a dual vocational training system.

Furthermore, we also access potential applicants by participating in recruitment fairs and applicant training programs across Europe in cooperation with local or regional organizations, as well as with our presence in numerous digital media.

Various factors meant that recruiting new employees was a challenge in the year under report. The unemployment rate is very low across large parts of Europe. Moreover, the trend towards studying for a university degree is continuing and has exacerbated the already low attractiveness of the retail sector. Providing very good working conditions and development opportunities is therefore one of the key focuses in our efforts to recruit employees for HORNBAACH.



**Non-Financial Group  
Report**

**2.5 Employee satisfaction  
2.6 Employee development  
and retention**

### 2.4.3 Target achievement status

We collect quantitative key figures on trainees and current vacancies. We do not have any specific targets in respect of the key figures thereby collected. The recruitment of new employees is always based on current requirements.

In the 2017/18 financial year, HORNBAACH employed 893 trainees and participants in dual vocational training programs (2016/17: 855). A group-wide total of 362 trainees completed their training in the year under report (2016/17: 344), of which 58.3% were accepted into regular employment (2016/17: 60.5%). Including those trainees accepted into a third year of training, the acceptance rate amounted to 67.7% (2016/17: 68.5%).

## 2.5 Employee satisfaction

### 2.5.1 Targets and strategy

We are convinced that highly motivated employees are the basis for the company's success. Particularly sales staff and advisors at our DIY stores and garden centers play a key role in influencing the satisfaction of our customers. For HORNBAACH, a corporate culture which is characterized by open communications, mutual appreciation, and diversity is therefore a basic requirement for upholding a high level of commitment among employees.

As a Group with operations across Europe and employees from nearly 70 countries, we attach priority to creating a working environment that is free of prejudice. Ethnic origin, gender, age, physical restrictions and religious affiliation play no role in the assessment of applicants. The only qualities that count are specialist competence, ambition, a willingness to learn, and team spirit.

### 2.5.2 Management approach and measures

HORNBAACH is convinced that trust is the basis for every business relationship. Trust is a core message in the HORNBAACH Foundation and thus shapes our working life. It is indispensable for ensuring a high level of satisfaction among the company's employees.

Fair compensation is a component of any trust-based work relationship. HORNBAACH takes due account of wage and salary levels customary to the market in all of its regions and adheres to collectively agreed rates, where such are available in the given region. In Germany, HORNBAACH voluntarily adheres to the collectively agreed rates for the retail sector throughout the country. We have a variety of models which enable employees to participate in the company's success.

Appropriate representation of our employees in Germany is safeguarded with our General Works Council, works councils at nearly all German locations, and the equal representation of employees and shareholders on the Supervisory Board of HORNBAACH Baumarkt AG. Consistent with the German Works Council Constitution Act, we work with all works councils on a basis of trust. To offer employees a neutral point of contact, HORNBAACH has created the position of ombudsman. He acts as contact partner to all HORNBAACH employees in difficult situations. His main job is to act as an intermediary and arbitrator in misunderstandings and conflicts. This neutral point of contact is used by employees from across the Group and has met with high acceptance levels.

In implementing measures to enhance employee satisfaction levels, the operating units receive assistance from the relevant HR department.



### 2.5.3 Target achievement status

To measure and manage employee satisfaction levels, we refer to the personnel turnover rate as a quantitative indicator. In the year under report, the personnel turnover rate<sup>2</sup> amounted to 11.9% (2016/17: 10.6%). No cases of discrimination or infringements of the German General Equal Treatment Act (AGG) were identified in the year under report.

## 2.6 Employee development and retention

### 2.6.1 Targets and strategy

Given our strategic focus on project customers, we have a great requirement for competent employees, particularly at our stores, who are capable of supporting our customers in complex construction and renovation projects. High-quality advice and service play a key role in determining the satisfaction of our customers and the Group's business performance and situation. Specialist staff in the stationary business therefore have to be familiar with the products offered within their area of activity and their uses, and must also be promptly trained when new models are introduced.

Where possible, key positions and management positions becoming vacant should be filled with internal candidates. By offering a range of development measures, we aim to act early to prepare suitable employees in a forward-looking manner for future positions.

A further declared aim of HORNBAACH is to retain a large number of experienced employees at the company. Both the company and its customers benefit from the longstanding experience these employees have of HORNBAACH's product range and services.

### 2.6.2 Management approach and measures

Practical knowledge about the products and their applications is communicated in practical and product-based training sessions offered in cooperation with suppliers. In addition, HORNBAACH offers its own product and project-based training at on-site events or by video or print media. Furthermore, we work together with Chambers of Industry and Commerce and thus provide our employees with access to certified training programs. These include qualification as a retail specialist or training as a certified bathroom and kitchen advisor.

We prepare upcoming management staff for their new tasks with a separate training program. To this end, qualification modules have been developed for all store management positions. HORNBAACH offers corresponding development opportunities to employees at central administration departments and logistics centers as well. Employees can also obtain regular training at in-house and external seminars.

By holding regular meetings between HORNBAACH managers and their employees, we aim to help make sure that all employees can develop their skills further in line with their needs and strengths. We believe that offering individual development opportunities is an effective way to boost employees' commitment to HORNBAACH.

In implementing employee development and retention measures, the operating units receive assistance from the relevant HR department.



**Non-Financial Group  
Report**

**2.6 Employee development  
and retention**

<sup>2</sup> Number of (employee) resignations and (employer) terminations as a percentage of average number of employees in financial year

### 2.6.3 Target achievement status

No quantitative targets are in place to measure employee development, as training requirements may vary over time. With regard to the sub-aspect of employee retention, the Group also refers to the personnel turnover rate as an indicator.

### 2.7 Compliance

Our compliance-related objectives, measures, and results are presented in the Corporate Governance Report with the Corporate Governance Declaration, Chapter 6.2 Compliance, of the HORNBACH Holding AG & Co KGaA Group and – unlike the information presented for the preceding material topics – refer to the overall Group.



**Corporate Governance**  
**Corporate Governance**  
**Report with Corporate Gov-**  
**ernance Declaration**

## Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the group non-financial statement 2017/2018 of HORNBAACH Holding AG & Co. KGaA. The following text is a translation of the original German Independent Assurance Report.

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

We have performed a limited assurance engagement on the group non-financial statement of HORNBAACH Holding AG & Co. KGaA according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code) consisting of the group non-financial report and the chapter "compliance" in the corporate governance report with corporate governance declaration being incorporated by reference (hereafter group non-financial statement) for the reporting period from 1 March 2017 to 28 February 2018. Our engagement did not include any disclosures for prior years.

### A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the group non-financial statement in accordance with § 315c HGB.

This responsibility includes the selection and application of appropriate methods to prepare the group non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a group non-financial statement that is free from material misstatement, whether due to fraud or error.

### B. Auditor's declaration relating to independence and quality control

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

### C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the group non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard

requires that we plan and perform the assurance engagement to obtain limited assurance about whether the group non-financial statement of the Company has been prepared, in all material respects, in accordance with § 315c HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted from March to May 2018, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the group non-financial statement, the risk assessment and the concepts of HORNBAACH Holding AG & Co. KGaA for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the group non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the group non-financial statement,
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. environment and employees in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Analytical procedures at group level regarding the quality of the reported data,
- Evaluation of the presentation of disclosures in the group non-financial statement.

## D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial statement of HORNBAACH Holding AG & Co. KGaA for the period from 1 March 2017 to 28 February 2018 has not been prepared, in all material respects, in accordance with § 315c HGB.

## E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with HORNBAACH Holding AG & Co. KGaA. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

## F. Engagement terms and liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (<http://www.ey.com/Publication/vwLUAssets/EY-idw-aab-2017-en/€FILE/EY-idw-aab-2017-en.pdf>). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, May 17, 2018

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Nicole Richter  
Wirtschaftsprüferin  
(German Public Auditor)

Jan Kaiser  
Wirtschaftsprüfer  
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