

# REPORT AND DECLARATION ON CORPORATE GOVERNANCE

The following pages contain the corporate governance report in accordance with Clause 3.10 of the German Corporate Governance Code as amended 26 May 2010 and the company's declaration on corporate governance in accordance with Sec. 289a HGB (German Commercial Code), which is a part of the management report.

## **Corporate governance declaration**

### ***Declaration of conformity to the German Corporate Governance Code in accordance with Sec. 161 AktG of 27 January 2010***

The management board and the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG declare on the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with Sec. 161 AktG (German Stock Corporation Act):

1. Between the time of the issuance of the declaration of 27 May 2009 and the announcement on 5 August 2009 by the Federal Ministry of Justice in the official part of the Electronic Federal Gazette of the German Corporate Governance Code (hereinafter referred to as DCGK) as amended on 18 June 2009, the recommendations of the DCGK as amended on 6 June 2008 have been complied with, with the following exceptions:

- In the variable remuneration of management board members according to the "Economic Value Added" (EVA) remuneration model agreed at Praktiker Bau- und Heimwerkermärkte Holding AG, a later change to targets in the case of extraordinary events was possible in deviation from Clause 4.2.3 para. 3 sent. 3 DCGK.

#### **Grounds:**

Extraordinary events arising during the year not yet foreseeable in the planning were intended to be taken into account in the calculation of remuneration, as the case may be.

- For extraordinary, unforeseeable developments, the supervisory board had, in deviation from Clause 4.2.3 para. 3 sent. 4 DCGK, not agreed any direct caps on the variable remuneration of members of the management board according to EVA.

Grounds:

The remuneration system according to EVA applied at Praktiker is a traditional system which had not yet been adjusted.

2. Since the announcement on 5 August 2009 of the DCGK as amended on 18 June 2009 up to the date of today's declaration the recommendations of the DCGK have been complied with, with the following exception:

- In the variable remuneration of management board members according to the "Economic Value Added" (EVA) remuneration model agreed at Praktiker Bau- und Heimwerkermärkte Holding AG, a later change to targets in the case of extraordinary events was possible in deviation from Clause 4.2.3 para. 3 sent. 3 DCGK.

Grounds:

Extraordinary events arising during the year not yet foreseeable in the planning were intended to be taken into account in the calculation of remuneration, as the case may be.

3. In future, all recommendations of the DCGK as amended on 18 June 2009 will be complied with.

***Declaration of conformity to the German Corporate Governance Code in accordance with Sec. 161 AktG of 26 January 2011***

The management board and the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG declare on the recommendations of the "Government Commission German Corporate Governance Code" according to Sec. 161 AktG:

Since the issuance of the declaration of conformity on 27 January 2010, all recommendations of the German Corporate Governance Code as amended on 18 June 2009 (promulgated in the Electronic Federal Gazette on 5 August 2009) have been complied with.

In future, all recommendations of the German Corporate Governance Code as amended on 26 May 2010 (promulgated in the Electronic Federal Gazette on 2 July 2010) will be complied with.

## ***Corporate governance practices that exceed statutory requirements***

### *German Corporate Governance Code*

Praktiker Bau- und Heimwerkermärkte Holding AG is committed to the principles of good and responsible corporate governance. This includes, in particular, a close, constructive and trusting cooperation between the supervisory board and the management board, dedicated to creating sustainable value, as well as a culture of open corporate communications and intensive customer care.

The management board and the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG comply voluntarily and with conviction with the principles of good corporate governance as expressed in the recommendations of the German Corporate Governance Code.

In addition, the German Corporate Governance Code also contains suggestions, on the compliance with which no declaration needs to be issued. The suggestions are as unbinding as the recommendations. Nevertheless, the management board and the supervisory board of the company comply with the suggestions of the German Corporate Governance Code insofar as this appears them to be appropriate in the interests of the company and its shareholders. The German Corporate Governance Code as amended on 26 May 2010 was published in the Electronic Federal Gazette by the Federal Ministry of Justice on 2 July 2010 and is publicly accessible on the Internet at [www.corporate-governance-code.de](http://www.corporate-governance-code.de).

### *Compliance Office*

The activities of the Praktiker Group are subject to a wide range of legal provisions that vary not only according to the different business areas but also according to the different national markets on which the Group operates. The Compliance Office set up in 2009 coordinates all the compliance activities in the company and reports regularly to the management board, the Chairman of the supervisory board and the Audit Committee of the supervisory board. This is intended to ensure that the Praktiker Group, its corporate bodies and its employees act in accordance with the applicable regulations – including both the statutory regulations and those to which the Praktiker Group voluntarily submits. The Chief Compliance Officer reports directly to and is subordinate to the Chairman of the management board.

Significant elements of the compliance management are a whistleblower system for compliance breaches and a code of conduct. The whistleblower system, which was introduced throughout the Group in 2009, provides employees, business partners,

customers and other third parties with an opportunity to report any suspected compliance breaches. In addition to the Chief Compliance Officer, also third-party external lawyers acting as ombudsmen are available for whistleblowers – anonymously if so desired. The introduction of an extensive code of conduct began in the 2010 financial year. It encourages employees to take responsibility for their own actions while at the same time defining the boundaries of what they can do. In particular, the code of conduct contains the objectives and principles for business activity that the Praktiker Group expects from all the members of its management bodies and from all its employees. It emphasises the observance of fair working conditions, non-discrimination, data protection, avoiding conflicts of interests, preventing corruption, complying with anti-trust provisions and the proper handling of company information. Employee training has been offered to optimise the understanding of the code and compliance with it in practice.

The range of information, training and consulting services offered by the Compliance Office in the 2010 financial year, particularly on issues such as anti-trust law, anti-corruption and general compliance domestically and abroad, was taken up by executive bodies, managers and employees at all levels. This range will be expanded further in 2011 to effectively assist all employees in their day-to-day work.

### ***Procedures of the management board and supervisory board and the composition and procedures of its committees***

Praktiker Bau- und Heimwerkmärkte Holding AG is a company under German law. A fundamental principle of the German law on stock corporations is the dual management system with a management board and a supervisory board.

The management board and the supervisory board work closely together for the good of the enterprise. In particular, the management board consults with the supervisory board on the business strategy and its implementation and discusses with it the state of the implementation of the strategy at regular intervals. The management board informs the supervisory board regularly, in a timely manner and comprehensively on all matters of planning, the development of the business, the risk situation, the risk management and compliance relevant to the company and deals with deviations in business developments from planning and targets, including the reasons for this, in its reports to the supervisory board. The Chairman of the supervisory board maintains regular contact with the management board, particularly the Chairman of the management board, and discusses the strategy, business development and risk management of the company with him. The Chairman of the supervisory board is informed by the management board or the Chairman of the management board of key events of significance for the assessment of the situation and development and for the management of the company or one of its subsidiaries without undue delay. The Chairman of the supervisory board then informs the supervisory board and calls an extraordinary meeting of the supervisory board if necessary. The management board and the supervisory board discuss matters openly. The full observance of

confidentiality is therefore of crucial importance.

### The management board

The management board of Praktiker Bau- und Heimwerkermärkte Holding AG consists of four members and has a Chairman. Further details on the members of the management board can be found on pages 6, 7 and 105 of the annual report.

The management board manages the company on its own responsibility and in the interests of the company, i.e. taking into account the interests of its shareholders, employees and other groups bound to the company, with the aim of creating sustainable value. The management board is collectively responsible for the management of the company's business. It decides on basic matters of business policy and corporate strategy, their implementation and the annual and multi-year planning. It also ensures an appropriate risk management and risk controlling within the company.

In exercising their management duties and even outside their working duties, the members of the management board do not pursue any interests that conflict with those of the company. To the extent a member of the management board is subject to a conflict of interests, it discloses this immediately to the supervisory board and informs the other management board members. In addition, it must abstain from voting in the meeting of the management board that decides on the matter that could relate to his personal interests. There were no conflicts of interest reportable to the supervisory board on the part of the members of the management board in 2010.

Legal transactions between Praktiker Bau- und Heimwerkermärkte Holding AG or one of its subsidiaries on the one hand and members of the management board or parties or enterprises related to them on the other hand require the approval of the supervisory board. Management board members may only take on ancillary activities, in particular supervisory board positions outside the company, with the approval of the supervisory board.

The Chairman of the management board coordinates the activities of the management board within the framework of the strategy stipulated by the management board – in accordance with the resolutions of the supervisory board – and works to establish a consistent management approach among all management board members. The Chairman of the management board can assign special duties, which fall outside the scope of the allocation of responsibilities or that are not regulated, to individual members of the management board. The Chairman of the management board represents the body externally and, in particular, exercises the reporting duty of the management board to the supervisory board.

The members of the management board work together collegially and inform each other

mutually of important measures and events within their business areas. Each member is obliged to bring about a resolution of the management board in the event of serious reservations with regard to a matter from another business area if the reservations cannot be resolved through discussion with the relevant management board member. The Chairman of the management board can demand information from each management board member on individual matters within its business area and stipulate if he is to be informed in advance of certain types of transactions.

Each member of the management board manages the business area assigned to them by the supervisory board in coordination with the Chairman of the management board on its own responsibility. A management board member is only entitled to issue instructions within its own business area – except in exigent circumstances. It may take measures that affect the business area of another management board member only after the management board member responsible has been consulted with and a resolution has been passed. Instructions issued in exigent circumstances cannot go beyond what is considered essential under due discretion to prevent risks. The members of the management board must be informed without undue delay.

In addition to all matters in which the law, the Articles of Association or the Rules of Procedure require a decision by the management board or the approval of the supervisory board, the responsibility of the management board as a whole includes in particular compliance with statutory provisions and the internal guidelines (Compliance) that it recognises as binding and the compliance with which it also ensures in Group companies as well as all other matters of fundamental or general importance.

Management board meetings must be held at least twice per month and are convened by the Chairman. An agenda is announced in good time in advance. Each member of the management board is authorised to apply for items to be added to the agenda. The meetings of the management board are prepared and chaired by the Chairman of the management board. The results of the meetings are recorded in minutes. A copy of the minutes approved by the management board is forwarded to the Chairman of the supervisory board without undue delay.

The management board can only pass resolutions if the subject matter was made known in advance in the agenda, more than half of all management board members, including the member whose business area is affected, are present or no management board member objects to the vote. The decisions of the management board are made in management board meetings or – if no management board member objects to this procedure – in writing by way of circulation procedure or by other means of telecommunication. Resolutions of the management board, unless mandatorily stated otherwise by the law or the Rules of Procedure, are passed with a simple majority of the votes cast. Abstentions do not count as a cast vote. Each member of the management board has one vote. In the event of a tie, the vote of the Chairman of the management board counts twice.

In particular, the management board requires the approval of the supervisory board to implement decisions of particular significance to the net assets, income and risk situation of the company, or decisions that are beyond the scope of the company's ordinary operations.

The management board has no committees.

### The supervisory board

The supervisory board consists of 16 members, eight of which are elected by the shareholders and eight of which by the employees. Their names, exercised professions and memberships in other supervisory boards to be formed by law in German companies or in similar German and foreign supervisory committees of business enterprises are shown in the table on pages 106 and 107 of the annual report.

The main task of the supervisory board is to regularly advise and monitor the management board in its management of the company. The supervisory board is involved in decisions of fundamental significance. It is responsible for appointing members of the management board, determining their areas of responsibility and determining their remuneration. It discusses the quarterly and half-year financial reports and reviews and approves the annual financial statements of the company and the Group, taking into account the reports of the auditor and the results of the Audit Committee's review. The supervisory board specifies the information and reporting duties of the management board in detail. In regular exchanges of ideas with the management board, the supervisory board is always informed of the business policy, the corporate planning and the strategy. The supervisory board also approves the annual planning and the financing framework. It determines the overall remuneration of the individual management board members at the proposal of the Personnel Committee and resolves on the remuneration system of the management board, which is regularly reviewed. The remuneration structure is oriented towards a sustainable development of the company.

The members of the supervisory board are required to observe secrecy regarding confidential data and secrets of the company, namely operating and business secrets that become known to them through their work on the supervisory board. In particular, they must observe secrecy regarding confidential reports received and confidential discussions. The obligation continues to apply even after their term in office as supervisory board member.

Each member of the supervisory board has an obligation to the interests of the company. It must not take advantage of personal interests or business opportunities available to the company for its own behalf or on behalf of related parties or enterprises in its decisions. Each supervisory board member must also disclose conflicts of interest to the supervisory board. There were no conflicts of interest reportable to the supervisory board on the part of the members of the supervisory board in 2010.

The Chairman of the supervisory board coordinates the work of the body, chairs its meetings and manages its concerns externally. He guides the supervisory board's interactions with the management board and its members and regulates the details of their cooperation.

The meetings of the supervisory board are convened by the Chairman in writing, giving notice of at least two weeks, stating the place and time of the meeting and the items of the agenda with proposed resolutions. In urgent cases, this period can be reduced to three days and the meeting can be convened verbally or by telephone. If an item on the agenda has not properly been announced, a resolution on it may only be passed if no supervisory board member objects.

The meetings of the supervisory board are prepared by the shareholder and employee representatives separately, and, as the case may be, with members of the management board. If necessary, the supervisory board meets without the management board.

The Chairman of the supervisory board chairs the meetings of the supervisory board and determines the order in which the items on the agenda are dealt with and the manner and sequence of votes. The supervisory board is quorate if its members were invited at the last known address and at least half of the members of which it must consist in total participate in the resolution. An absent member can have his written vote submitted by another supervisory board member.

In urgent cases, resolutions can be passed outside meetings in writing, by fax or by e-mail if no supervisory board member objects to this procedure within a reasonable time for voting set by the Chairman.

Unless mandatorily stated otherwise, resolutions of the supervisory board are passed by a simple majority of the votes cast, whereby abstentions do not count as a cast vote. If a vote leads to a tie, the Chairman, but not the Deputy Chairman, has two votes in a further vote on the same matter if this vote also ends in a tie. To the extent a member of the supervisory board is subject to a conflict of interests, it must abstain from voting.

Minutes must be taken of meetings and resolutions of the supervisory board, signed by the Chairman of the meeting, and a copy must be issued to all supervisory board members.

#### *Committees of the supervisory board*

The supervisory board has formed four committees from among its members with equal representation of shareholders and employees. These are the Executive Committee, the Audit Committee, the Personnel Committee and the committee in accordance with Sec. 27 para. 3 MitbestG (German Co-Determination Act). In addition, the supervisory board has formed a Nomination Committee consisting of shareholder representatives. There was

also a committee formed to deal with the merchandise management system project from 29 July 2010 to 15 September 2010. Each of the committees also consists of a sufficient number of independent members who have no business or personal relationship to the company or its management board. The Chairman of the supervisory board belongs to all the committees apart from the Audit Committee and is also their Chairman.

The members of the Executive Committee are Dr. Kersten v. Schenck, Ms. Marliese Grewenig, Mr. Alexander Michel and Mr. Zygmunt Mierdorf. The Executive Committee is convened to prepare the meetings of the supervisory board if the Chairman considers this necessary. It deals, in particular, with the assessment of the operative strength, the efficiency and the potential of Praktiker Bau- und Heimwerkermärkte Holding AG and the Group against the background of the strategy and planning presented by the management board. In cases in which, in order to prevent significant disadvantage to the company, it does not appear reasonable to wait until the next meeting of the supervisory board and a decision by the supervisory board cannot be brought about by voting in the circulation procedure within the time available it passes resolutions in compliance with Sec. 107 para. 3 sent. 3 AktG. The decision must be reported to the supervisory board in the following meeting. The Executive Committee also deals with other matters transferred to it by way of resolution by the supervisory board.

The members of the Audit Committee are Prof. Harald Wiedmann (Chairman), Mr. Ulrich Grillo, Mr. Ulrich Kruse, Mr. Johann C. Lindenberg, Mr. Rigobert Rumpf and Mr. Hans-Josef Schmitz. The Chairman is independent, is not a former member of the management board of the company and as auditor has special knowledge and experience in the application of accounting policies and internal controlling procedures. In particular, the Audit Committee deals with matters of accounting, compliance, the necessary independence of the auditor, the engagement of the auditor, the determination of the focus of the audit and the fee agreement. In addition, the Audit Committee deals with the effectiveness of the internal control system, the internal audit system and the risk management system.

The Audit Committee prepares the proposal of the supervisory board to the general meeting on the election of the auditor. It also monitors the accounting process, discusses and reviews the annual and consolidated financial statements prepared by the management board, the combined management report and the quarterly and half-year financial reports. On the basis of the auditor's report, the Committee makes proposals for the approval of the annual financial statements and the consolidated financial statements by the supervisory board. The management board or the Chief Compliance Officer regularly report to the Audit Committee on the compliance organisation and inform it of any compliance matters arising. Likewise, the Head of Internal Audit regularly reports to the Audit Committee.

The members of the Personnel Committee are Dr. Kersten v. Schenck, Ms. Marliese Grewenig, Mr. Alexander Michel and Mr. Zygmunt Mierdorf. The Personnel Committee

prepares proposals on the remuneration system of the management board including the key elements of their employment contracts and submits these to the supervisory board for final determination. It also consults independent remuneration experts for this purpose. The Chairman of the Personnel Committee informs the supervisory board annually of the structure of the remuneration system of the management board and gives it the opportunity to discuss, review and, as the case may be, adjust the structure of the remuneration system of the management board. In addition, if the supervisory board is not responsible, the Personnel Committee in lieu of the supervisory board resolves personnel matters of the management board and other legal transactions of the company with the management board members described in more detail in the Rules of Procedure of the supervisory board.

The members of the committee in accordance with Sec. 27 para. 3 MitbestG are Dr. Kersten v. Schenck, Ms. Marliese Grewenig, Mr. Ulrich Kruse and Mr. Zygmunt Mierdorf. In co-determined enterprises such as Praktiker Bau- und Heimwerkermärkte Holding AG, the members of the management board are appointed by the supervisory board with a majority of at least two-thirds of the votes of its members in accordance with Sec. 31 para. 2 MitbestG. If a majority of two-thirds is not achieved, the committee in accordance with Sec. 27 para. 3 MitbestG must, under Sec. 31 para. 3 MitbestG, make a proposal for appointment within a month of the vote; this proposal does not preclude other proposals. In the subsequent second vote, a candidate is elected if he achieves the absolute majority of the votes. The actual number of members of the supervisory board is decisive in this matter. If the absolute majority is not achieved in the second vote, a third vote can be conducted in which the Chairman of the supervisory board has two votes and the supervisory board is not bound by the proposals of the previous votes.

The members of the Nomination Committee are Dr. Kersten v. Schenck, Mr. Johann C. Lindenberg and Mr. Zygmunt Mierdorf. The Nomination Committee is responsible for proposing suitable candidates to the supervisory board for election in the general meeting.

The committee formed for the merchandise management system project consisted of Dr. Kersten v. Schenck, Dr. Kay Hafner, Mr. Zygmunt Mierdorf and Mr. Hans-Josef Schmitz. Its task was to analyse in advance for the supervisory board possibly required investments in the context of the merchandise management system project.

The regulations that apply to the internal order of the supervisory board in principle also apply accordingly to the internal order of the committees. This also includes the procedures of the committees. In particular, the Chairman of each committee has two votes in the event of a tie if a second vote on the same matter also results in a tie. The does not include the committee in accordance with Sec. 27 para. 3 MitbestG.

Further information on the work of the supervisory board and the cooperation between the management board and the supervisory board can be found in the report of the supervisory board on pages 111 to 114 of the annual report.

## **Further information on corporate governance**

### ***Avoiding conflicts of interest***

The supervisory board consists of, according to its own assessment, a sufficient number of independent members who have no business or personal relationship with the company or its management board. No former management board member belongs to the supervisory board. No supervisory board member exercises a directorship or consultative function at a significant competitor of Praktiker Bau- und Heimwerkermärkte Holding AG and the Group. Consultancy or other service and work agreements between members of the supervisory board and the company existed only indirectly with regard to Dr. Kersten v. Schenck, who works as Of Counsel for the international law firm Clifford Chance. To the extent that the law firm Clifford Chance advised the company, the supervisory board approved each respective mandate. In the year under report, Clifford Chance received a total of 393,072.81 euro (net) for its advisory services to the Praktiker Group.

### ***Deductible in D&O insurance***

In accordance with legal provisions, Praktiker Bau- und Heimwerkermärkte Holding AG has concluded liability insurance for financial losses (D&O insurance) for the members of its management board. A D&O insurance policy with an appropriate deductible has also been concluded for the members of the supervisory board in accordance with the German Corporate Governance Code.

### ***Appointment to and remuneration of management board positions***

The supervisory board together with the management board ensures a long-term succession planning. In the event of forthcoming changes in the management board, the supervisory board also strives for diversity and, in particular, the appropriate consideration of women. The supervisory board is aware that there are extremely few women in executive positions in German retail to date, hence it appears difficult to require the company to appoint a certain number or percentage of women to the management board by a set date. The supervisory board has set an age limit of 65 years for management board members.

In designing the remuneration of the management board, which contains fixed and variable components, both positive and negative developments are taken into account. When concluding management board contracts it is also paid heed that payments, including benefits, to a management board member in the event of early termination of a position on the management board without good cause do not exceed twice the annual remuneration and are not paid for more than the remaining term of the contract. The Chairman of the supervisory board informs the general meeting of the principles of the remuneration of the management board and changes to them. For more information on the

remuneration of the management board and the supervisory board, please see the separate remuneration report in the management report (pages 32 to 35 of the annual report).

### ***Election to the supervisory board and goals for its composition***

Elections to the supervisory board are elected as individual elections. Proposals of candidates for the Chairmanship of the supervisory board are announced to the shareholders.

When proposing candidates for election to the supervisory board, care is taken with regard to the composition of the supervisory board to ensure that its members collectively have the knowledge, abilities and professional experience needed to duly perform its duties. The Nomination Committee should only nominate candidates for election to the supervisory board who have not turned 65 years old by the time of their election. The international activities of the company and potential conflicts of interest are to be taken into account when selecting candidates.

In the last elections to the supervisory board in 2008, the supervisory board already gave consideration to the concept of diversity and deliberately searched for female and international candidates to propose to the general meeting for election. While it was successful in identifying an international candidate who was subsequently elected by the general meeting, no suitable woman could be identified and made interested in a candidacy. In the event of an unexpectedly required replacement of a position on the supervisory board, and in any case for the next elections to the supervisory board in 2013, the supervisory board will again and even more endeavour, assuming the size of the supervisory board to remain constant, to propose one, if not two, women for election to the supervisory board. This number, again assuming that the size of the supervisory board remains constant, should then be increased further in the case of subsequent replacements or elections. However, the supervisory board is unable to issue statements with respect to the supervisory board representatives to be elected by the employees as the supervisory board has no influence on the selection of candidates by employees. However, there have almost always been at least two women on the supervisory board as employee representatives since November 2005 so that there is reason to expect that this number will at least be retained in future, if not increased further.

### ***General meeting***

The shareholders exercise their rights within the framework provided for by the Articles of Association before or during the general meeting held annually, and can speak there on all items on the agenda, ask questions on the affairs of the company and file relevant motions. The general meeting passes resolutions on all matters specified by law in a manner binding for all shareholders and the company. The management board presents the annual financial statements and the consolidated financial statements to the general

meeting. The general meeting decides on the allocation of the balance sheet profit and the approval of the actions of the management board and the supervisory board. It usually elects the shareholder representatives to the supervisory board and the auditor. In addition, the general meeting decides, in particular, on amendments to the Articles of Association and significant business measures such as intercompany agreements and transformations, the issue of new shares and of convertible and warrant-linked bonds and on the authorisation to acquire treasury shares. When issuing new shares, shareholders in principle have pre-emption rights proportionate to their share of capital.

Each share of the company grants one vote. Each shareholder who registers in time is entitled to participate in the general meeting. Shareholders who cannot participate personally can have their voting rights exercised by a bank, shareholder association, a proxy nominated by the company and bound by voting instructions or another authorised agent of their choice.

The Chairman of the supervisory board in principle chairs the general meeting. He ensures the expeditious conduct of the annual general meeting and is guided by the suggestion in Clause 2.2.4 of the DCGK that an ordinary general meeting should end after four to six hours at the latest.

The invitation to the general meeting and the reports and documents to be made accessible to the general meeting are published in accordance with the provisions of the stock corporation law and, including the annual report, are made available on the website of the company.

### ***Risk management***

Dealing responsibly with business risks is one of the principles of good corporate governance. The management board provides for an appropriate risk management and risk controlling within the company. There are comprehensive Group and company specific reports and control systems at the disposal of the management board and the management of the Praktiker Group facilitating the tracking, assessment and controlling of these risks. The systems are continuously developed further, adjusted to changing general conditions and reviewed by the auditors. The management board regularly informs the supervisory board of existing risks and their development.

Details of the risk management can be found in the risk report on pages 36 to 40 of the annual report. This also includes the report on the accounting-related internal control and risk management system.

### ***Transparency***

Shareholders, analysts, investors and the public are informed regularly and promptly by Praktiker Bau- und Heimwerkermärkte Holding AG of the situation of the company and

significant business changes. The annual report, the half-year financial report and the quarterly reports are published within the specified time. Press releases and any ad hoc notifications provide information on all current events and new developments.

A central information platform is provided by the website [www.praktiker.com](http://www.praktiker.com). In particular, in addition to the Articles of Association and information on the management board and the supervisory board, this website features documents on the annual general meeting, financial reports and details of business activities. The dates for regular financial reporting can be found in this annual report and are listed with adequate prior notice on our website ([www.praktiker.com](http://www.praktiker.com) – Investor Relations – Financial calendar) and have been transmitted to the Frankfurt stock exchange and a national and international media cluster.

Events not publicly known that could considerably influence the price of Praktiker shares are announced without undue delay by ad hoc notifications unless the company is exempt from the duty to publish these in individual cases. All persons working for the company and who have authorised access to insider information are and will be informed of the duties arising from insider law. If the company becomes aware of purchases, sales or other transactions resulting in holdings reaching, exceeding or falling below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in the company, the company will publish this without undue delay.

The statutory requirements for publications and announcements and the obligations to transmit information and documents to the BaFin (Federal Financial Supervisory Authority) and the public registers have been and will be observed.

### ***Directors' dealings***

In accordance with Sec. 15a WpHG (German Securities Trading Act), members of the management board and of the supervisory board and persons closely related to them are required by law to disclose the acquisition and sale of shares of Praktiker Bau- und Heimwerkermärkte Holding AG or of financial instruments based on them if the value of the transactions reaches or exceeds 5,000 euro within a calendar year. The company was not notified of any such transactions in the period under review.

The members of the management board and the supervisory board do not hold shares in the company or financial instruments based on them, either individually or collectively, that directly or indirectly account for more than 1 percent of the shares issued by the company.

### ***Accounting and auditing***

The accounting of the Praktiker Group is carried out in accordance with the International Financial Reporting Standards (IFRS) as to be applied in the European Union. The annual financial statements (separate financial statements) of Praktiker Bau- und Heimwerkermärkte Holding AG are prepared in accordance with the provisions of the

German Commercial Code. The separate financial statements and the consolidated financial statements are prepared by the management board and audited by the auditor and reviewed by the supervisory board. The quarterly reports and the half-year financial reports are discussed by the Audit Committee with the management board prior to publication. The consolidated financial statements are available within 90 days of the end of the financial year, the interim reports within 45 days of the ending of the period under review.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, audited the consolidated financial statements and the separate financial statements. It also conducted the audit review of the half-year financial report and the quarterly reports. The auditor is independent. The focus of the audit was determined together with the auditor and it was agreed with him that possible grounds for exclusion or prejudice arising during the audit would be resolved or reported without undue delay. The supervisory board also agreed that the auditor reports without undue delay on all findings and events significant to the duties of the supervisory board that may arise during the performance of the audit and that the auditor informs it or notes in its audit report if it identifies matters in the course of the audit which result in the declaration on the German Corporate Governance Code issued by the management board and the supervisory board being incorrect.

The company also publishes a list of third-party enterprises in which it holds an interest not insignificant to the company, stating the name and registered office of the company, the amount of its interest, the amount of the equity capital and the result of the last financial year.