



**Declaration of Conformity with the Corporate Governance Code  
pursuant to § 161 of the German Stock Corporation Act (AktG)**

The Board of Management and Supervisory Board of HORNBAACH-Baumarkt-Aktiengesellschaft hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG) that the recommendations of the “German Corporate Governance Code” in the version dated June 18, 2009 and published on August 5, 2009, were basically met from the previous Declaration of Conformity until July 2, 2010. Application was not made of the recommendations included in Points 3.8 Paragraph 3, 4.2.3 Paragraph 3 Sentence 2, Paragraphs 4 and 5, 5.2 Paragraph 2 Sentence 1, 5.3.3, 5.4.1 Sentence 2, 5.4.2 Sentence 3, and 5.4.6 Paragraph 3 Sentences 1 and 2.

Since July 2, 2010, the recommendations in the version dated May 26, 2010 and published on July 2, 2010 have been and are basically met. Application has not been made and is not made of the recommendations included in Points 2.3.3 Sentence 2, 3.8 Paragraph 3, 4.1.5, 4.2.3 Paragraphs 4 and 5, 5.2 Paragraph 2 Sentence 1, 5.3.3, 5.4.1 Paragraphs 2 and 3, 5.4.2 Sentence 3, and 5.4.6 Paragraph 3 Sentences 1 and 2.

The aforementioned deviations from the recommendations have arisen on account of the following considerations:

**a) Point 2.3.3 Sentence 2:**

The Articles of Association of HORNBAACH-Baumarkt-Aktiengesellschaft do not provide for the possibility of postal votes, as a result of which it is legally not possible to organize a postal vote. However, shareholders are assisted in exercising their voting rights by a voting proxy appointed by HORNBAACH-Baumarkt-Aktiengesellschaft and by the provision in line with legal requirements of powers of attorney for the Annual General Meeting.

**b) Point 3.8 Paragraph 3:**

In Point 3.8, Paragraph 3, the Code recommends agreeing a specified deductible in any D&O insurance policy to be taken out for supervisory board members. For supervisory board members as well, this should be based on the legal requirements for management board members arising due to the Act on the Appropriateness of Management Board Compensation (VorstAG) dated July 31, 2009. No such deductible has been agreed at the expense of members of the Supervisory Board. This would reduce the attractiveness of Supervisory Board activities, and thus also the company’s chances in the competition to attract qualified candidates. Furthermore, it would also improperly apply to em-

ployee representatives. The recommendation made in Point 3.8 Paragraph 3 has therefore not been and is not followed.

**c) Point 4.2.3 Paragraph 3 Sentence 2:**

In Point 4.2.3 Paragraph 3 Sentence 2, the Code recommends that share options and similar arrangements be based on sophisticated parameters of comparison. The share option plan adopted in 1999 for HORNBAACH-Baumarkt-Aktiengesellschaft expired in February 2010. It did not include any parameters of comparison, but rather laid down an exercise hurdle. Any future share option plans will take account of appropriate parameters of comparison.

**d) Point 4.2.3 Paragraphs 4 and 5:**

Furthermore, no application has been or is made of the recommendations included in Point 4.2.3 Paragraphs 4 and 5 of the Code (“severance pay cap”). The deviation to Point 4.2.3 Paragraphs 4 and 5 is due to competition-related factors. Apart from that, it still has to be definitively clarified whether and how the recommendations included in Point 4.2.3 Paragraph 4 are legally enforceable.

**e) Point 5.2 Paragraph 2 Sentence 1:**

The recommendations in Point 5.2 Paragraph 2 Sentence 1 of the Code include the recommendation that the supervisory board chairman should also chair the committees that handle contracts with members of the management board. The company has deviated and continues to deviate from this recommendation. This deviation is intended to avoid any mere indication of a conflict of interest on the part of the Supervisory Board Chairman that could result from the fact that the Supervisory Board Chairman is the brother of the Chairman of the Board of Management of HORNBAACH-Baumarkt-Aktiengesellschaft.

**f) Point 5.3.3:**

In Point 5.3.3, the Code recommends that the supervisory board should form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the supervisory board for its election proposals to the Annual General Meeting. The company’s Supervisory Board has not formed such a committee. Based on our experience to date, the establishment of such a committee would not appear to be necessary.

**g) Point 5.4.1 Sentence 2 in the version dated June 18, 2009:**

The recommendations in Point 5.4.1 Sentence 2 of the Code in its version dated June 18, 2009 included the recommendation to set an age limit for supervisory board members. In the interests of securing experience and competence to the benefit of the company, this recommendation was not followed.

**h) Point 5.4.1 Paragraphs 2 and 3 in the version dated May 26, 2010 and Point 4.1.5:**

The company deviates from the recommendations made in Points 5.4.1 Paragraph 2 and 3 in the version dated May 26, 2010 and Point 4.1.5. In the composition of its Board of Management and Supervisory Board, as well as of other management positions, HORNBAACH-Baumarkt-Aktiengesellschaft accords priority above all to the knowledge, ability and expert experience required to perform the relevant duties.

**i) Point 5.4.2 Sentence 3:**

The Code recommends that the supervisory board should not include more than two former management board members. This is intended to ensure the autonomy of the supervisory board in its advising and monitoring of the management board. However, the Code does not stipulate any number of years for which a former member of the management board is impaired in this respect following his departure from the management board. As a matter of precaution, the company therefore declares that it deviates from the recommendation made in Point 5.4.2 Sentence 3, even though Dr. Wolfgang Rupf, Albrecht Hornbach and Martin Hornbach retired from their positions on the Board of Management of HORNBAACH-Baumarkt-Aktiengesellschaft on October 31, 1996, October 31, 2001 and December 31, 2001 respectively.

**j) Point 5.4.6 Paragraph 3 Sentence 1:**

In Point 5.4.6 Paragraph 3 Sentence 1, the Code recommends that the compensation of supervisory board members be reported in the corporate governance report on an individual basis and broken down into its constituent components. Given that the compensation of the Supervisory Board is governed by the Articles of Association, we see no necessity for the disclosure of individual compensation packages.

**k) Point 5.4.6 Paragraph 3 Sentence 2:**

In Point 5.4.6 Paragraph 3 Sentence 2, the Code further recommends that compensation paid or benefits granted by the company to supervisory board members for services rendered personally, especially advisory and mediation services, are to be reported separately in the corporate governance report on an individual basis. HORNBACH-Baumarkt-AG also draws on the services of a law firm that belongs to a Supervisory Board member in return for customary market fees. Here, the Supervisory Board has adopted a resolution pursuant to § 114 of the German Stock Corporation Act (AktG). We see no need to provide individual disclosures in this respect.

Bornheim bei Landau, December 16, 2010

HORNBACH-Baumarkt-Aktiengesellschaft

The Supervisory Board            The Board of Management