

HORNBACH Holding AG & Co. KGaA
Group

Non-Financial Group
Report 2022/23

as of February 28, 2023

Non-Financial Group Report

1. Fundamentals of Non-Financial Group Report

About this report

HORNBAACH Holding AG & Co. KGaA is obliged pursuant to § 315b (1) - (3) of the German Commercial Code (HGB) to prepare a non-financial Group declaration. This report has been prepared in accordance with § 315b-c in conjunction with § 289b-e HGB. The contents of the report are exclusively based on the definition of materiality and the content requirements stipulated in § 315b (1) - (3) HGB. For this reason, no reference has been made to any framework. The explanation of the materiality analysis of the HORNBAACH Group has been presented in detail in Chapter 1.2. of this report.

1.1 Group structure and business model

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

HORNBAACH Holding AG & Co. KGaA is the parent company of the HORNBAACH Group. It does not have any operations itself, but has a number of major subsidiaries. In addition to HORNBAACH Baumarkt AG, the largest operating Subgroup at which the do-it-yourself (DIY) retail activities across Europe are pooled, the HORNBAACH Group also comprises the HORNBAACH Baustoff Union GmbH Subgroup (regional builders' merchants) and the HORNBAACH Immobilien AG Subgroup (real estate and location development). At the balance sheet date on February 28, 2023, the Group had a total of 25,118 employees. In the 2022/23 financial year (March 1, 2022 to February 28, 2023), the HORNBAACH Group generated net sales of around € 6.3 billion. The HORNBAACH 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 listed in the Regulated Market of the Frankfurt Stock Exchange.

In accordance with the Articles of Association, the General Partner of HORNBAACH Holding AG & Co. KGaA is HORNBAACH Management AG, represented by its Board of Management, which currently comprises two members. The Board of Management of the General Partner manages the business of HORNBAACH Holding AG & Co. KGaA and represents the company to third parties. Hornbach Familien-Treuhandgesellschaft mbH holds all shares in the General Partner of HORNBAACH 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 mainly focus on the needs of private end customers (business-to-consumer: B2C), are managed at HORNBAACH Baumarkt AG, which is by far the largest operating Subgroup. With its "ProfiService" and product range, HORNBAACH also targets tradespeople and other commercial customers (business-to-business: B2B). The DIY product range, which comprises around 50,000 articles stocked at the stationary stores and up to around 260,000 articles available online, is structured in five product divisions: (1) hardware / electrical, (2) paint / wallpaper / flooring, (3) construction materials / timber / prefabricated components, (4) sanitary / tiles, and (5) garden.

In addition, HORNBAACH is also active in the regional stationary builders' merchant business via the HORNBAACH Baustoff Union GmbH Subgroup (HBU), which chiefly focuses on specialist retail with commercial customers in the main and secondary construction trades (business-to-business: B2B). The range of products and services in HBU's B2B segment comprises around 170,000 articles in ten product divisions: civil engineering, building construction, roof / façade, fittings, garden, construction elements, sanitary and tiles, specialist products, fuels, and transport/other.

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 store deliveries 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 logistics centers. 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 more than € 5.8 billion in the 2022/23 financial year, the HORNBACH Baumarkt AG Subgroup contributed 93% of consolidated sales and employed around 95% of the HORNBACH Group's workforce at the balance sheet date. The HORNBACH Baustoff Union GmbH (HBU) Subgroup accounts for € 421 million, and thus around 7% 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.

1.2 Materiality analysis

HORNBACH performed a materiality analysis pursuant to the German Commercial Code (HGB) in the 2022/23 financial year. Pursuant to § 289c (3) HGB, non-financial topics count as material when they have high significant implications for the aspects stated in § 289c (2) HGB (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).

Current developments were accounted for in the materiality analysis by performing an environment analysis and surveying stakeholders. One particular focus was on new topics not included in the previous year's materiality matrix.

In the context of the annual materiality workshop, the managers responsible for the respective topics at the Group, including representatives of HORNBACH Baumarkt AG, HORNBACH Immobilien AG, and HORNBACH Baustoff Union GmbH, reviewed whether their assessment of non-financial topics within the Group's own business activities or supply chain and at customers which impact on the aspects defined in § 289c (2) HGB had changed to any significant extent compared with their assessment in the previous year. To this end, in an updated materiality matrix the non-financial topics were evaluated in terms of their relevance for our business activities and their implications for the aspects defined in § 289c (2) HGB. The findings of the environment and stakeholder analysis were included.

The managers responsible for the topics concluded that, compared with the previous year, no new material topics had arisen that were material both in terms of business activities and of the aspects defined in § 289c (2) HGB. The material topics on which the 2022/23 Non-Financial Group Report has been based are presented in the table below.

Aspects pursuant to § 289c HGB	Material topics
Environmental aspects	CO ₂ emissions
	Disposal and recycling
	Product responsibility
Employee aspects	Employer attractiveness
	Employee recruitment and development
	Employee health
Social aspects	Product range and customer information
Respect for human rights	Responsible procurement
Combating corruption and bribery	Compliance – voluntary disclosures, as not material pursuant to § 289c (3) HGB

The findings were agreed with the Board of Management of HORNBACH Management AG in order to ensure consistent and comprehensive reporting for the overall Group.

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 (3) Nos. 3 and 4 and § 315c HGB. Our Group-wide risk management did not identify any risks requiring report at the HORNBACH Holding AG & Co. KGaA Group.

Further information can be found in the Group Management Report, Risk Report, and Outlook of HORNBACH Holding AG & Co. KGaA.

1.4 Sustainability strategy and management

We base all our Group-wide entrepreneurial actions on the HORNBACH Values. These provide a firm foundation for the values underpinning our dealings with customers, as well as our conduct towards our fellow employees. We are convinced that responsible activities are a prerequisite for our long-term economic success and for the HORNBACH Group's future prospects. Our sustainability strategy is intended to secure the company's success on a long-term basis to the benefit of our employees and with respect for the environment and society in which we operate.

Within our company organization, we have defined areas of action on which we base sustainability strategy. When further developing our sustainability strategy in the 2022/23 financial year, the existing areas of action were specified as follows:

- Our **product range** provides our customers with the opportunity to consider ecological, health-related, and social aspects when making their purchases and facilitates more sustainable construction, renovation, and design. Relevant factors include the environmentally-friendly and socially responsible manufacture of the products, durability, sustainable product features, and environmentally-friendly packaging and transport.
- By offering **product-related services**, we help our customers to benefit from products for as long as possible and thus save resources. These include repair services and spare parts, as well as the professional disposal of products no longer suitable for use.
- We make people the focus of our activities and invest in long-term relationships. We aim to create a working environment in which all **employees** have the same opportunities, stay healthy, and are encouraged to take decisions under their own responsibility.
- We protect resources in our **own business operations**, for example by avoiding waste, promoting the renewed use of resources, and saving energy or procuring it from more environmentally-friendly sources or

generating it ourselves. When we build new stores and logistics centers or purchase vehicles and operating materials, sustainability criteria are factored into the respective planning and procurement processes.

The topics resulting from the areas of action are presented in detail in the new CSR Policy, which is valid throughout the Group. By setting mandatory CSR standards, the companies in the HORNBAACH Group also require their business partners to comply with ecological, social, and ethical standards of conduct. Furthermore, the HORNBAACH Group has published a policy statement on its human rights strategy. Both documents are available at www.hornbach-holding.de/en/responsibility/our-business-partners.

An internal CSR team comprising a core CSR team and members of the relevant departments from across the Group is responsible for further developing the company's strategic non-financial topics. The core CSR team coordinates and supports the work on sustainability topics at the overall Group and reports to the Boards of Management of HORNBAACH Management AG and HORNBAACH Baumarkt AG. The strategies, targets, and management of non-financial topics are largely defined by HORNBAACH Baumarkt AG as the largest operating Subgroup and are the responsibility of that company's Board of Management. The Board of Management is regularly involved in topic-specific measures and kept informed of their implementation. The Chief Executive Officer of HORNBAACH Baumarkt AG bears overall responsibility for the topic of CSR. He is additionally responsible for the areas of strategic development, operating sales and services, and expansion. Sustainability-related topics are nevertheless dealt with by all Board of Management departments and are within the responsibility of the respective member of the Board of Management.

At the HORNBAACH Baustoff Union GmbH Subgroup, the management is responsible for the strategies, targets, and management approaches for those non-financial topics deemed material. Overall responsibility is incumbent on the Chairman of the Management.

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 GmbH.

2. Material Non-Financial Aspects

The HORNBAACH Baumarkt AG Subgroup holds a dominant position within the HORNBAACH Group, and that both in terms of business activities and of their implications for the aspects defined in § 289c (2) HGB as they pertain to the HORNBAACH Holding AG & Co. KGaA Group. The B2C retail business at HORNBAACH Baumarkt AG contributes by far the largest share of the Group's sales and is therefore also the most important lever in terms of implications for the aspects defined in § 289c (2) HGB.

The material non-financial aspects identified for the Group are also relevant to the HORNBAACH Baustoff Union GmbH Subgroup.

In view of this, unless indicated otherwise, the concept described in this Non-Financial Group Report relates to the targets, strategies, management approaches, and measures at the HORNBAACH Holding AG & Co. KGaA Group. In what follows, the terms "we", "HORNBAACH" and "Group-wide" are synonymous with the entire HORNBAACH Group. Diverging from this, we explicitly refer to any concepts pursued solely on the level of the HORNBAACH Baumarkt AG or HORNBAACH Baustoff Union GmbH Subgroups.

2.1 Product range and customer information

2.1.1 Targets and strategy

HORNBAACH aims to satisfy the needs of its customers as closely as possible and consistently increase their satisfaction. Our DIY stores with garden centers, online shops, and builders' merchant outlets provide our 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.

With our permanently low price strategy across the whole product range, we position ourselves as a reliable partner for all projects in customers' homes and gardens. We calculate permanently fair prices for the entire product range and therefore do not offer discounts or promotional prices.

We obtain indications as to how satisfied our customers are with our product range, information, advice, and services from internal assessments and external customer surveys. To assess customer satisfaction, HORNBAACH refers to the Kundenmonitor customer survey (ServiceBarometer AG) in Germany, Austria, and Switzerland and refers to other independent external studies conducted by prestigious institutes in the Netherlands and Sweden. With regard to customer satisfaction as measured in the customer surveys in Germany, Austria, and Switzerland, the company aims in future to achieve a sales-weighted average score of at least 2.10 on the scale of 1 (extremely satisfied) to 5 (unsatisfied).

By offering the maximum possible transparency concerning the source, contents, and environmental impact 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' ever growing interest in responsible lifestyles, increasing the range of corresponding products and services, as well as the range of information and advice on offer also harbors growth opportunities for the company.

HORNBAACH is currently developing an internal article label that marks out that product within the listed stock range that offers significant sustainability benefits compared with alternatives in terms of its manufacture, logistics, and/or application. By 2027, 75% of the product range should have been reviewed from this perspective and, where applicable, suitably labeled in our systems.

2.1.2 Management approach and measures

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 shops into this process. On this basis, we 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 selection, product quality, specialist advice, and value for money/prices. Our aim is to maintain our very good rankings across Europe and to improve those rankings that are less good.

To ensure that our employees are available for customers, and thus also safeguard the quality of advice provided in our retail business, we base our staff deployment planning on expected seasonal customer frequency volumes. Two key factors highly significant to our business success are the ability to attract qualified spe-

cialist staff and the provision of regular training and further development measures to our employees. Furthermore, the HORNBACH Baumarkt AG Subgroup 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.

Within our product range, we are strengthening those products used in energy-efficient construction or for energy refurbishments. Given rising energy prices, the range of information on energy and heating costs was significantly extended and the photovoltaics product range expanded in the year under report.

Furthermore, customers have 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. These products are labeled with widely recognized seals, such as Blauer Engel or the eco-INITIUT seal, which are applied for by the respective manufacturers and displayed on the packaging. 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). We are gradually converting our range of plant protection products to environmentally-friendly alternatives to chemical insecticides.

The procurement organizations at HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH manage 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 where we operate our retail business, the procurement organizations account for both central and regional requirements when listing suppliers.

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 or do not fit in with the company's ethos on other ethical or ecological grounds.

2.1.3 Target achievement status

In the 2022/23 financial year, the HORNBACH Baumarkt AG Subgroup was ranked first for overall satisfaction among customers for DIY and home improvement stores in Germany, the Netherlands, and Sweden. Furthermore, in most regions for which studies are available HORNBACH's DIY stores and garden centers held first or second position in the criteria relating to product range, value for money, product quality, and willingness to recommend to others.

The Kundenmonitor surveys in Germany, Austria, and Switzerland resulted in a sales-weighted average score of 2.09 on the scale of 1 (extremely satisfied) to 5 (unsatisfied) in the 2022/23 financial year.

In addition to sector studies, the company also continually organizes surveys of DIY store customers in all countries where it operates (except Luxembourg). These are performed by an external provider on behalf of HORNBACH Baumarkt AG. Based on these surveys, in the catchment areas relevant to our business HORNBACH was most frequently the "first choice" for DIY store purchases among customers in Germany, Switzerland, the Czech Republic, and Slovakia in the 2022/23 financial year. HORNBACH was ranked second in Austria, the Netherlands, and Sweden. Moreover, HORNBACH was assessed as offering the best value for money in nearly all countries.

2.2 Responsible procurement

2.2.1 Targets and strategy

Consistent, reliable product availability influences both HORNBAACH's sales and its customers' satisfaction levels. One basic prerequisite involves ensuring the supply capability and reliability of our suppliers and of the supply chain at all times. Within our supply chain, we attend to compliance with minimum social and environmental standards. As the distributor, HORNBAACH bears a particular responsibility in this respect for private label and imported goods.

Timber is a commodity of particularly great importance for the Group's product range. HORNBAACH's CSR Policy requires that we exclusively procure tropic timber that has been certified by the Forest Stewardship Council (FSC) or timber from sustainable and responsible European forestry. When importing natural stones, HORNBAACH ensures that these come from companies that can document their compliance with international social and work safety standards in regular factory audits. Furthermore, HORNBAACH delisted all hand-hewn natural stone from its product range in 2013 already.

For us, one basic rule of social responsibility involves recognizing international standards and conventions, such as:

- The United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles)
- The United Nations Universal Declaration on Human Rights
- The Conventions and Recommendations of the International Labour Organization (ILO) on labor and social standards.

Our quality management also monitors compliance with environmental legislation and threshold values and bases this on the following standards and conventions including:

- The Stockholm Convention on Persistent Organic Pollutants (POPs Convention)
- The Minamata Convention and the EU's Mercury Regulation (EU) 2017/852
- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
- RoHS (Restriction of Hazardous Substances) Directive
- WEEE (Waste of Electrical and Electronical Equipment) Directive
- REACH (Registration, Evaluation, Authorisation of Chemicals) Directive.

The specific requirements we place in our suppliers are laid down in our CSR Standards for Business Partners of the HORNBAACH Group, which we revised in the 2022/23 financial year. As a matter of principle, these standards are applicable to all companies within the overall Group and their business partners.

In the year under report, we implemented the requirements of the German Supply Chain Due Diligence Act (LkSG), which entered effect as of January 1, 2023. These comprise:

- Analyzing the supply chain in terms of human rights risks
- Adopting a policy statement on the company's human rights strategy
- Appointing a human rights officer
- Embedding preventive measures in our own business operations and for direct business partners
- Taking immediate measures to remedy any legal infringements identified
- Establishing a complaints mechanism for legal infringements
- Complying with documentation and reporting obligations.

2.2.2 Management approach and measures

The HORNBAACH Group commissions standardized audits, mainly of production sites for the products which HORNBAACH stocks as private label products or imports directly from non-EU countries. Upon the preparation of this report, at its HORNBAACH DIY stores and garden centers and online DIY shops the HORNBAACH Baumarkt AG Subgroup stocked 53 private labels from across all five product divisions. These accounted for around 23% of total product sales. Compared with its sister company HORNBAACH Baumarkt AG, the HBU Subgroup has a significantly lower share of imports and private labels, which account for a medium single-digit percentage share. As of the reporting date, HBU stocked two private labels mainly focusing on product ranges for garden landscaping (natural stones, construction chemicals), plaster, and thermal insulation systems and tiles.

The factory audits are conducted by certified, accredited, and independent audit institutes on a regular basis for each production site. Successful audits are generally valid for one year, with a renewed audit subsequently commissioned. The key focus of the audit is to check compliance with environmental and social standards. 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 deliveries may only be organized by those private label and import suppliers that meet HORNBAACH's criteria and pass all factory audits. Compliance with requirements in the order process for imported articles is safeguarded by our SAP quality management system and managed by the "Quality Management and Environment" team. Audits are commissioned and monitored, also for HBU, by the HORNBAACH Baumarkt AG Subgroup.

To monitor the supply chain for timber, the HORNBAACH Baumarkt AG Subgroup works with an early-warning risk detection system ("CSR map"). This system on the one hand includes the article master data for HORNBAACH's DIY product range, as well as supplier audit reports. On the other hand, it provides country-specific information, such as corruption indices. Based on this data, it is possible to perform a risk assessment of individual articles. 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 risks in the supply chain can be rapidly detected and avoided or reduced.

To document the source of the timber used and identify timber products from illegal or disputed sources, HORNBAACH works closely with suppliers and environmental protection organizations. HORNBAACH Baumarkt AG received the 2007 FSC® Chain of Custody certificate GFA-COC-002007 / FSC® C010062 in 2007. This certifies that the supply chain is consistently checked and traceable from the origin of the timber through to the end product at our DIY stores. Annual auditing by an independent audit institute confirms our entitlement to bear this certificate. Our range of charcoal products is also fully FSC-certified.

2.2.3 Target achievement status

On the level of the HORNBAACH Baumarkt AG Subgroup, a total of 585 factory audits were conducted, mainly at suppliers of private label products and of products directly imported from non-EU countries, in the 2022/23 financial year (2021/22: 432). In the year under report, there were no cases (2021/22: none) in which the Subgroup was required to terminate the business relationship with the supplier as a result of these audits.

The HORNBAACH Baustoff Union GmbH Subgroup did not perform any factory audits at private label suppliers in the past financial year (2021/22: none). HBU also did not report any cases in the 2022/23 year under report in which the Subgroup was required to terminate the business relationship with its supplier (2021/22: none).

2.3 Product responsibility

2.3.1 Targets and strategy

The standard we have set ourselves as a sustainable retailer is to ensure that all products sold by HORN-BACH are of flawless quality. High product quality and durability make a key contribution to customer satisfaction and loyalty. We also believe that sustainable product features (water-saving, energy-saving, low in harmful substances, etc.), environmentally compatible packaging, and product recyclability are playing an ever more important role in how customers perceive companies.

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 always pose a risk to the retailer's reputation. We therefore make every effort to ensure the flawless quality of our entire product range.

2.3.2 Management approach and measures

HORN-BACH's quality management covers the entire procurement chain, particularly in the case of imported and private label products.

At the HORN-BACH Baumarkt AG Subgroup, these activities are located in organizational terms at the "Quality Management and Environment" department. At HORN-BACH Baustoff Union GmbH, responsibility lies with the procurement departments. The operating units perform the following trial-sample product checks either themselves or by commissioning external service providers. These are intended to safeguard the highest possible level of product quality:

- Merchandise inspection both during production and prior to shipment
- Merchandise inspection once the containers arrive at our logistics centers.

The HORN-BACH Baumarkt AG Subgroup also tests products in terms of safety, contaminants, and suitability for use with the assistance of independent, accredited, and certified testing institutes and regularly has checks performed on samples from its HORN-BACH DIY stores and garden centers. Further tasks include complaints monitoring, taking any corrective measures required, such as effecting improvements in the products, enforcing halts on sales, through to product recalls if defects arise in products already in circulation.

Furthermore, the quality management team monitors compliance with European standards and directives governing the registration, evaluation, authorization, restriction, and threshold values for chemicals and specified hazardous substances and so-called substances of concern (please see "Responsible procurement").

2.3.3 Target achievement status

In the 2022/23 financial year, quality management staff at HORN-BACH Baumarkt AG and accredited, certified, and independent audit institutes performed 1,128 (2021/22: 915) product quality tests (safety, contaminants, suitability for use) and 1,644 (2021/22: 2,183) article acceptance audits. Together, these correspond to 2,400 person-days (2021/22: 3,542) performed by independent audit institutes on behalf of HORN-BACH. The number of these tests is dependent in each case on order volumes. The lower number of product quality tests and article acceptance audits is due to the lower volume of imports. In the year under report, volumes normalized compared with the previous years, which were affected by the pandemic.

In view of the pandemic, the company made it possible once again in 2022/23 for individual suppliers to perform their own self-inspections. To be eligible, business partners had to have enjoyed a long-term and stable

relationship with HORNBAACH, showed no or only few defects in previous audits, and thus have a good reputation. Inspection forms, documentary photographs, and letters of guarantee have been received from 13 suppliers (2021/22: 23).

2.4 Employer attractiveness

2.4.1 Targets and strategy

We are convinced that highly motivated and loyal employees are the basis for the company's success. Particularly sales staff and advisors at our DIY stores with garden centers and our builders' merchant outlets play a key role in influencing the satisfaction of our customers. For HORNBAACH, a corporate culture which is characterized by open communications, appreciation, and diversity is therefore a basic requirement for upholding a high level of commitment. HORNBAACH is convinced that all business relationships are based on trust. Trust is a core message in the HORNBAACH Foundation and thus shapes our work relationships.

As a Group with operations across Europe and employees from around 100 countries, we attach priority to creating a working environment that is free of prejudice. Furthermore, HORNBAACH Baumarkt AG has signed the "Diversity Charter" and thus made a public commitment to treat all its employees with respect regardless of their gender, nationality, ethnic background, religion, disability, age, or sexual orientation.

Furthermore, HORNBAACH aims to maximize the diversity of its teams on all levels. Women currently hold 67% of the positions on the Supervisory Board of HORNBAACH Holding AG & Co. KGaA and 50% of the positions on the Board of Management. At HORNBAACH Baumarkt AG, the largest Subgroup, 2 of the 6 members of the Board of Management are women. Accounting for and respecting existing employment contracts, the diversity in the two management levels below the Board of Management at HORNBAACH Baumarkt AG is also to be increased. By 2026/27, the company intends to fill at least 25% of the positions on both levels with women. In the 2022/23 financial year, women accounted for 23.6% of the managers on these levels.

HORNBAACH is committed throughout the Group to the core labor standards of the International Labour Organization (ILO) and in particular to those governing the freedom and right to association. Due to the variety of legal and contractual requirements in the respective countries, co-determination topics are managed on a decentralized basis with unions and employee representatives. At HORNBAACH Baumarkt AG in Germany, the appropriate representation of employees is safeguarded with our General Works Council, works councils at nearly all German locations, and equal representation of employees and shareholders on the Supervisory Board. Consistent with the German Works Council Constitution Act, we cooperate with all works councils on a basis of trust. Employee representation is also in place in Luxembourg, the Netherlands, and Sweden.

1.1.1 Management approach and measures

The measures to uphold and increase our attractiveness as an employer are managed by the respective Personnel Departments at HORNBAACH Baumarkt AG and HORNBAACH Baustoff Union GmbH.

Our workforce structure data is presented in summarized form in the following table:



www.hornbach-holding.com
 Company >
 Corporate Governance >
 HORNBAACH Values

	2022/23	in %	2021/22	in %
Number of employees¹⁾	25,118	100.0	24,268	100.0
of which in Germany	13,731	54.7	13,379	55.1
of which in Other European Countries	11,387	45.3	10,889	44.9
of which women	10,284	40.9	10,077	41.5
of which men	14,806	58.9	14,163	58.4
of which aged up to 30 years	6,451	25.7	6,315	26.0
of which aged 31 to 50 years	11,599	46.2	11,433	47.1
of which aged over 50 years	7,040	28.0	6,492	26.8
of which part-time	6,597	26.3	6,158	25.4
of which with a temporary employment contract	5,958	23.7	5,543	22.8

¹⁾ No structure data is available for the employees at HORNBACH Baustoff Union in France (number of employees: 27).

Fair remuneration is a component of any trust-based work relationship. In those regions where collectively agreed payment rates are in place for the retail sector, i.e. in Germany, Austria, the Netherlands, and Sweden, at its HORNBACH stores HORNBACH Baumarkt AG voluntarily and comprehensively bases its remuneration on the respective collectively agreed rates. The collectively agreed rates for retail employees also apply to employees within HORNBACH's logistics. Overall, this means that around 75% of HORNBACH's employees are paid at or above the collectively agreed rates. 25% of HORNBACH's employees are paid on the basis of agreements customary to the market and, as a minimum, in accordance with the statutory minimum wage. In the 2022/23 financial year, HORNBACH further supported its employees in Germany, the Netherlands, Romania, Slovakia, and the Czech Republic by paying inflation compensation to cushion the effects of the sharp rise in inflation across Europe.

HORNBACH offers its (full-time and part-time) employees numerous additional benefits in all nine countries in which it operates. In nearly all regions, these include:

- Profit sharing
- Vacation and/or Christmas allowances or a 13th monthly salary
- Company pension scheme or contribution to pension insurance
- Employee shares in HORNBACH Holding AG & Co. KGaA

Furthermore, in some of the countries in which the company operates it offers further additional benefits in line with practices typical to the respective country, such as:

- Occupational disability insurance
- Healthcare promotion (e.g. company physician, mental health support services, physiotherapy, fitness)
- Advice on nursing care
- Work bicycle
- Anniversary payments.

The company grants maternity protection and parental leave in accordance with statutory requirements in all countries in which it operates. In Switzerland, it even goes beyond legal requirements in this respect.

HORNBACH enables all its employees to organize their working hours themselves, provided that this is compatible with the stipulated working processes. At the Group's administration locations, flextime and mobile work are possible at all locations. In some cases and in liaison with their respective managers, however, employees have to be present for core working hours.

Employees at HORNBACH's DIY stores and garden centers have shift-based working hours, mostly in three shifts, as do employees at the outlets of HORNBACH Baustoff Union GmbH. Here too, we are making efforts to enable our employees to structure their working hours flexibly to the extent permitted by organizational requirements and the legal framework. In some countries, for example, employees are able to structure their weekly working hours in four rather than five days or to amend their weekly working hours in line with their requirements.

In Germany, the "Bespoke Working Hours" model was introduced in the year under report. This new model comprises five components, three of which enable employees to reduce their working hours, for example by converting vacation or Christmas allowances into up to 20 extra days off. They can also work on a part-time basis for a limited or unlimited period. If so desired, the annual pay rise can be used to gradually reduce the number of working hours. A fourth component enables them to reallocate their working hours, for example as a four-day week while still working full time with 37.5 hours. Finally, the fifth component allows employees to increase their weekly working hours to up to 42.5 hours for a period of three, six, or nine months.

In Switzerland, working hours for all employees have been reduced from 41 to 39 hours a week. Since January 2023, Swiss employees have also been able to structure their breaks more flexibly, take extended maternity or paternity leave over and above legal requirements, and have their overtime settled as a 13th monthly wage.

Part-time models are in place across the Group. All employees with work time accounts can have their work time digitally recorded down to the nearest minute. This provides them with flexibility in building up or reducing overtime. This option does not apply to managers from a specific functional level upwards. Weekly working hours depend on the work time regulations typical to the respective country.

To offer employees a neutral point of contact, HORNBACH has created the position of ombudsperson. They act as a contact partner to all HORNBACH employees in difficult situations. Their 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.

2.4.2 Target achievement status

To measure and manage employer attractiveness, we refer to the personnel turnover rate as a quantitative indicator. In the year under report, the personnel turnover rate, defined as terminations (by employees or employer) as a percentage of the average number of employees in permanent regular employment, amounted to 16.4% (2021/22: 14.9%).

Employer attractiveness	2022/23	2021/22
Average number of employees	23,228	22,463
Total terminations (by employees or employer)	3,804	3,354
Personnel turnover rate (in %)	16.4	14.9

In the financial year under report, seven incidents of discrimination were identified in the form of infringements of the German General Equal Treatment Act (AGG).

Women accounted for a total of 23.6% of the managers in the two management levels below the Board of Management at HORNBACH Baumarkt AG in the 2022/23 financial year.

2.5 Employee recruitment and development

2.5.1 Targets and strategy

Given our strategic focus on project customers at our DIY stores and garden centers and on commercial customers at our builders' merchant outlets, we have a great requirement for well-informed employees who are able to competently support 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 management responsibility. For key forward-looking topics, the company also relies on targeted recruitment on the free labor market.

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.

Given low unemployment rates across large parts of Europe, recruiting new employees is a challenge. Moreover, the trend towards studying for a university degree is continuing and has exacerbated the already low attractiveness of the retail sector. As well as ensuring good working conditions (see "Employer attractiveness"), it is therefore essential for us to provide all employees with attractive opportunities for further training and development.

2.5.2 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 personnel 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.

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. The HORNBAACH Baumarkt AG Subgroup also works with comparable dual work-study training programs in Austria and Switzerland. Not only that, in Romania we are working with other retailers and the International Chamber of Commerce to permanently establish a dual vocational training system. HORNBAACH does not offer comparable training schemes in the other countries in which it operates.

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.

Our new hire structure data is presented in summarized form in the following table:

	2022/23	in %	2021/22	in %
Newly hired employees	6,233	100	6,194	100
of which in Germany	2,471	39.6	2,505	40.4
of which in Other European Countries	3,762	60.4	3,689	59.6
of which women	2,239	35.9	2,373	38.3
of which men	3,994	64.1	3,820	61.7
of which aged up to 30 years	3,430	55	3,354	54.1
of which aged 31 to 50 years	1,926	30.9	2,078	33.5
of which aged over 50 years	877	14.1	762	12.3

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. HORNBAACH Baustoff Union GmbH offers regular module training for its total of more than 130 professional drivers. Where necessary, it also enables further employees to acquire their professional driving qualification.

Working together with Chambers of Industry and Commerce, we enable our employees to participate in certified training programs. These include qualification as a retail specialist, for example. Furthermore, internal and external seminars are also offered across the Group. These measures are managed by the relevant personnel departments at HORNBAACH Baumarkt AG and HORNBAACH Baustoff Union GmbH.

We prepare upcoming management staff at the HORNBAACH Baumarkt AG Subgroup 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 its central administration departments and logistics centers as well.

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.

2.5.3 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 collected. The recruitment of new employees is always based on current requirements.

The figures below include trainees at the HORNBAACH Baumarkt AG and HORNBAACH Baustoff Union GmbH Subgroups in Germany, Austria, Switzerland, and Luxembourg.

In the 2022/23 financial year, HORNBAACH employed 1,124 trainees and participants in dual work-study programs (2021/22: 1,048). A Group-wide total of 435 trainees completed their training in the year under report (2021/22: 401); this corresponds to 38.7% (2021/22: 38.3%). A total of 295 trainees were accepted for regular employment or for a third year of training (2021/22: 265); this corresponds to an acceptance rate of 67.8% (2021/22: 66.1%).

The structure data for trainees and participants in dual work-study programs at the HORNBAACH Group is summarized and compared with the previous year's figures in the following table:

	2022/23	in %	2021/22	in %
Total number of trainees and participants in dual work-study programs	1,124	100.0	1,048	100.0
of which in Germany	885	78.7	796	76.0
of which in Other European Countries	239	21.3	252	24.0
Training completed in year under report	435	38.7	401	38.3
of which accepted for regular employment or for a third year of training	295	67.8	265	66.1

As training needs may vary over time, the company does not have any quantitative targets to measure employee development. In the year under report, a total of 534 virtual product and other training sessions were held at HORNBACH Baumarkt AG (2021/22: 365), while 118 employees took part in certified training programs (2021/22: 91). Management training sessions were attended by 506 employees (2021/22: 309). Of the 172 management positions (2021/22: 177) filled in the year under report, 126 (2021/22: 112), or 73.3% (2021/22: 63.3%), were awarded to internal employees.

2.6 Employee health

2.6.1 Targets and strategy

Healthy and motivated employees form the basis for the company's success. It is therefore important to the company that its employees should comply with safety measures, be careful when at work, and familiarize themselves with any hazards. In our work environment, it is just as important to be alert as it is to wear personal protective equipment.

Health protection is an established aspect of our daily work at the company and ranges from identifying the causes of any accidents, taking suitable preventive measures, through to effectiveness checks. The mental health of our employees is also increasingly in focus. The company has set itself the explicit target of protecting not only the physical integrity, but also the mental health, of its workforce.

2.6.2 Management approach and measures

The work safety department coordinates all health protection measures in place across the Group. The respective store manager or location director is responsible for implementing these measures. Consistent with legal requirements, HORNBACH has also formed a Work Safety Committee comprising representatives of the operating locations and the works council (where applicable), as well as the company physician and occupational health and safety specialists. The Work Safety Committee meets once a quarter and discusses strategies, measures, and current incidents.

The basic principles of safe conduct and work are summarized in HORNBACH's Safety Manual. This serves as a basis for annual instruction sessions and is made available as a point of reference to all company employees in Germany. For the other countries in which HORNBACH operates, the Safety Manual serves as a minimum standard and can be supplemented with country-specific aspects. This also applies when local legislation permits lower safety standards. Those employees who are exposed to specific risks on account of their activities receive regular training relevant to their activity. Additional instruction is provided in the event of accidents or other safety-relevant incidents.

Safety officers have been appointed from among the workforce at all operating units (DIY stores and garden centers, HBU outlets, and logistics centers). One example of their responsibilities is a monthly safety inspection of the relevant site. The Group also has a fire protection officer who is in turn supported by fire protection assistants at all locations. Additional functions, such as evacuation assistants and first-aid specialists,

are also covered within the organization. Employees performing these functions receive regular training, as a minimum every three years.

A risk assessment has to be performed and documented at least once a year. Additional event-specific risk assessments are required, for example when conversion measures are implemented, new work equipment is introduced, accidents have occurred, and when changes arise in employees' performance capacity.

HORNBAACH provides all its employees with the personal protective equipment they need for their roles, such as gloves, protective shoes, ear protection, safety glasses, safety knives, and back support belts. For lifting and carrying heavy goods, work equipment such as floor conveyors and lift trucks are available. These topics are particularly relevant to employees in the operating units. Alongside these, there is the matter of ergonomic setups for computer screen workplaces. Here, special recommendations are available for HORNBAACH employees who are also able to perform their work on a mobile basis. To reduce psychological strain, training is offered to all employees via "HORNBAACH Campus", the company's internal learning platform.

In Germany, HORNBAACH cooperates with the "Evermood" health platform, which offers information, tips, and personal support with mental health issues, including a range of psychological advice.

2.6.3 Target achievement status

No quantitative targets are in place to measure employee health. The number of work-related accidents requiring report (>3 workdays lost) amounted to 628 in the year under report (2021/22: 767), resulting in an accident incident rate (accidents per 1,000 employees) of 26.4 (2021/22: 33.3). The accident rate refers to 23,803 active employees (excluding Hong Kong and HORNBAACH Baustoff Union in France). There was one fatal accident in the year under report (2021/22: none). This incident has already been addressed in talks with the operating units and awareness of the issues involved has been raised among the relevant employees. The sickness rate at the HORNBAACH Baumarkt AG Group stood at an annual average of 8.9% (2021/22: 8.2%).

Employee health	2022/23	2021/22
Number of work-related accidents requiring report (>3 workdays lost)	628	767 ¹⁾
of which accidents on way to/from work	103	94
Accident rate (accidents per 1,000 employees)	26.4	33.3 ¹⁾
Number of fatal accidents	1	0
Sickness rate (HORNBAACH Baumarkt AG)	8.9%	8.2%

1) Accident figures for 2021/22 adjusted due to retrospective reports

2.7 CO2e emissions

2.7.1 Targets and strategy

HORNBAACH is making a contribution towards achievement of the climate targets agreed by society. The company records and documents the CO2e emissions directly and indirectly resulting from its business activities. Since the 2021/22 financial year, we have measured the CO2e footprint of our buildings and of the vehicles and equipment we ourselves operate (Scopes 1 and 2) at the HORNBAACH Group. The largest share of these emissions relate to the operation of our retail outlets and logistics locations. The company plans to continually reduce its CO2e emissions in the coming years.

2.7.2 Management approach and measures

CO2e emissions resulting from the operation of proprietary stores and logistics centers can largely be reduced by consuming less energy. In recent years, HORNBAACH already saved substantial volumes of energy by deploying smart lighting management and building control technology, as well as by converting nearly all

stores and logistics centers to LED lighting. Due to the sharp rise in energy prices, the company pressed further ahead with reducing its gas and electricity consumption in the 2022/23 financial year. Among other measures, air-conditioning equipment was switched off in summer, indoor temperatures in winter were lowered within the legal limits, and savings were achieved by temporarily closing administration buildings.

The CO₂e emissions calculated for 2021/22 are presented in the following table.

Greenhouse gas emissions in tonnes of CO ₂ e	2022/23	2021/22 ⁵⁾
Scope 1¹⁾	29,600	40,308
Natural gas / liquid gas	16,341	25,791
Heating oil	2,634	2,725
Vehicle pool	10,625	11,792
Scope 2 (market-based)²⁾	36,011	35,113
Electricity	32,803	30,046
District heating	3,209	5,067
Scope 2 (location-based)³⁾	39,426	46,557
Total greenhouse gas emissions Scopes 1 and 2 (market-based) in tonnes	65,611	75,421
Greenhouse gas emissions Scopes 1 and 2 (market-based) per m² of heated space⁴⁾ in kg, excluding vehicle pool	30.74	35.14

(Differences due to rounding up or down)

¹⁾ Excluding coolants

²⁾ Market-based figures refer to emission factors at the electricity supplier.

³⁾ Location-based figures refer to average emission factors for the region (country) in which the electricity is consumed.

⁴⁾ Definition adjusted compared with previous year; heated space at DIY stores and builders' merchant outlets (excluding administration and logistics space).

⁵⁾ Due to a change in the calculation methodology (change of provider), the figures calculated in the previous year are not fully comparable with those calculated for the 2022/23 financial year.

The following measures to reduce Scope 1 and 2 emissions further were defined in the 2022/23 financial year:

- Electricity is increasingly to be generated by the company itself in future. To this end, an analysis is being performed to ascertain at which locations the installation of photovoltaics systems would be possible and expedient. Individual pilot projects are being implemented. Further expansion will be defined based on these pilot projects.
- The consumption of fossil fuels (gas, oil), which are used above all for heating, is to be reduced. Available technical options are currently being analyzed.
- A new store construction standard that accounts for greenhouse gas emissions during store use is to be developed.
- A new company car policy promoting the use of emission-free and low-emissions vehicles is to be developed.

2.7.3 Target achievement status

In the 2022/23 financial year, the company achieved a 12.5% reduction in its store greenhouse gas emissions (CO₂e, Scopes 1 and 2) per square meter of heated space.

2.8 Disposal and recycling

2.8.1 Targets and strategy

As a retail company, HORNBACH is responsible for the product packaging of its private labels and own imports, as well as for transport packaging and article repackaging. By ensuring that these materials are handled in resource-effective ways, HORNBACH is making an active contribution to building a circular economy. We aim to use as little packaging material as possible and to design unavoidable packaging in such a way that it is as recyclable as possible.

In our business operations, we have adopted an end-to-end waste concept which promotes the separation and thus recycling of resources as secondary resources while simultaneously minimizing the volume of non-recyclable materials. Not least in view of the consistent rise in disposal costs, we see well-considered resource management as indispensable.

We support our customers in using the products they buy from us for as long as possible by offering repair services and spare parts. Products and materials that can no longer be used can be disposed of in an environmentally compatible manner at HORNBACH. We provide customers across the Group with the opportunity to return and dispose of lighting materials, old electrical appliances, waste oil, and batteries. We also support them in correctly disposing of construction rubble.

2.8.2 Management approach and measures

Within the product development process, in the 2022/23 financial year we stepped up our efforts to reduce the volume of packaging used for private label products and proprietary import articles. Where this is not possible, we are working on more environmentally-friendly alternative solutions. One special focus is on reducing the volume of plastic packaging and packaging material within our proprietary sales packaging. A further target is to replace packaging made of paper-plastic composites with packaging made of just one material. Optimization measures are implemented on a gradual basis in line with scheduled product range revisions. The licensing of packaging materials is managed on a Group-wide basis by the central administration in Germany.

Together with other retailers, HORNBACH founded the “Euro Plant Tray” association in the year under report. The aim here is to introduce a multiple-use system for plant transport packaging that is valid across Europe.

To simplify disposal and gain a precise overview of all material flows, HORNBACH operates its own online recycling portal that is used by HORNBACH Baumarkt AG and its subsidiaries in six countries and at HORNBACH Baustoff Union. Each location connected to the portal has an overview of all waste classes and is able to commission professional disposal services exactly when required. The portal also serves to manage collection of proprietary resources by HORNBACH's fleet of “Resource Liners”.

In 2014, we began the proprietary collection of resources from our stores using our HORNBACH “Resource Liners”. These now travel across large parts of the countries in which we operate. This way, we are able to collect large quantities of resources at the stores and then to deliver them to the desired recycling locations, such as paper factories. HORNBACH can thus on the one hand ensure that further processing of the resources takes place directly. On the other hand, this approach also reduces disposal charges. A further benefit is that these trucks can be integrated into the store delivery network. This way, empty runs can be avoided and stores that are in any case located on the trucks' disposal routes can be supplied with the necessary merchandise. To minimize the number of runs as far as possible, HORNBACH's stores and logistics centers work with baling presses for the high-volume waste classes of paper and plastics.

In the year under report, the company disposed of the following volumes of waste and resources via the waste points connected to the disposal portal. HORNBAACH's locations in Romania, Slovakia, and the Czech Republic are currently not connected to the portal.

Resources in tonnes (rounded total)	2022/23	2021/22
Plastics	2,800	2,800
Paper, paperboard, cardboard	11,200	11,700

Waste in tonnes (rounded total)	2022/23	2021/22
Waste for recycling	8,400	9,000
Old paint, old varnish (containing dispersion and solvents)	315	340
Waste metal & aluminum	2,700	2,800
Rubble (pure)	14,000	16,000
Electrical waste (small and large appliances, cooling appliances, lighting materials)	680	650
Gypsum-based waste	2,450	2,800
Timber (A1 - A3)	29,750	35,000
Compost material / green waste	2,850	3,100

HORNBAACH pursues a variety of approaches to directly make new products out of resources. Wood chippings, for example, are offered as an alternative to mulch at HORNBAACH's stores. Furthermore, new products such as water butts are made out of recycled hard plastic.

2.8.3 Target achievement status

No quantitative targets are in place to measure waste reduction.

2.9 Compliance

2.9.1 Targets and strategy

HORNBAACH's compliance management system is built on a value-based approach. The principles set out in the "HORNBAACH Foundation" and their specification in the "HORNBAACH Values" form the defining basis for HORNBAACH's system of values. These have been translated into all relevant languages at the Group and made available to all employees. Compliance with legal requirements and internal company policies and ethical principles is indispensable to HORNBAACH and the company has aligned its corporate culture to these principles. In particular, these also include internal anticorruption regulations.

Corruption and bribery/corruptibility may have substantial implications for the company and its employees, cause enormous harm to the company's reputation, and lead to a long-term loss of trust. In view of this, combating corruption and bribery/corruptibility is one of the focus compliance topics. As with all compliance infringements, HORNBAACH has a zero-tolerance policy towards corruption.

2.9.2 Management approach and measures

HORNBAACH's compliance management system has a primarily preventive focus with the aim, wherever possible, of avoiding infringements in the first place. The Compliance Department manages the coordination and continuous optimization of Group-wide compliance activities. The Head of Compliance reports directly to the Chief Compliance Officer. The Compliance Department is further supported by compliance officers responsible for the regions and specialist departments.

As a general rule, individual one-to-one meetings are held with compliance officers from the regions several times a year. In addition, joint Group meetings with all compliance officers from the specialist departments and regions take place twice a year.

These regular meetings address individual topics, such as training requirements or the existence of compliance-relevant topics. This ensures that the Compliance Department is kept informed of system-relevant developments in the regions and specialist departments over and above the matters reported on an ad-hoc basis. Furthermore, the Compliance Committee, which is the topmost advisory body within the compliance organization, also meets regularly and discusses relevant compliance-related developments.

In addition to the bodies and contact partners directly involved, the compliance management system is also supplemented by a web-based whistleblower system. This offers a further system that is available worldwide to enter into dialog with the compliance organization, anonymously if preferred. It provides a channel for submitting notifications of potential compliance infringements, particularly those relating to corruption and bribery/corruptibility.

The standards of conduct set out in the “HORNBAACH Values” place explicit expectations in the company’s managers and employees. Among others, these include a commitment to fair competition and conduct based on integrity. They also explicitly condemn conflicts of interests and corruption. This approach is set out in greater detail in the document “HORNBAACH’s Standards of Conduct – Acceptance and Granting of Gratuities”. The corresponding expectations in managers and employees are formulated on the basis of various guiding principles.

The HORNBAACH Foundation, the HORNBAACH Values and “HORNBAACH’s Standards of Conduct – Acceptance and Granting of Gratuities” are provided to all employees when they start working at HORNBAACH and are also permanently available in digital form on the Group’s intranet.

2.9.3 Target achievement status

The anticorruption concept presented above is intended to avoid all kinds of corruption and bribery/corruptibility and certainly to prevent any material cases of such arising. No material incidents of corruption or bribery/corruptibility were identified in the 2022/23 period under report.

3. EU Taxonomy

3.1 Background

As a result of the European Green Deal, the topics of climate protection, ecology, and sustainability are becoming a key focus of political measures taken by the European Union with the overriding objective of achieving climate neutrality by 2050. In March 2018, the European Commission presented the “Sustainable Finance” Action Plan to channel funding into sustainable investments, tackle the financial risks resulting from climate change, the shortage of resources, environmental destruction, and social problems, and increase transparency and long-termism in financial and economic activity. One specific measure in the Action Plan involves introducing a taxonomy of sustainability, which was subsequently established in Regulation (EU) 2020/852 (hereinafter: “EU Taxonomy”). The EU Taxonomy, which entered effect in 2020, provides a system for classifying environmentally sustainable economic activities. According to this system, an economic activity is to be classified as sustainable if it particularly makes a substantial contribution to one of the six following environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems.

To date, the European Commission has published binding technical screening criteria to assess the sustainability of economic activities in respect of the first two environmental objectives of “climate change mitigation” and “climate change adaptation” in Delegated Regulation (EU) 2021/2139 (hereinafter “Climate Delegated Act”) and Delegated Regulation (EU) 2022/1214 addressing specific gas and nuclear energy activities (hereinafter “Complementary Climate Delegated Act”). If an economic activity is recorded and described in these delegated acts, then in the first stage it is to be classified as “taxonomy-eligible”. For a taxonomy-eligible economic activity to be viewed in the second stage as “taxonomy-aligned”, it must cumulatively meet the requirements presented below:

- The economic activity makes a substantial contribution to at least one of the environmental objectives by meeting the technical screening criteria stipulated by the EU Taxonomy for a substantial contribution.
- The economic activity does no significant harm to one or more of the other environmental objectives and therefore meets the technical screening criteria for the avoidance of significant harm (the “do no significant harm” (DNSH) criteria) of the EU Taxonomy.
- Minimum safeguards are basically complied with across the respective activities.

Pursuant to the EU Taxonomy and the supplementary delegated acts, in our Non-Financial Group Report we report the shares of taxonomy-eligible turnover, capital expenditure (CapEx), and operational expenditure (OpEx) for the 2022/23 financial year in respect of the first two environmental objectives of “climate change mitigation” and “climate change adaptation”. The EU Taxonomy and the delegated acts issued on this include formulations and concepts whose interpretation is still subject to significant uncertainty and for which clarifications have not yet been published in all cases.

The key performance indicators requiring report for the EU Taxonomy in the 2022/23 financial year are summarized in the table below:

2022/23	Total in € 000s	Taxonomy-eligible share in %	Taxonomy-aligned share in %
Turnover	6,263,133	0.5%	0%
Capital expenditure (CapEx)	349,637	48.3%	0%
Operational expenditure (OpEx)	103,700	74.2%	0%

3.2 HORNBAACH's economic activities

The sales of the HORNBAACH Group recognized pursuant to IFRS 15 were analyzed to assess whether they can be allocated to one of the economic activities listed in the annexes to the Climate Delegated Act or the Complementary Climate Delegated Act and thus viewed as taxonomy-eligible. These delegated acts primarily focus on sectors and economic activities that are largely responsible for CO2 emissions.

The business activities which generate HORNBAACH's sales are primarily those of a traditional commodity dealer: procurement and sale of goods and related services. The analysis established that HORNBAACH's retail activities are not covered by the two delegated acts and are therefore also not covered by the current EU Taxonomy. As a result, the lack of relevant technical screening criteria means that it is currently not possible to assess the environmental sustainability of HORNBAACH's retail activities. In its tradespeople service, HORNBAACH offers various project services. Part of the resultant tradesperson service sales may be allocated to the economic activity "7.3. Installation, maintenance and repair of energy efficiency equipment" in connection with the "climate change mitigation" environmental objective and therefore classified as taxonomy-eligible.

In the 2022/23 financial year, the key performance indicators presented below for turnover, capital expenditure (CapEx), and operational expenditure (OpEx) were calculated with due application of a materiality approach. Only those economic activities for which the taxonomy-eligible key figure reached the threshold of 1% were assessed to ascertain their taxonomy-alignment.

3.3 Turnover

Turnover as defined in the EU Taxonomy corresponds to the consolidated net sales recognized pursuant to IAS 1.82(a) in the IFRS consolidated financial statements. The income statement in the consolidated financial statements of HORNBAACH Holding AG & Co. KGaA for the 2022/23 financial year reports sales of € 6,263,133k (please see the comments on the Basis of Accounting and Note (1) "Sales" in the consolidated financial statements).

The key performance indicators reported in the table on turnover present taxonomy-eligible and taxonomy-aligned turnover as a share of the Group's total sales.

Taxonomy-eligible turnover

HORNBAACH generates sales from tradesperson services that may be allocated to the economic activity "7.3 Installation, maintenance and repair of energy efficiency equipment" in connection with the "climate change mitigation" environmental objective and therefore classified as taxonomy-eligible. These sales primarily result from the installation of door and window elements, the installation of water and energy-saving fittings, and insulation measures. In the 2022/23 financial year, the Group's taxonomy-eligible turnover amounted to € 32,147k. Taxonomy-eligible turnover thus accounted for a 0.5% share of total sales.

Taxonomy-aligned turnover

The taxonomy-eligible turnover resulting from the tradesperson service comprises a large number of very small orders. Assessing the taxonomy alignment of this turnover would require specific consideration of each individual order. Given due application of the materiality approach, the company currently only assesses the taxonomy alignment of those activities for which the taxonomy-eligible turnover accounts for at least 1% of total sales. As a result, taxonomy-aligned turnover accounts for a 0% share of total sales.

3.4 Capital expenditure (CapEx)

According to the definition in the EU Taxonomy, capital expenditure comprises additions to tangible and intangible assets during the financial year before depreciation, amortization, and any remeasurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The capital expenditure of the HORNBAACH Group comprises additions to property, plant and equipment (IAS 16), intangible assets (IAS 38), investment property (IAS 40), and right-of-use assets (IFRS 16) (please see the comments on the Basis of Accounting and the relevant Notes (11), (12), and (13) in the consolidated financial statements). Due account also has to be taken of additions resulting from business combinations (IFRS 3) except for any goodwill arising thereby.

In the 2022/23 financial year, total capital expenditure at the Group amounted to € 349,637k. Of capital expenditure, € 8,811k involved intangible assets (please see Note (11) “Intangible assets” in the consolidated financial statements), € 188,144k involved property, plant and equipment (please see Note (12) “Property, plant and equipment, right-of-use assets, and investment property” in the consolidated financial statements), and € 152,682k involved right-of-use assets (please see Note (12) “Property, plant and equipment, right-of-use assets, and investment property” in the consolidated financial statements). Total capital expenditure can be derived from the respective asset schedules in the consolidated financial statements and comprises the “Additions” line items. Of capital expenditure in the 2022/23 financial year, an amount of € 10,505k related to an acquisition in the context of business combinations.

The key performance indicators reported in the table on capital expenditure present taxonomy-eligible and taxonomy-aligned capital expenditure as a share of the Group’s total relevant capital expenditure. A distinction has to be made between the three following categories of taxonomy-eligible or taxonomy-aligned capital expenditure:

- a) capital expenditure that relates to assets or processes that are associated with taxonomy-eligible or taxonomy-aligned economic activities (CapEx a))
- b) capital expenditure that forms part of a CapEx plan to expand taxonomy-eligible or taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned (CapEx b))
- c) capital expenditure that relates to the purchase of output from taxonomy-eligible or taxonomy-aligned economic activities and individual measures to reduce greenhouse gas emissions provided that such measures are implemented and operational within 18 months (CapEx c)).

Taxonomy-eligible capital expenditure

At the HORNBAACH Group, taxonomy-eligible capital expenditure currently relates exclusively to the purchase of output from taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions (CapEx c)) in connection with the “climate change mitigation” environmental objective. As a result, the multiple counting of individual items of capital expenditure can be excluded. The taxonomy-eligible capital expenditure of the HORNBAACH Group is presented in summarized form in the table below:

Economic activities for the “climate change mitigation” environmental objective	Description of taxonomy-eligible capital expenditure
3.6. Manufacture of other low-carbon technologies	Purchase and long-term rental of electric forklift trucks
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	Purchase and long-term rental of passenger cars and light commercial vehicles
6.6. Freight transport services by road	Purchase and long-term rental of freight transport vehicles
7.3. Installation, maintenance and repair of energy efficiency equipment	LED lighting Air conditioning systems
7.6. Installation, maintenance and repair of renewable energy technologies	Photovoltaics systems
7.7. Acquisition and ownership of buildings	Purchase, construction, and long-term rental of properties

In the 2022/23 financial year, the Group’s taxonomy-eligible capital expenditure amounted to € 168,748k. Taxonomy-eligible capital expenditure mainly relates to additions from the purchase, construction, and long-term rental of buildings, including any associated individual measures, as well as to additions from the purchase or long-term rental of vehicles, including electric forklift trucks.

In connection with the construction of buildings, part of the capital expenditure made in the 2022/23 financial year cannot be reported as taxonomy-eligible capital expenditure as the underlying measures had not been completed within 18 months pursuant to the EU Taxonomy, as a result of which the definition of CapEx c) was not relevant (please see FAQ 11 from Commission Notice on the Interpretation of Certain Legal Provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the Reporting of Eligible Economic Activities and Assets (2022/C 385/01)). For these cases, CapEx plans will be compiled in future, thus facilitating reporting as CapEx b).

Taxonomy-aligned capital expenditure

The capital expenditure in category c) refers to the purchase of output from taxonomy-eligible or taxonomy-aligned economic activities and individual measures to reduce greenhouse gas emissions. HORNBAACH classifies any products or services acquired that are named in an activity description as the purchase of output. In these cases, it is regularly necessary to provide evidence of the taxonomy alignment of the respective capital expenditure by involving the relevant supplier or manufacturer. Although individual measures also included in the activity descriptions are frequently performed with the involvement of external third parties, HORNBAACH can precisely stipulate their content and implementation. As a result, HORNBAACH is required to provide evidence of the taxonomy alignment of the individual measures. In the 2022/23 financial year, HORNBAACH identified taxonomy-eligible capital expenditure in connection with vehicles and properties that require review in respect of their taxonomy alignment.

For the economic activities with taxonomy-eligible CapEx presented in the table above, the review of their taxonomy alignment was performed with due consideration of materiality perspectives. This involved analyzing the technical screening criteria defined in the EU Taxonomy, namely substantial contribution to an environmental objective, do no significant harm to another environmental objective, and minimum safeguard. Within this analysis, it was not possible to document any taxonomy-aligned capital expenditure.

3.5 Operational expenditure (OpEx)

The definition of operational expenditure in the EU Taxonomy covers only part of the expenses recognized in the income statement. It covers direct, non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

- The HORNBAACH Group currently does not have any research or development activities.
- Short-term lease expenditures (as well as short-term, these include low-value leases pursuant to IFRS 16).
- Maintenance and repair expenditures as defined in the EU Taxonomy are recognized in all functional areas of the income statement. The same applies to expenses incurred to renovate existing buildings.
- Other expenditures relating to the day-to-day servicing of assets of property, plant and equipment particularly include maintenance expenditures and repairs.

In the 2022/23 financial year, total operational expenditure at the Group relevant in connection with the EU Taxonomy amounted to € 103,700k.

The key performance indicators reported in the table below on operational expenditure present taxonomy-eligible and taxonomy-aligned operational expenditure as a share of the Group's total relevant operational expenditure. By analogy with capital expenditure, a distinction has to be made here between three categories of taxonomy-eligible and taxonomy-aligned operational expenditure ((OpEx a), OpEx b), and OpEx c)). In allocating operational expenditure to taxonomy-eligible and taxonomy-aligned capital expenditure, reference is made to suitable allocation codes based, for example, on cost centers or the composition of the relevant assets.

Taxonomy-eligible operational expenditure

At the HORNBAACH Group, taxonomy-eligible operational expenditure currently relates exclusively to the purchase of output from taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions (OpEx c)) in connection with the "climate change mitigation" environmental objective. As a result, the multiple counting of individual items of operational expenditure can be excluded. The taxonomy-eligible operational expenditure of the HORNBAACH Group is presented in summarized form in the table below:

Economic activities for the “climate change mitigation” environmental objective	Description of taxonomy-eligible operational expenditure
3.6. Manufacture of other low-carbon technologies	Maintenance expenditure in connection with electric forklift trucks
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	Maintenance expenditure in connection with passenger cars and light commercial vehicles
6.6. Freight transport services by road	Maintenance expenditure in connection with freight transport vehicles
7.7. Acquisition and ownership of buildings	Maintenance and cleaning of buildings

In the 2022/23 financial year, the Group’s taxonomy-eligible operational expenditure amounted to € 76,912k.

Taxonomy-aligned operational expenditure

In the 2022/23 financial year, the HORNBAACH Group identified taxonomy-eligible operational expenditure in connection with vehicles and properties that require review in respect of their taxonomy alignment. The assessment of the taxonomy-alignment of operational expenditure is basically analogous to that performed for capital expenditure.

3.6 Minimum safeguards

Minimum safeguards involve the implementation of procedures to ensure alignment with the following sets of rules and principles:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Declaration of the International Labour Organization on Fundamental Principles and Rights at Work
- International Bill of Human Rights.

There are currently no legally binding application instructions concerning compliance with minimum safeguards. In view of this, HORNBAACH has taken due account of the instructions contained in the “Final Report on Minimum Safeguards” of the Platform on Sustainable Finance (PSF), which was published in October 2022. For minimum safeguard requirements, this formulates four pertinent core topics:

- Human rights (including labor and consumer rights)
- Bribery, bribe solicitation and extortion
- Taxation
- Fair competition.

In accordance with the framework selected above, the review as to whether the company complies with minimum safeguards in respect of these four topics is to be reviewed using a two-dimensional approach. Alongside (1.) the existence of appropriate due diligence procedures to safeguard compliance with the relevant requirements (process dimension), there may be (2.) no indications that the company has violated minimum standards in respect of any of the four core topics (results dimension). Any such violation would indicate the inadequate effectiveness of the processes in place. This would particularly be the case if a violation of one of the four topics were to be established by a court or if a company were to reject involvement in the mechanisms of stakeholder dialog.

Neustadt an der Weinstrasse, May 11, 2023

HORNBACH Holding AG & Co. KGaA
represented by its General Partner HORNBACH Management AG,
represented by its Board of Management

Albrecht Hornbach

Karin Dohm

LIMITED ASSURANCE REPORT OF THE INDEPENDENT PRACTITIONER REGARDING THE NON-FINANCIAL REPORTING

To HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße/Germany

Our Engagement

We have performed a limited assurance engagement on the separate non-financial group report of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße, (hereafter referred to as “the Company”) for the financial year from 1 March 2022 to 28 February 2023 (hereafter referred to as “non-financial reporting”). Our engagement did not cover the websites referred to in the non-financial reporting.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial reporting in accordance with Section 315c in conjunction with Sections 289c to 289e German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as “EU Taxonomy Regulation”) and the delegated acts adopted thereon, as well as with the executive directors’ interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section “EU Taxonomy” of the non-financial reporting.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial reporting and the use of assumptions and estimates for individual non-financial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial reporting that is free from material misstatement due to fraudulent behaviour (manipulation of the non-financial reporting) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified in all cases. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in the section “EU Taxonomy” of the non-financial reporting. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial reporting is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and Quality Assurance of the Audit Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the “Professional Charter for German Public Auditors and German Sworn Auditors” (BS WP/vBP) and of the IDW Quality Assurance Standard “Quality Assurance Requirements in Audit Practices” (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) – and therefore maintains a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner

Our responsibility is to express a conclusion on the non-financial reporting based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial reporting of the Company, with the exception of the websites referenced therein, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section “EU Taxonomy” of the non-financial reporting.

The procedures performed in a limited assurance engagement are less in extent than in a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner’s professional judgement.

Within the scope of our limited assurance engagement, which we performed primarily between December 2022 and May 2023, we performed, among others, the following procedures and other work:

- Obtaining an understanding of the structure of the Group’s sustainability organisation and of the stakeholder engagement,
- Inquiries of relevant employees involved about the process of preparation, about the system of internal control relating to this process, as well as about disclosures contained in the non-financial reporting,
- Identification of probable risks of material misstatements in the non-financial reporting,
- Analytical evaluation of selected disclosures contained in the non-financial reporting,
- Cross-validation of selected disclosures with the corresponding data in the consolidated financial statements and in the combined management report,
- Evaluation of the presentation of the non-financial reporting,
- Evaluation of the process used to identify taxonomy-eligible and taxonomy-aligned economic activities and of the corresponding disclosures in the non-financial reporting.

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

Practitioner's Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate non-financial group report of the Company for the financial year from 1 March 2022 to 28 February 2023 has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the non-financial reporting. We do not express a conclusion on the websites referred to in the non-financial reporting.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Düsseldorf/Germany, 11 May 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Patrick Wendlandt
Wirtschaftsprüfer
(German Public Auditor)

Signed:
Sebastian Dingel