

# Remuneration Report

The remuneration report presents the basic features and structure of the remuneration of the Board of Management of the general partner (HORNBAACH Management AG) and the Supervisory Board of HORNBAACH Holding AG & Co. KGaA. It is a constituent component of the group management report.

## 1. Remuneration of Board of Management of HORNBAACH Management AG

### 1.1 Remuneration system

Remuneration of members of the Board of Management is determined in line with the requirements of stock corporation law and of the Act on the Appropriateness of Management Board Remuneration (VorstAG), taking due account of levels of remuneration customary in the market. Total remuneration of members of the Board of Management comprises the components of fixed annual salary, annual variable remuneration, plus ancillary benefits customary to the market and the company. Total remuneration is regularly reviewed by the Supervisory Board in terms of its appropriateness.

#### ■ Fixed annual salary:

Members of the Board of Management receive a fixed annual salary laid down in their individual contracts. This is paid monthly in twelve equal portions at the end of each calendar month. Fixed salaries are graded differently for the Chairman and the regular Board member.

#### ■ Variable remuneration:

Alongside fixed annual salaries, members of the Board of Management also receive annual variable remuneration in line with the company's sustainable performance. This is based both on company targets and on targets agreed for individual members of the Board of Management. The key performance factor used to determine variable remuneration is average consolidated net income (IFRS) after minority interests at HORNBAACH Holding AG & Co. KGaA. Variable remuneration is calculated on the basis of the three-year average level of consolidated net income (IFRS) after minority interests at HORNBAACH Holding AG & Co. KGaA.

Individual variable remuneration is separately graded at different levels for the Chairman and the regular member of the Board of Management. For no individual member of the Board of Management does it exceed 1 % of the three-year average level of consolidated net income (IFRS) after minority interests at HORNBAACH Holding AG & Co. KGaA. Of variable remuneration calculated on the basis of average consolidated net income (IFRS) after minority interests, up to 25 % is calculated and determined in several stages following achievement of the targets individually set for each member of the Board of Management for the respective financial year. This process is based on targets individually agreed in advance for each member of the Board of Management. To set these targets, the Supervisory Board of HORNBAACH Management AG and the respective member of the Board of Management reach a target agreement before the beginning of each financial year in which the individual targets, their respective percentage weighting and the respective degree of target achievement are determined by the full Supervisory Board. Following completion of the financial year, the full Supervisory Board determines the degree of individual target achievement for the respective member of the Board of Management.

The remaining 75 % of variable remuneration is determined on the sole basis of the average level of consolidated net income (IFRS) after minority interests at HORNBAACH Holding AG & Co. KGaA for the past three years. For all members of the Board of Management, the level of variable remuneration is capped at a maximum of 150 % of the respective fixed salary of the individual member of the Board of Management. No further variable remuneration is granted.

■ **Internal ratio of remuneration components:**

No specific ratio of fixed salary to variable remuneration components has been stipulated. In particular, apart from the cap at a maximum of 150 % of the fixed salary, no specific relationship has been determined for the amount of fixed annual salary compared with the amount of annual variable remuneration. The structure of annual variable remuneration ensures that the overwhelming share of such remuneration (75 %) is based on long-term factors, complying with the predominantly multiyear nature called for in the relevant legislation. In individual cases, the remuneration system may be adapted by the full Supervisory Board, taking account of legal requirements, to the extent deemed necessary to account for the duties and performance of the member of the Board of Management.

### 1.2 Retirement and pension commitments

Members of the Board of Management of HORNBAACH Management AG are granted individual contractually agreed pension commitments. These consist of a defined contribution pension scheme amounting to 25 % of their fixed salaries, payable in two equal shares of 50 % as of August 31 and February 28/29 of each year. The defined contribution pension scheme involves the following key aspects:

- Direct, defined contribution capital commitment executed by way of direct commitment
- Accumulation of policy reserve and netting with pension provisions in balance sheet
- Retirement pension payable upon retirement from age 65 or earlier if appropriate, but at the earliest from age 60 in line with the Supervisory Board resolution either as a one-off payment, in several annual installments or as a pension, one-off payment of pension capital upon death or invalidity
- Guaranteed return on pension capital of 2 % p.a. plus excess return on capital commitment
- The claims are vested for all current members of the Board of Management
- Insurance against insolvency via the Pension Assurance Association (PSVaG), Cologne, with additional cover by recognizing trust assets for the pension contributions
- Annual 1 % indexing in current pensions
- Voluntary contributions permitted by members of Board of Management from fixed and variable remuneration components due in future in unspecified amounts up to a maximum of one total annual remuneration package.

### 1.3 Additional benefits

Members of the Board of Management of HORNBAACH Management AG receive the following particular benefits to an extent customary to the market and the company. Some of these are deemed benefits in kind and are taxed accordingly:

Reimbursement of travel and other expenses incurred in the interests of HORNBAACH Holding AG & Co.

KGaA based on the actual amounts incurred

- Grants towards private health insurance, voluntary retirement pension scheme or alternatively contributions to a private life insurance policy
- Accident insurance covering fatality and invalidity
- Temporary continuation of payment of remuneration in event of sickness or death
- Claim to provision of a company car for work-related and private use.

#### 1.4 Remuneration of the Board of Management for the 2019/20 financial year

Total remuneration of the Board of Management of the general partner HORNBAACH Management AG for performing its duties on behalf of the HORNBAACH Holding AG & Co. KGaA Group in the 2019/20 financial year amounted to € 1,963k (2018/19: € 1,878k). Of this, € 966k was fixed remuneration (2018/19: € 955k) and € 997k (2018/19: € 923k) involved performance-related components. Post-employment benefits of € 210k were incurred for active members of the Board in the 2019/20 financial year (2018/19: € 210k). These involve expenses to endow pension provisions. There are corresponding value credits. Given the company's size and its market position, we believe that the total remuneration of the Board of Management is appropriate.

The remuneration of the Board of Management is presented on an individualized basis below. The total remuneration paid to members of the Board of Management of HORNBAACH Management AG is broken down into fixed remuneration components (basic remuneration plus ancillary benefits) and variable remuneration components. The individual retirement provision figures for members of the Board of Management of HORNBAACH Management AG are presented separately.

#### 1.5 Total remuneration of members of Board of Management of HORNBAACH Management AG

Incumbent members	Financial year	Basic remuneration € 000s	Total ancillary benefits € 000s	Variable remuneration € 000s	Total € 000s
Albrecht Hornbach	2019/2020	425	32	490	947
	2018/2019	419	31	479	929
Roland Pelka	2019/2020	480	29	507	1,016
	2018/2019	480	26	443	949
Total	2019/2020	905	61	997	1,963
	2018/2019	899	57	922	1,878

(Differences due to figures being rounded up or down)

#### 1.6 Retirement provision for members of Board of Management of HORNBAACH Management AG

Incumbent members	Service cost in 2019/20 € 000s	Service cost in 2018/19 € 000s	Amount of pension provision February 29, 2020 * € 000s
Albrecht Hornbach	90	90	882
Roland Pelka	120	120	7.279
Total	210	210	8.161

\* The obligation also includes voluntary payments by the members themselves.

#### 1.7 New remuneration for the Board of Management from the 2020/21 financial year

On December 18, 2019, the Supervisory Board approved a new remuneration system for the members of the Board of Management of HORNBAACH Management AG. This new remuneration system for the Board of Management of HORNBAACH Management AG, which takes effect as of March 1, 2020, will be explained in the remuneration report in the 2020/21 Annual Report.

## 2. Remuneration of Supervisory Board of HORNBAACH Holding AG & Co. KGaA

Supervisory Board remuneration is governed by § 17 of the Articles of Association of HORNBAACH Holding AG & Co. KGaA. As well as reimbursement of expenses, each Supervisory Board member receives fixed remuneration of € 20,000 retrospectively payable on the day after the Annual General Meeting acknowledging the annual financial statements for the financial year. The Chairman receives two-and-a-half times and the Deputy Chairman twice the fixed remuneration.

Supervisory Board members also sitting on a Supervisory Board committee receive additional fixed committee remuneration of € 9,000 for the Audit Committee and of € 4,000 for each other committee. This remuneration is retrospectively payable together with fixed remuneration. Supervisory Board members who chair a Supervisory Board committee receive two-and-a-half times the committee remuneration.

Should a member of the Supervisory Board also be a member of the Supervisory Board of the general partner and receive remuneration for his or her activities there, the remuneration paid under § 17 (1) Sentences 1, 3, and 4 of the company's Articles of Association is reduced by half. The same applies for the additional share of remuneration for the Chairman and Deputy Chairman pursuant to § 17 (1) Sentence 2 to the extent that the person in question is also Chairman or Deputy Chairman of the Supervisory Board of the general partner. The remuneration of the Supervisory Board for the 2019/20 financial year totals € 354k (2018/19: € 357k). Of this total, € 220k is basic remuneration (2018/19: € 225k) and € 134k for committee activity (2018/19: € 132k). The total remuneration for the Supervisory Board of HORNBAACH Holding AG & Co. KGaA includes remuneration components amounting to € 166k in total for positions held on the Supervisory Board of HORNBAACH Baumarkt AG (2018/19: € 183k). Of this € 97k is basic remuneration (€ 107k) and € 69k for committee activity (2018/19: € 76k).

## 3. Remuneration of Supervisory Board of HORNBAACH Management AG

Supervisory Board remuneration is governed by the Articles of Association of HORNBAACH Management AG. As well as reimbursement of expenses, each Supervisory Board member receives fixed remuneration of € 20,000 retrospectively payable on the day after the Annual General Meeting acknowledging the annual financial statements for the financial year. The Chairman receives two-and-a-half times and the Deputy Chairman twice the fixed remuneration. Until July 2018, Supervisory Board members also sitting on a committee received additional fixed committee remuneration of € 9,000 for the Audit Committee, € 6,000 for the Personnel Committee, and € 4,000 for each other committee. This remuneration was retrospectively payable together with fixed remuneration. Supervisory Board members who chaired a Supervisory Board committee received two-and-a-half times the committee remuneration. There have no longer been any committees since July 2018 already. These were disbanded in connection with changes made to the Code of Procedure of the Supervisory Board. The remuneration of the Supervisory Board for the 2019/20 financial year totals € 227k (2018/19: € 261k). Of this, € 227k is basic remuneration (2018/19: € 230k) and € 0k for committee activity (2018/19: € 31k).

## 4. Individualized Presentation of Supervisory Board Remuneration

The Supervisory Board remuneration paid to members of the Supervisory Boards of HORNBAACH Holding AG & Co. KGaA and HORNBAACH Management AG is presented in individualized form below. Total remuneration of the Supervisory Board members is broken down into basic remuneration and total committee remuneration. Total remuneration for functions on the Supervisory Boards of HORNBAACH Baumarkt AG, HORNBAACH Holding AG & Co. KGaA, and HORNBAACH Management AG amounted to € 581k in the 2019/20 financial year (2018/19: € 618k). Of this, € 447k was basic remuneration (2018/19: € 455k) and € 134k for committee activity (2018/19: € 163k).

### Total remuneration for Supervisory Board positions at the HORNBAACH Management AG Group

Incumbent members	Financial year	Basic remuneration HORNBAACH Holding AG & Co. KGaA € 000s	Basic remuneration HORNBAACH Management AG € 000s	Total committee remuneration HORNBAACH Holding AG & Co. KGaA € 000s	Total committee remuneration HORNBAACH Management AG € 000s	Total € 000s
<b>Dr. Wolfgang Rupf <sup>1)</sup></b>	<b>2019/20</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>50</b>
	2018/19	23	50	14	13	100
<b>Dr. Susanne Wulfsberg <sup>1) 2)</sup></b>	<b>2019/20</b>	<b>10</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>30</b>
	2018/19	10	27	2	5	44
<b>Dr. John Feldmann <sup>1) 2) 3)</sup></b>	<b>2019/20</b>	<b>65</b>	<b>40</b>	<b>35</b>	<b>0</b>	<b>140</b>
	2018/19	53	33	29	3	118
<b>Erich Harsch <sup>1) 2) 3)</sup></b>	<b>2019/20</b>	<b>25</b>	<b>17</b>	<b>11</b>	<b>0</b>	<b>53</b>
	2018/19	30	20	14	0	64
<b>Albert Hornbach <sup>1)</sup></b>	<b>2019/20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>20</b>
	2018/19	0	20	0	0	20
<b>Christoph Hornbach <sup>1)</sup></b>	<b>2019/20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>20</b>
	2018/19	0	20	0	2	22
<b>Georg Hornbach <sup>1)</sup></b>	<b>2019/20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>20</b>
	2018/19	0	20	0	3	23
<b>Martin Hornbach <sup>2) 3)</sup></b>	<b>2019/20</b>	<b>60</b>	<b>0</b>	<b>24</b>	<b>0</b>	<b>84</b>
	2018/19	60	0	25	0	85
<b>Joerg Walter Sost <sup>1)</sup></b>	<b>2019/20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>20</b>
	2018/19	10	20	8	5	43
<b>Prof. Dr.-Ing. Jens P. Wulfsberg <sup>1)</sup></b>	<b>2019/20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>20</b>
	2018/19	0	20	0	0	20
<b>Simone Krah <sup>2)</sup></b>	<b>2019/20</b>	<b>20</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>34</b>
	2018/19	13	0	8	0	21
<b>Melanie Thomann-Bopp <sup>2) 3)</sup></b>	<b>2019/20</b>	<b>40</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>90</b>
	2018/19	26	0	32	0	58
<b>Total</b>	<b>2019/20</b>	<b>220</b>	<b>227</b>	<b>134</b>	<b>0</b>	<b>581</b>
	2018/19	225	230	132	31	618

(Differences due to figures being rounded up or down)

<sup>1)</sup> Member of Supervisory Board of general partner (HORNBAACH Management AG)

<sup>2)</sup> Member of Supervisory Board of HORNBAACH Holding AG & Co. KGaA

<sup>3)</sup> Member of Supervisory Board of HORNBAACH Baumarkt AG; remuneration for this function included in remuneration at KGaA.