

HORN BACH
S U S T A I N A B I L I T Y M A G A Z I N E
2 0 1 9

WE MEAN IT

R E S P O N S I B L E B U I L D I N G
A N D D E S I G N

HORN BACH.
Holding

DEAR READERS,

Do they mean it? Sustainability, CSR – whatever they call it – isn't that just another gimmicky eco-trend? Let's be honest. Aren't companies into greenwashing so they can feel good about making loads of money from customers? Production conditions, contents, disposal – so that's what they care about? Give me a break!". That's what the critics say.

Yes, we have heard all that before. And the criticism leveled against hard-nosed business interests is hardly a product of consumers' imaginations. But a company whose sustainability commitments are revealed to be nothing but hot air can hardly reach low enough to find its reputation. Consumers feel betrayed and the company loses all credibility.

We take a stand here, and that is because we take our customers seriously. And because we really mean it with our commitment to society and the environment.

In recent years, we have seen ourselves that our customers are ever more interested in obtaining information about where the articles are from, how they were produced, what they contain, and how they can be disposed of.

Retailers have to offer credible answers to consumers, whether in the information they publish on the internet or with the competent specialist advice they provide at their stores. More than anything, retailers have to keep enhancing their business operations, and especially their product ranges – not least to make them more sustainable.

Convincing people takes an effort, at least at the beginning. In the longer term – and we are in no doubt about this – it all pays off. And that is what motivates us to keep at it, whatever the skeptics might say. We mean it!

In this spirit, have an enjoyable read!



Anna Krall
Editor in Chief
& CSR Spokeswoman



Axel Müller
Head of Group Communications
& Investor Relations

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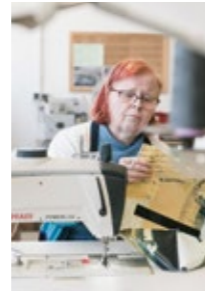
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EMPLOYEE MOBILITY

“I CAN REALLY UNWIND ON MY BIKE”

Dirk Becker is head of the garden center department at HORNBACH's store in Datteln in North Rhine-Westphalia. He is one of more than 530 HORNBACH employees who have drawn on the “Jobrad” program and cycle to work.

We talk to the cycling enthusiast. Tilman Sanner



DIRK, WHAT MADE YOU CHOOSE “JOBRAD”?

I do not have a driver's license so I do all my private errands as well by bike. I thought that a good e-bike would be a sensible addition to my normal bike. And the “Jobrad” program made that affordable.

AND WHAT MOTIVATES YOU TO CYCLE?

I can really unwind, also from work. Not only that, you see far more of your surroundings than in the car. Given all the roadworks, it is sometimes even faster than driving. And I never have any problem finding a parking space.

DO YOU ALSO HAVE SPORTING AMBITIONS?

I certainly do. When the season starts at the end of March, I cycle around 30 kilometers a day in my free time. At the weekend, I often ride 80 kilometers upwards. My vacations often involve traveling by rail and bike. My longest trip so far was to the Baltic Sea. That was around 475 kilometers and took four days.

HOW LONG IS YOUR JOURNEY TO WORK??

I spent ten years cycling around ten kilometers to work and back every day. Since moving house recently, it is now only around two kilometers.

DO YOU RIDE YOUR BIKE ALL YEAR ROUND, WHATEVER THE WEATHER?

Yes, in almost all kinds of weather. Wind and rain are no problem, but black ice is too risky for me.

DID YOU EVER HAVE ANY PROBLEMS?

My front wheel broke once, but a friend soon drove by to pick me up. I always have an emergency kit with me to deal with more minor problems.

AND WHAT DO YOUR COLLEAGUES SAY ABOUT YOUR ENTHUSIASM FOR CYCLING?

They sometimes think I am nuts. But I did once invite them all to come on a cycling trip. There were eleven of us and we managed around 40 kilometers.



"Jobrad" in action: Dirk Becker uses his e-bike to come to work every day. He is one of more than 650 employees already benefiting from the "Jobrad" program.

Finding a parking space is no problem for Dirk. He makes the two-kilometer journey to work on two wheels in almost all weathers – even when it is not such a sunny day as for our photoshoot.





JOBRAD FACT BOX

A town bike for relaxed cycling trips, a mountain bike for trips across rough terrain, or an e-bike so that uphill cycling is also fun: Whatever kind they prefer, all HORNACH Baumarkt AG employees have been able to lease a bicycle of their choice via the company since early 2017. Here is how it works: Choose a bike at your favorite bike shop, submit an application to HORNACH, and then get pedaling. Only children's bikes, pedelecs, and mopeds are excluded from the campaign. The lease contract is between HORNACH and the employee, so the employee's share of lease costs is deducted from their gross monthly

salaries. When the lease contract expires, employees can buy the bikes or return them. "The leased bikes are worth around € 2,500 on average, but some would cost as much as € 7,000 if bought new", reports Holger Gebhardt. As head of compensation and retention instruments at HORNACH, Holger played a key role in launching the "Jobrad" program. He also organizes the in-house mountain biking group, which has become very popular since the program began. As of February 28, 2019 the program has already been used 658 times at HORNACH. Holger is in no doubt: "Jobrad is an absolute success."

Nº 1 THE CUSTOMER'S CUT

Two employees at HORNBACH's DIY store with a garden center in Leipzig had a bright idea to speed up timber residue pricing and make it more customer-friendly and transparent. But the real star of the story is a simple wooden panel. Stefan Wolf

Even a wooden panel can be a great source of innovation – it all depends what you do with it. And in this case the right idea came to Pierre Auf der Masch and Enrico Springer. The two employees in the timber department at HORNBACH's project DIY store in Leipzig were asked to think about how to price cutting residues, i.e. what could HORNBACH do to sell timber residues remaining after cutting rather than just disposing of them? This is more or less what happened previously: A customer would come to the store and have a wooden work surface cut to her desired dimensions. If the remaining timber was to be sold, it had to be measured and the surface calculated, a process which was complicated and time-consuming. The customer then went to the checkout, where the price of the timber still had to be worked out. Alternatively, the timber residue was sent directly to the recycling waste box. "Throwing away sawn-off boards, edges, and strips was really painful. That was not a good solution – either for us or for our customers", explains Enrico Springer. His colleague Pierre Auf der Masch adds: "The timber is perfectly good for use, but we didn't know how to calculate the price quickly and transparently for our customers."

Simplifying timber residue pricing had long been a topic at HORNBACH. Employees at the Ansfelden store in Austria already had an initial idea to help calculate the dimensions of timber residues. For this, they stuck measuring tapes to the wall and the floor. This way, they could speed up the process of finding out how high and wide the sawn-off timber was. But the price still had to be calculated and the timber residue still had to be labeled at the checkout. For a single piece of timber, that does not take too long. For a whole consignment of boards, however, it is a bothersome and time-consuming task. That is where the staff in Leipzig came in.

"We brainstormed ways to calculate the surface more effectively, tried out various options, and wrote them off", recalls Pierre Auf der Masch. "And then we had our Eureka moment." They designed a multicolor wooden panel, 1x2 meters, with measurement markings on the edges. The trick is that each color stands for a different price group. Holding a piece of timber up to the panel shows you immediately how much it costs. All that remains to be done is to stick on a suitable label with the EAN Code. After that, the timber can be scanned directly at the checkout.

The pilot project at trial stores went through the roof. The simple but effective new method saves around two thirds of processing time in the cutting department and more than half the checkout time. It was soon clear that the wooden panel was destined for group-wide rollout. For this, numerous employees from across many stores, departments, and countries worked hand in hand. Today, all HORNBACH stores have the pricing panel for timber residues.

The success of their idea took Enrico Springer and Pierre Auf der Masch by surprise. "All we did was make a slight improvement, so it is fantastic to see how this is appreciated."

Two great guys, one innovative idea: Enrico Springer and Pierre Auf der Masch from the HORNBACH store in Leipzig. Behind them is the multicolor pricing panel.



INNOVATIONS

IDEAS POWERHOUSE

How to cut waiting times at the checkout, make it easier to manage smart products, and calculate prices for timber residues faster? For all these topics, company employees have devised innovative solutions to make life easier for customers and colleagues alike.

Stefan Wolf, Anne Spies und Florian Preuß



Christian Rapp and Sven Schönmehl are the bright minds behind SMART HOME by hornbach.

Nº 2 SMART PROBLEM SOLVING

HORNBACH is the first DIY store in Germany to develop its own smart home platform enabling home and garden devices to be intelligently networked and controlled via a central app. Anne Spies

Lamps, CCTV, heating, lawnmowers – ever more devices in consumers' homes and gardens are linked up to the internet. Manufacturers promise ever greater convenience, security and energy efficiency. According to a survey conducted by Bitkom, in 2018 one in four people in Germany already had a smart home device. DIY stores are also stocking ever greater numbers of smart products. There is now even an app for cordless screwdrivers.

The problem here is that most manufacturers offer stand-alone solutions that only cover their own brands. That means that anyone wishing to automate their entire home can easily find themselves having to juggle a dozen or more apps. "It just wasn't an option for us to list the various individual solutions and let customers sort out the compatibility problem themselves", explains Sven Schönmehl, purchasing specialist for the Smart Home department. "Our customers should have the possibility of managing all the solutions relevant to their needs via a central app."

To tackle this problem, HORNBACH decided to develop its own platform, one that gradually integrates all relevant devices in consumers' homes and gardens regardless of the individual manufacturer. "Our aim was to provide a system that was as easy as possible to get started with and intuitive to use. By incorporating the latest future-proof technologies, we also wanted to ensure that the investment made by our customers would pay off in the long term", adds Christian Rapp, project manager in the Technology department. One key requirement was that the platform should offer effective protection against data theft, hacker attacks, and manipulation. This has now been confirmed by the German Association of Electrical Technology, Electronics and Information Technology (VDE), which has granted information security certification for the platform.

In an in-house pilot scheme conducted for trial purposes, more than 100 HORNBACH employees transformed their homes into smart homes. This way, they contributed greatly to further developing the system and getting it ready for market. By April 2018, everything was in place: "SMART HOME by hornbach" was sold for the first time via the German online store. Soon afterwards, the system began to be rolled out to HORNBACH's stores. It is now also available in Austria and Sweden, and further regions are set to follow. "One crucial aspect involved training our sales colleagues, who had to become smart home experts practically overnight", recalls Schönmehl. "It is not much good if we have a fantastic solution on the shelves, but nobody can explain what the benefits are. Offering high-quality advice on site is what sets us apart from other smart home providers." A challenging task for store employees – after all, ongoing improvements to SMART HOME by hornbach mean that new developments, such as new products, functions, or features, are added nearly every day.

The Smart Home team receives a regular flow of valuable feedback from users via the stores, the online shop, and the customer service center. Wireless standards no longer needed since the most recent update, for example, can be deactivated and individual settings implemented for specific scenarios using "expert rules" – these amendments both resulted from customer suggestions.

HORNBACH receives plenty inquiries from manufacturers interested in being integrated into the platform. "The trick is selecting the product that offers the greatest added value for our customers", explains Schönmehl. "And additional features such as security-related services may also have a role to play in future." ◀



Annekathrin Degen and her project team were the driving force for the new self-service checkouts.

Nº 3 AND SUDDENLY IT ALL WENT REALLY FAST...

Today, all HORNBACH customers have the option of waiting for a traditional checkout or scanning and paying for their purchases themselves. That is the result of painstaking development followed by a rapid rollout. Florian Preuß

Long waiting times at checkouts are annoying. That is true anywhere and DIY stores and garden centers are no different in that respect. But at DIY stores in particular, it is not always possible to avoid long lines however carefully the store managers plan their staff rosters. All it takes is a warm ray of sunshine in the spring and suddenly the store is overrun with customers impatient to tackle their first home and garden projects. “In situations like that in the past, when lines of customers with trolleys full to the brim suddenly formed at the checkouts, we basically had to make a difficult choice”, explains Volker Guth, a district director responsible for six HORNBACH stores in south-western Germany. “We could let our customers wait at the checkouts or withdraw specialist sales staff from the departments and deploy them at the checkouts for hours on end – knowing that they would then not be available for the equally important task of advising customers.”

Store managers no longer have to make this tortuous decision. That is because HORNBACH has installed self-service checkouts in recent months at stores in Germany, the Netherlands, and Sweden. Further HORNBACH regions are set to follow. The “self-checkout” was developed by an internal project team formed at the end of 2016. An initial trial with existing checkouts and slightly amended checkout software programs was held at the store in Ludwigshafen-Oggersheim. “We rapidly gained valuable experience which we could then factor into our in-house development work late in 2017”, explains Annekathrin Degen from the project team. “We soon decided, for example, to keep the number of digital masks and entry options as low as possible. This way, our customers can find their way around the system quickly and intuitively.” The option of using a signature system for card payments has now also been integrated.

In early 2018, the revised self-service checkouts were then tested at one store in Sweden and several stores in Germany. The results were clear – the technical solution involving handheld scanners, touchscreens, cash recyclers, and card terminals worked correctly and smoothly. “Many customers who were initially skeptical about this new option were convinced as soon as they tried it out”, reports Annekathrin Degen. Word of the successful new system quickly spread among employees at the trial stores, managers, and visitors from central administration departments. This way, the original plan of equipping up to 20 stores in Germany with the self-service checkouts in 2018 was drastically stepped up. The new target was to fit out more than 90 stores in Germany within just four months. “The fact we managed that mammoth task under our own steam, including training store employees and installing all the checkouts, is a great example of the team spirit at HORNBACH. All colleagues pulled together, whether they were at the stores or in the personnel, customer service, or other departments”, enthuses district director Volker Guth looking back. He adds: “The self-service checkouts absolutely proved their worth on the warm days around Easter. Even though customer numbers reached new record levels at many stores, we managed to avoid any congestion in the checkout area.” ◀



FAMILY COMPANY

DUTY FIRST

Company founder Otmar Hornbach stood at the helm for more than three decades. Shaped by the virtues of the “honest merchant”, the DIY store pioneer always took a forward-looking, principled, and humane approach. Today, we would say he acted sustainably.

Anna Krall and Stefan Wolf

“As regards the hall, all I need say is that it is intended to continue the tradition taken over from the old Hornbach builders’ merchant business, i.e. trading cement, stones, bricks and so forth, as practiced from generation to generation for around 90 years, albeit under very different conditions now. But the similarities are enough for us to declare: ‘Grandpa’s builders’ store is dead, long live grandpa’s builders’ store!’”

1968: Speech at topping-out ceremony for construction of HORNBACK DIY superstore in Bornheim

“Our aim is not just to sell things but to offer our customers all-round satisfaction.”

1980: Opening of Karlsruhe store

“The company would never have been publicly listed if that had involved the slightest risk of the family no longer being able to implement its ideas.”

1988: Quotation from Börsen-Zeitung

“It was our accolade, it is our Cross of Merit. We all worked hard over the past 30 years to deserve this. Without the efforts of everyone here, we would not have become a large, respected company. But it will also help in obtaining high-level honorary appointments where we can do things for society as a whole.”

1999: Awarding of Federal Cross of Merit, letter to employees

“It would be neither ethically appropriate nor materially justifiable for the family to prematurely or unnecessarily run away from its responsibility.”

1997: Ad-hoc-announcement following takeover rumors

“It is all about loyalty in return for loyalty. HORNBACK is loyal to its employees and they have the feeling that this is the right place for them. They in turn are then loyal to the company.”

2010: Interview in company TV

“Not a single mark has been unnecessarily siphoned off onto the private accounts of the owners, gold bars in Switzerland, investment properties, foreign property holdings, or any other reinsurance or compensation schemes. Our motto has always been: give the company all you have.”

1974: Speech at company party

“We never took huge risks, but advanced step by step.”

2004: In review

“I would like to continue working in an open working climate, one based on mutual respect and trust.”

2010: Interview in company TV

“With a heavy heart, I managed to do the right thing. I certainly have the impression that my sons are prepared to cope without outside help in future. I just happen to think that HORNBACK is the crème-de-la-crème and ideally managed.”

2010: Interview in company TV

“HORNBACK is and will remain independent.”

2010: Interview in company TV



THE FAMILY COMMITMENT

Security, stability, influence: How the Hornbach family charted the future for HORNBACH the company.

A Takeover rumors arose for the first time in 1997. That was the moment for company founder Otmar Hornbach and his cousin Albert Wilhelm Hornbach to provide a clear and public avowal of the family's commitment to the company. The family would not relinquish its controlling influence over the company either then or in the following generation. But what was the best way to hand the company over to the next generation in an orderly manner? The greatest obstacle was inheritance tax, which would have to be paid by the next

generation. In the absence of suitable preparations, the next generation might have to sell shares in the company to pay the tax and thus risk losing majority control of HORNBACH. The two cousins weighed up various options and ideas, discussed them and then discarded them.

Both cousins favored a strategic partnership in which a partner would contribute capital and in return obtain shares with voting rights. The opportunity arose in November 2001: HORNBACH Holding AG entered into a strategic

partnership with the British company Kingfisher plc. At the time Europe's largest DIY player, Kingfisher acquired a qualified minority stake of 25 percent plus one share. This alliance made it possible to transfer company ownership to the next two generations, securing HORNBACH's independence for the future as well. In parallel, Otmar and Albert Wilhelm Hornbach worked to establish a

by shares was the right way forward. This provides the company with the ability to take up fresh capital without the family losing its controlling influence.

Now that HORNBACH's independence and the family's influence have been secured on a permanent basis, the company is free to develop its operating business. As with the

Left: Otmar Hornbach in August 1967. Concrete rings for the sewage plants then produced by HORNBACH are provisionally stored in the open air in front of the production hall, soon to be the site of the first DIY superstore.

Bottom: Dr. Wolfgang Rupf (now Supervisory Board Chairman of HORNBACH Management AG), Otmar Hornbach, and Albert Wilhelm Hornbach (left to right). Otmar Hornbach passed away at the age of 84 in August 2014; his 79-year-old cousin Albert Wilhelm Hornbach in February 2019.

» *I looked deep into the eyes of each of the Hornbachs who bore responsibility for the company at the time, or was set to do so in future. I asked each of them whether or not they could, with a clean conscience, stand by the statement that the family would remain loyal to the company for at least the next 30 years and communicate this to the outside world. Each one withstood my gaze. From then on, we began our intensive efforts to organize the succession and draft interfamily contracts.* «

Otmar Hornbach
in a speech to store managers in 1998

family company in which decision-making powers relating to the company would be pooled across family boundaries. This led to the foundation of the family trust – HORNBACH Familien-Treuhandgesellschaft mbH – to which all ordinary shares held by Otmar and Albert Wilhelm Hornbach were contributed from August 2002. The trust now includes around 60 family members from three generations and pools their shareholdings.

Today, family members still require majority approval from the other members if they wish to sell shares. When, in 2014, Kingfisher offered to reverse its minority stake and sell its shares back to the family, the family did not hesitate. The founding family thus secured its influence on the future shareholder structure. Together with the Board of Management of HORNBACH Holding AG, it decided that changing the legal form of the holding company into a partnership limited

decisions taken in previous years, converting the legal form has provided HORNBACH with the reassuring certainty that it will remain a family-run company. This way, it cannot be taken over by any investor or competitor. ◀



SPECIAL PRODUCTS

A TYPICAL GERMAN SME!

We visit Südpfalzwerkstatt gGmbH in Offenbach
and Lebenshilfe Bruchsal-Bretten.

„max4car“ and „Comebags“ are two popular brands in the HORNBACH universe. Customers can find the first of the two in the form of ice scrapers and other products on sale at the stores. New employees are welcomed with a bag from the second when they start out at the company. The products offered under the two labels have one thing in common – they are manufactured by people living with disabilities.

Ben Krischke, Tilman Sanner

As the road with colorful houses comes to an end, the residential area gradually turns into a small industrial estate. Grey one-story buildings, nearly all with glass fronts, appear on both sides of the road. We have hardly arrived in the reception at Südpfalzwerkstatt gGmbH when we are greeted by a young man, 30 or so, who comes along the corridor and smiles. He offers us a warm welcome and seems to be genuinely interested in how we are. We get talking right away. He tells us about his school days and about how the teacher once accidentally locked him in the classroom. Fortunately, the headmaster was still in the building and finally let him out. “Just imagine if he had already gone home, the headmaster”, he adds and can hardly stop laughing.

Outside, no overcoat is a match for the icy winter cold, but inside our first encounter is warm and friendly. The first impression of Südpfalzwerkstatt is that of a typical German medium-sized enterprise. Like at any other company, workers are going about their activities. The only difference here is that the people are living with disabilities. This location in Offenbach an der Queich has two main product and service lines. On the one hand, the

company performs metal work, packaging and assembly activities for industrial and trade customers. On the other hand, the location is also home to the automotive accessories sold under the “max4car” brand, a private label of Südpfalzwerkstatt.

A COMMUNITY OF SOLIDARITY

Heribert Boltz is head of the “max4car” division. The master engineer with additional training in special needs education has worked at Südpfalzwerkstatt for more than 30 years now. After our first friendly encounter with the young employee, it is he who leads us along a narrow corridor. We pass large shelves with colorful ice scrapers and snowbrushes. “We are always up to date with the latest color trends”, says Boltz. He smiles and hands me a light blue ice scraper.

Südpfalzwerkstatt was founded in 1974 by parents looking for a structured daily routine for their disabled children. Unlike today, the company could not pay any wages, but it forged initial contacts to companies in the region. No later than the nineties, the model was an absolute success.





Top and P. 22: Enjoyable work: Lebenshilfe Bruchsal-Bretten is building on upcycling. Among other products, the company's sewers make attractive bags out of old advertising banners for the "Comebags" brand.

Right: Comebags for HORNBAACH: New employees receive the recycled bags as a welcome present on their first day at work.

Südpfalzwerkstatt grew and the number of employees also rose consistently. The company now has more than 800 disabled people working at three locations. These are accompanied by more than 200 support staff and administrative employees. The public sector covers the costs of the support staff, as well as factors such as transport services, food, and heating, while the company pays the wages of its disabled employees, as well as the staff costs for special roles not involving support activities, such as marketing and logistics.

The company has to generate profits to cover the costs of its employees but is nevertheless organized as a community of solidarity. Boltz explains: "Our official mandate is to offer a variety of work for employees with widely differing skills and abilities. Tasks range from simply handing over items through to complex turn-milling activities. We are a team in which everyone does their bit". At HORNBAACH, the

"2K, Blue" ice scraper costs Euro 2.49, while the "M, Blue" ice scraper with an integrated snowbrush costs Euro 6.49. The "max4car" private label currently accounts for the largest share of revenues at Südpfalzwerkstatt.

UPCYCLING: IN LINE WITH THE TIMES

"Lebenshilfe Bruchsal-Bretten" has its headquarters just over 45 minutes' drive south-east of Offenbach an der Queich. Founded in 1963, this association now offers production and service jobs to more than 800 adults living with disabilities. One product based on upcycling, and thus on an idea that is absolutely in line with the times, has become well established there recently. The basic idea is that an item that is no longer in use or wanted should – by acting creatively – be turned into something new, usable, and unique. Thanks to people like Christian Tschürtz, that idea is certainly trending.



A trained graphic designer, Tschürtz produces brochures, websites, and banner adverts. He now also works for Lebenshilfe which, among other products, manufactures the bags for his "Comebags" brand. According to Tschürtz, it all began with a "crazy idea". Back in 2012, he was chatting to a friend about banner adverts and how they involved a costly design and production process but were usually thrown away again after two weeks. "I checked the internet to see if there were any companies that would make bags for me out of my banner adverts but I could not find any", he remembers. "The idea of recycling bags is not new, they are all over the internet. But until now, no company offered just the up-cycling part and sent the finished bags bag to the client." He spent six months turning the idea over in his mind before hearing about the facility in Bruchsal from an acquaintance in the textile industry.

A while later, once all involved had been convinced, Bruchsal was the birthplace of the first "Comebags" bag. "I expected to produce maybe 100 bags a month. Today, we are already at 1,500 a month, and we might achieve even more", reports Tschürtz, whose role can roughly be

summed up as a commercial agent and customer advisor. Customers for the bags include well-known companies from a variety of sectors and the German Soccer Association (DFB) has already kitted itself out with "Comebags". For HORNBAACH, Lebenshilfe Bruchsal-Bretten has been producing press folders and shoulder bags since 2013. These are presented to new HORNBAACH employees as a welcome gift, but are only on sale at the DIY stores and garden centers in exceptional cases.

Between 40 and 50 Lebenshilfe employees now work only on "Comebags". And the product range has long since expanded beyond shoulder bags. Aprons and tablet cases are also part of the portfolio. Looking ahead – and here the difference to commercial companies is striking – Tschürtz wants to make sure that "Comebags" do not become too successful. "We do not want to get ahead of ourselves", he explains. "The initial vague idea has already become a fantastic project, one which benefits us all. We aim to keep it that way. It cannot get any better than it already is."



Top/right: Südpfalzwerkstatt in Offenbach supplies products and services to industry and trade companies. Its main revenue driver is automotive accessories sold under the "max4car" label. This own brand can also be found on HORNBACH's shelves – ice scrapers equipped with snow brushes and available in a variety of colors.

"IT DOES NOT HAVE TO BE ORGANIC TO BE SUSTAINABLE"

Back in Offenbach an der Queich, people are also giving thought to the future. According to division head Heribert Boltz, the greatest challenge facing "max4car" is that of surviving on a permanent basis. After all, the brand has to compete with commercial suppliers and imports from the Far East. "We are absolutely in competition", he explains. "The social aspect is not a strong enough argument. We also have to ensure the right quality, price, and supply reliability". He provides extra arguments. "max4car" products are produced in the region, avoiding the need for long and costly freight routes. Not only that, they can react to peaks in demand, such as a sudden onset of wintry weather. "Our products are high-quality products offering great durability and correspondingly long useful lives. It does not have to be organic to be sustainable", he adds.

Towards the end of visit, the head of the "max4car" division takes us to another part of the building. There are cardboard boxes and palettes everywhere. In a square space behind a glass cover there is a sign on the wall which says "We do all that!" Beneath it, colorful "max4car" products hang together like a collage. Half the two dozen plus workspaces are occupied by people busily assembling and packaging products. It looks like the workshop at any typical German medium-sized enterprise. But when we enter the room, the welcome is warmer and friendlier than elsewhere. And so are the goodbyes. ◀



HERE'S TO
PARTNERSHIP

NOT ERRATIC, BUT PRETTY DEMANDING

HORNBACH works with several hundred suppliers. Many of these business relationships have a long track record. Suppliers grow in parallel with the company. The construction materials manufacturer Baunit is a good example of how attractive but also challenging that can be.

Florian Preuß

If you stop moving, you're already out of the game", says Dirk Jähnichen, laughs, and quickly rolls up his sleeves. The 46 year-old head of sales at Baunit GmbH in Germany is in his element today. He is not sitting at his desk or behind the wheel. He is rather standing in the middle of a long and very dusty aisle in the construction materials section of HORNBACH's store in Neu-Ulm. He is watching two fitters who are in the process of shifting the middle level of an enormous heavy-duty shelving system by a few centimeters. To the left and right of the shelves, new goods are waiting to be stocked by Jähnichen and his four-man team. Getting things done, that is what he likes best. He is also a fan of pithy sayings, and gives us another: "Better is the enemy of good."

In this case, the "good" is the old module in which Baunit successfully presented its products to customers at all of HORNBACH's stores in Germany for seven years. Demand for the mortar, concrete, plaster, trowels, primers, and many other items offered by the renowned brand manufacturer with the red square in its logo has grown in each of these seven years. "At the same time, the world has moved on", explains Sven Lüth, the HORNBACH purchaser responsible for the construction materials product range who always has one eye on what might be "better". "We have developed new products together, such as numerous items promoting a healthy living environment. Then we gained some new insights into better customer management. Finally, there is no doubt that the interaction with our online store, with its wide variety of information and guidance for customers, is also playing an ever more important role."

ABSOLUTELY SOUND MODULE DEVELOPMENT

The new product ranges and insights were factored into the development of the latest module in 2018. Account was also taken of experience gained by longstanding

specialist sales staff at various HORNBACH stores, advice from e-business colleagues, and the judgment of design professionals in the module development department. The full module, which at large stores is more than 18 meters long and nearly four meters high, was first assembled on a trial basis at HORNBACH's development center. That was followed by further optimization, reviews, and documentation. Finally, the module was assembled for real at four HORNBACH stores, with further improvements during ongoing operations.

"Yes, that's absolutely sound, planned right down to the last detail", says Dirk Jähnichen with a smirk and a hint that this approach takes some getting used to for a hands-on guy like himself. And it suits him fine that not every HORNBACH store is identical, so there is a steady stream of minor hurdles to be overcome when installing the new module. That calls for improvisation when one part of the shelving system has to be assembled and stocked slightly differently than originally planned. That is the cherry on the cake and is what makes the assembly work more interesting for the men. "Having said that, there is no doubt that this rollout is only going so smoothly and quickly because we did our homework together and prepared it so thoroughly", adds Jähnichen. And also because staff at the store already made space and cleared everything away the day before. The Baunit team then has one day for the conversion work. Often, like today in Neu-Ulm, it only takes half a day.

WORKING TOGETHER TO PROMOTE HEALTH IN THE HOME

A few hundred kilometers south-eastwards, Georg Bursik is standing in the middle of a settlement with a futuristic feel about it. Twelve similarly sized cuboid buildings, painted white, have been built side by side in Wopfung in Austria, all of them built in different ways and using

different construction materials. Since 2015, the Austrian company Baunit GmbH has been conducting research here on the impact of construction materials on health in the home. Based on real-time comparisons and accounting for extreme weather conditions, a variety of parameters are measured at 33 points in each house. These include temperature, humidity, particulate matter concentration, and energy consumption. The findings are interesting, but not always groundbreaking. “We showed, for example, that lime plaster makes the best contribution to managing humidity”, explains Managing Director Georg Bursik. “People round here already knew that 200 years ago, but seem to have forgotten in the meantime.” Now it is becoming widespread knowledge once again thanks to Baunit’s product range. The current module at the HORNBAACH stores will also help spread the news, with information panels clearly pointing out the positive characteristics of lime plaster. “Baunit was one of the first suppliers we worked with to tackle the forward-looking topic of health in the home eight years ago”, explains purchaser Sven Lüth. “Since then, we have worked together to hold several information events for our customers. And we are naturally very interested in the latest developments at the research park.”

Austria is also where the cooperation between Baunit and HORNBAACH first began. In 1995, when news seeped through the industry that the DIY store chain, at the time only known in Germany, was preparing its market entry in the Alpine republic, Baunit’s management got in touch. “Back then, we mainly sold our products at specialist retailers and the former competitor Baumax – and we



were very interested in a business relationship. After all, HORNBAACH had a reputation as a modern company with a really practical approach”, remembers Georg Bursik. Based on the experience gained over the past 23 years, he adds: “What makes HORNBAACH different from its competitors is its clear focus and the fact that it is not erratic. It is not interested in random results and does not need 27 different kinds of bricklaying mortar. Instead, it wants a strong core product range with very good products.”

NEW FORMULAS FOR THE HOME IMPROVEMENT TARGET GROUP

Four years after first making contact in Austria, Baunit’s German sister also entered into a business relationship with HORNBAACH. In this case, the partnership is highly exclusive. Since then, HORNBAACH has been the only player in the German DIY store sector to offer Baunit’s products. “Throughout our company’s history, stretching back more than 100 years, we had mainly focused on professional customers: architects, builders’ firms, housing cooperatives, and so forth. Thanks to our cooperation with HORNBAACH, we then dealt more closely with the needs of private customers and home improvement enthusiasts”, relates Dirk Jähnichen. The company increasingly developed formulas that facilitated easier and above all longer processing. Finally, the packaging sizes were also reduced. Mortar sacks, for example, were only available in 40 kilo packages right through to 2009. The two companies then took the almost revolutionary step of downsizing five products to 25 kilos. Other players in the sector were skeptical about that approach at first, but sales soon began to rise rapidly. Private customers in particular, who face the laborious task of loading and unloading individual sacks, gratefully seized the benefits of the new weight. Ultimately, the new size also met with a warm reception from professional customers, whose trade associations had long been recommending them only to lift weights of up to 25 kilograms to avoid damaging their health.

The growing range of professional brands on offer, such as Baunit, has made HORNBAACH stores ever more attractive for professional customers in recent years. Each store now has a special professional customer advisor who performs tasks such as accepting orders and making the goods available on site. When holding events for the professionals, these advisors can also count on support from Baunit’s experts. “The number of small-scale trade



companies has been rising for years now, and HORNBAACH has done a really good job of addressing the needs of this target group with suitable products and services”, adds Dirk Jähnichen. Pointing to a nearby shelf, he then indicates a further effect. The focus on the needs of professional customers means that the product range on offer at the stores is also growing. For cladding design, for example, the new module also includes colored plasters from Baunit. “The product range is still highly focused, but already much more extensive than the old module”, explains Jähnichen. To make space, a few bulky glass cases had to be removed. Even so, there is still not enough room for the entire product range.

AMBITIOUS TEMPO

Fortunately, HORNBAACH also has its online store. The new module is full of references to additional items available on this channel.

Customers are also referred here to information available online, such as instructions and more details about quality and health-related aspects. “The company is doing a fantastic job of bringing new product ranges to its stores via online retail. If you look for a product with a search engine, you mostly find HORNBAACH listed at or near the top”, adds Dirk Jähnichen. The great tempo at which the company was developing also posed a challenge for suppliers: “When it comes to e-commerce, we also work together successfully with other retailers, but the vehemence with which HORNBAACH is promoting this key distribution channel is unique among our business partners.”

Top: The new module at HORNBAACH’s store in Neu-Ulm offers customers a wealth of products and extra information.

Left: Baunit sales manager Dirk Jähnichen likes getting involved and demonstrates the applications for individual products.

P. 28: At the research park, the team around Managing Director Georg Bursik investigates the influence of materials on health in the home.





INVESTING SUSTAINABLY

BEYOND THE FIGURES

In assessing companies, ever more investors are not only looking at their key financials but also questioning their impact on the environment and society. Anne Spies

Airbus, Philip Morris, Rio Tinto, Walmart – these companies have one thing in common: They are all on the blacklist of Norway's state pension fund, one of the world's largest shareholders. The Norwegians refuse to invest their cash in companies which produce nuclear weapons or tobacco, ruin the environment, or turn a blind eye to violations of human rights or labor law.

And they are not alone. Ever more asset and fund managers are factoring environmental, social, and governance factors into their choice of stocks. What used to be the hallmark of foundations, churches, and charities has now become mainstream.

There are many reasons for this. On the one hand, ever more studies have shown that investment risks are reduced when ESG (environment, social, governance) criteria are accounted for. On the other hand, institutional and retail investors are increasingly on the lookout for financial products that are consistent with their values and convictions. One catalyst in Europe in particular is ever stricter regulation requiring companies and investors alike to offer greater transparency in terms of the ESG impact of their business activities and investment policies. Among other requirements, these include the obligation on companies across Europe to publish a so-called "non-financial declaration", which now forms part of the Annual Report at HORNBACH as well.

And now there are numerous ESG rating agencies, such as Sustainalytics, MSCI ESG Research, and ISS-oekom, which evaluate this data and aim to offer neutral, comparative assessments of companies' sustainability records – so far with widely varying results.

This being so, most investors now rely not only on the evaluations published by rating agencies, but are also setting their own standards (see interview). A study performed by the European Sustainable Investment Forum

shows that blacklisting companies with controversial business models is by far the most popular strategy. Alongside this, ESG criteria are also being included ever more often in traditional financial analyses. Either that or investors select companies that score particularly highly within their sectors. The Global Sustainable Investment Association (GSIA) estimates that sustainability criteria are now factored into the investment decisions for around 30% of the assets invested worldwide – and that figure is rising rapidly. ◀

INTERVIEW

“SOMETIMES COMMON SENSE IS THE BEST GUIDE”

Shareholder Value Management AG (SVM) is responsible for the investment strategy at Frankfurter Aktienfonds für Stiftungen, an equity fund for foundations, which has held shares in HORNBACH Holding AG & Co. KGaA for many years now. Portfolio manager Ronny Ruchay explains the role played by ESG in selecting suitable companies.

WHEN DID SVM START FACTORING ESG CRITERIA INTO ITS EQUITY ANALYSIS, AND WHY?

The underlying idea of investing capital not only with a view to returns, but also responsibly, has been part of our investment policy since the very outset. Over time, there has been an ever greater need to structure investment criteria and the underlying processes. Based on the "Guideline for Ethically-Sustainable Investment of the Protestant Church in Germany", in 2013 Shareholder Value Management AG began by cooperating with the research provider Sustainalytics to compile a catalog of exclusion criteria for the Frankfurter Aktienfonds für Stiftungen. The aim here

was to do justice to the fund's specific target groups and optimize its risk management. This catalog now applies to all funds we advise.

WHAT APPROACH DOES SVM TAKE TO ANALYZING COMPANIES?

In the first step, Sustainalytics reviews all potential investments to check whether their business models collide with our criteria. Problematic areas for us include manufacturers of tobacco products, gambling, pornography, nuclear energy, armaments and weapons, as well as highly alcoholic beverages. That automatically excludes some companies in advance. For the others, we then begin our own detailed in-house analysis.



THAT MEANS YOU DO NOT SOLELY RELY ON THE DATA FROM SUSTAINALYTICS?

The advance selection is very important, but then we have to look into the specifics at each company. Here, we may find potential economic risks that are not covered by the advance analysis. How do the companies treat their employees? Are there any indications of unfair business practice? Sometimes common sense is the best guide. If a company's prices fall short of a certain limit, for example, then that is already an indication that the business model cannot be sustainable in economic terms. In our analysis, we also refer to the ten principles of the "UN Global Compact", which is intended to prevent violations of human rights and labor law requirements, as well as environmental pollution and corruption.

HOW STRICTLY DO YOU IMPLEMENT THESE CRITERIA?

It is about finding the right balance. If, for example, the controversial business fields at a given company account for less than ten percent of its revenues, then we do not automatically exclude that company from investment. That does not apply, however, for weapons banned under international law, such as land mines or cluster bombs. Here, the ban on investment automatically applies regardless of the share of revenues.

ARE THERE ANY EXCLUSION CRITERIA WHICH ARE MORE OPEN TO DISCUSSION?

The guidelines issued by the Protestant church provided the inspiration for our catalog of criteria, but our catalog differs in two aspects. Firstly, we do not invest in nuclear power, whereas the Protestant church does not exclude that. Secondly, we take a different view on genetically modified seeds. Given the difficulties in feeding the population in many parts of the world, we see investments, and thus support for companies that produce these seeds, as legitimate and necessary.

WHAT ESG FACTORS DO YOU SEE AS RELEVANT TO HORNBAACH?

Firstly, there is the "G" for governance: HORNBAACH is a family company that comprises two listed stock corporations. As the anchor shareholder, the Hornbach family exercises decisive influence over the operative and strategic management of these companies. For outside investors, who are always de facto in a minority, it is therefore very important that decisions should be taken to the benefit of all shareholders. In individual cases, that may lead to conflicts.

ALSO AT HORNBAACH?

As I see it, the owners have a great interest in handing over a strong company to the next generation. Consistent with this desire, the management pursues a long-term strategy, and that with the approval of the Supervisory Board, which is decisively influenced by individuals from the Hornbach family. That way, they are willing to accept lower profits for a certain period if that is what it takes to make the company fit for the coming years and decades.

IS HORNBAACH ON THE RIGHT COURSE IN TERMS OF ITS STRATEGY?

HORNBAACH is investing a great deal of cash in building up its online business or, to be more precise, in interconnected retail. For long-term survival in a tough competitive climate, those investments are necessary and

appropriate – and certainly in the interests of value investors with a long-term perspective, as is the case for us. When it comes to multi-channel, we see HORNBAACH as one of Germany's best-positioned DIY chains and certainly a European leader. At present, however, we think HORNBAACH may have overshot the mark in terms of its investments in digitalizing its business model. We also ask ourselves how well that approach sits together with substantial investments in retail properties whose ongoing value is challenged by e-commerce. We discuss these topics openly and with due frankness with the management. We also make no bones about our wish to see a simplified company structure. Here, we see ourselves as a long-term partner and as a sparring partner to the management and, by implication, the Hornbach family. A long-term mindset certainly has many merits, but we want and need to satisfy our investors by critically reviewing every euro – which at the end of the day belongs to our investors – to see whether it has been reinvested so to create value. That means that sustainability and governance are closely interrelated.

WHAT OTHER ASPECTS PLAY A ROLE?

Supply chain quality is also relevant. For its private labels, Hornbach procures some products from a subsidiary based in Asia. As private labels account for more than 20 percent of sales, it is important for the company to offer the right product quality and meet its promise of offering the "best value for money in the market". Compliance with environmental standards and fair working conditions at the suppliers is also relevant here, not only from a customer's perspective, and is an important part of the product claim. Last but not least, employee management is also relevant. A large share of the customers HORNBAACH targets are professionals. The company is therefore dependent on the competencies of its employees, many of which previously worked in trades themselves. In view of this, effective employee management and retention are correspondingly important.

AND HOW WOULD YOU ASSESS THE INFORMATION PROVIDED ABOUT ESG? HAS THE LEGAL OBLIGATION TO PROVIDE SUSTAINABILITY REPORTING (NON-FINANCIAL DECLARATION) LED TO GREATER TRANSPARENCY?

That ultimately depends on the individual company. Companies like Hornbach that are managed in an exemplary fashion are very transparent. Extended reporting would actually not be necessary here. For the reasons outlined above, we in any case see topics such as employee management and development as belonging in the annual report. But there are other companies where the legal obligation to provide transparency marks an improvement and helps more negligent players to overcome their reservations. For us as investors, however, that is less relevant, as our focus is on well-managed companies.

HOW OFTEN DO YOU RAISE ESG-RELATED TOPICS IN YOUR TALKS WITH THE COMPANY, AND WHAT ASPECTS IN PARTICULAR?

The preliminary filter at Sustainalytics enables us to filter out numerous potentially critical topics relating to "Environmental" and "Social" in advance already. In practice, there is then little need for discussion. It is a different matter when it comes to "Governance" topics. Questions as to how the company is managed, how ownership is structured, and whether the management has its own "skin in the game", i.e. holds a substantial stake in the company, cannot be answered by the filters. In these cases, talks have to be held with the management. Depending on the case in hand, these may then lead to lively debate. ◀

VISIT TO A BUILDING SITE

NO HALF MEASURES

Energy efficiency is an important topic for the future, especially when buildings or apartments change hands: no energy certificate, no sale. But what does that actually mean for building clients and their refurbishment expectations? A visit to a building site. Anna Krall

It is March and sunny. Bodo Mang, master plasterer and sales employee at HORNBACH Baustoff Union GmbH (HBU) in Kaiserslautern, has invited his building client Dietmar Hoffmann and me to Kaiserslautern. Discussions about the next step in the refurbishment project are on the agenda.

The builders' merchant outlet in Kaiserslautern was newly built and reopened less than two years ago. The new building stands out immediately in the middle of the industrial estate. Rather than a traditional builders' merchant site with an industrial look, it is a two-story sales building with an inviting appearance. From my first visit here, I already know that energy efficiency and noise insulation were important factors when designing the new location. That is why it has full thermal insulation and triple glazed windows. Not only that, it also has solar cells on the roof and uses the energy they generate itself.

PLANNING MEETING IN KAISERSLAUTERN

Bodo Mang and Dietmar Hoffmann are standing at the sales counter, deep in discussion, poring over papers, and look up when I approach. "For the building in Gonbach,

I recommended Mr. Hoffmann to use our UnioPlus thermal insulation system made of expandable polystyrol, EPS for short", is the welcome I receive from my colleague. He points to one of the models in front of us. "That way, we can achieve almost the same conductivity class as with rafter insulation. Especially if we combine that with triple glazing, we can avoid a thermal bridge". Dietmar Hoffmann smiles in agreement – the refurbishment can advance to its next stage. Hoffmann is also a specialist.

EXPERT RENOVATION

He is self-employed and manages a trade company – Flachdach H+V GmbH. He is a roof expert, so it is no surprise that he began the refurbishment there. "A low-cost solution was never on the cards. That is why Bodo and I were talking about me buying foil-laminated PUR plates from Baustoff Union. That way, I am sure to have the optimal energy-saving solution for the roof", explains Dietmar Hoffmann. During the discussion, I learn that the polyurethane plates offer numerous benefits. They are flame-retardant, easy to fit, and currently have the best heat conductivity. The aluminum lining also eliminates any need to fit a separate vapor barrier film.



BUILDING SITE IN GONBACH

Often buildings are only renovated so as to meet the minimum energy efficiency requirements, particularly when they are due to be let out, explains Bodo Mang as we head to the building site. In those cases, the client wants to get finished as quickly as possible, let the property, and make money. Dietmar was different in that respect. The sales specialist and tradesman had already worked together for several years.

The building in Gonbach was built in 1974 and had stood empty for 13 years. It is the last building in the street, right on the edge of the forest. “The house was a chance discovery. One Sunday morning, while having breakfast with my family, I saw the advert and didn't think twice”, says Hoffmann and laughs. Four apartments, each with 125 square meters, are being extensively refurbished. Despite the long period of vacancy, the building is in flawless condition. That might also be because the waterworks cut off the supply to the house years ago. New supply lines are just being installed.

A GREAT DEAL DONE ALREADY

When we arrive, I notice right away that new windows and doors have already been installed. “Buildings always lose most of their heat through their openings. That is why we recommend replacing windows and doors even when the building is not due to be fully insulated”, confirms Bodo

Mang as we head to the entrance. The door is made of aluminum and at least eight centimeters thick. “The windows are triple glazed. These days, that hardly costs more than double glazed – but it's far more effective”, says Dietmar Hoffmann, who is not a man for half measures when it comes to refurbishing.

“THE ENERGY SAVING PENSION”

My expression clearly shows how impressed I am. The specialist laughs and asks me: “Have you ever heard of the energy saving pension?” He explains: “Energy-efficient refurbishment costs money. But that is money well spent, as it does not take too long for the investment to pay off – let's say ten years. Everything you save after that goes straight into your pocket. In reality, that means your pension is that much higher.” That is one way to see it. In our case in Gonbach, the main beneficiaries of the refurbishment will be the tenants.

FLOOR AND ROOF

As we enter the building, I ask why there is such a large drop from the door to the floor. “There is no cellar under the building”, explains Dietmar Hoffmann. The foundations and floor plate were in flawless condition, but not insulated. “So I recommended Dietmar to install 20 centimeters of floor insulation. That will bring the floor up to the same level as the doors”, adds Bodo Mang. For this, the client is using floor insulating panels made of Styrofoam.

HBU FACT BOX

With 30 outlets in Palatinate, Saarland, Baden-Württemberg, and Southern Hesse, as well as two locations close to the border in Lorraine/France, HORNBACH Baustoff Union is now the regional market leader in the construction materials and builders' merchant business. Its sales concept and product range are tailored entirely to the needs of professional builders and private construction clients. HORNBACH Baustoff Union guarantees its customers competent specialist advice and

bespoke services and also provides optimal delivery logistics support for their construction projects. Thanks to a strictly decentralized structure, each outlet exploits its proximity to local customers and acts under its own entrepreneurial responsibility. At the same time, each outlet benefits from synergy effects resulting from the strong network. The advantages generated by shared procurement and sales structures then also benefit customers.



Top: Advice at the outlet: How to assemble the insulation system.

Bottom: Although the house was unoccupied for so long, its substance is in very good shape.

P. 40: What are the differences between the white and grey insulation plates? Specialists Bodo Mang and Dietmar Hoffmann get talking.



In the attic, the sheet rocks have not yet been installed, so the two men can still show me the rafter insulation. Wherever we look on our way up, we see people busy at work. Slits are being filled in, old ceilings torn down, and rubble collected. There is no time pressure, Dietmar Hoffmann tells me on the staircase.

He already lives in his own house with his wife and four children. But maybe one of his children will want to live here in future. He proudly shows me the roof insulation. I ask him if that makes it pretty hot in summer? “No heat can get through that – no way!” he replies, leaving no room for doubt.



Top: Strong partners – excellent cooperation. The house in Gonbach is not the first project which Mang and Hoffmann have stemmed together.

Right: Expert refurbishment: Cross-section of a possible façade insulation system.

THERMAL INSULATION SYSTEM

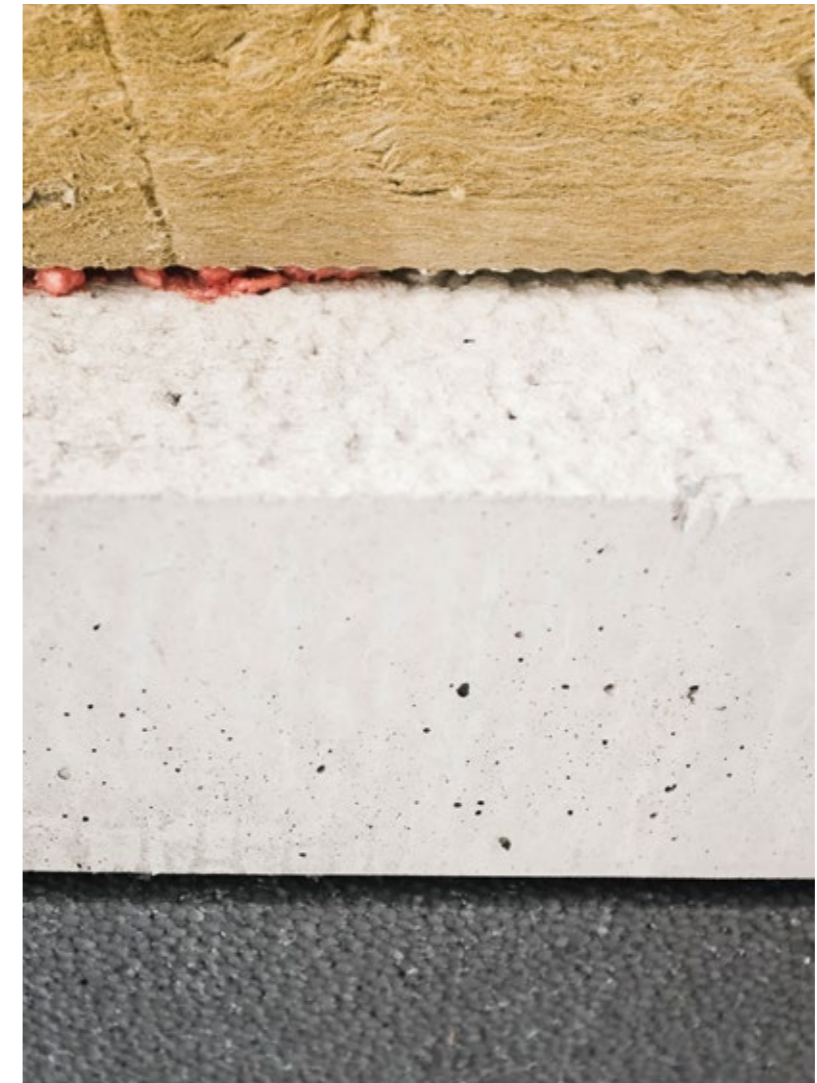
The only things still missing are the normal interior fittings and the centerpiece of any energy efficiency measures – insulation of the building envelope. Outside, everything is already prepared. Dimpled sheets have been put in place to protect the foundations, the balconies have been removed. This step was necessary to enable the thermal insulation to be applied everywhere and eliminate any thermal bridges.

“When installing a thermal insulation system, you have to respect all kinds of physical laws and properties, such as temperature profiles, water vapor diffusion, and heat storage. But constructive and static properties are also important: Does the building move? What is the wind load like? And legal requirements also have to be complied with. Last but not

least, it all has to make economic sense”, explains my colleague from HBU in Kaiserslautern. In Gonbach, everything is now ready for expert application of the insulating layer. Once this has been done, a reinforcing layer is added, followed by the finishing plaster to shape the façade.

READY TO GO IN MAY

Close examination of the circumstances on site offers confirmation of what was already discussed at HBU’s outlet in Kaiserslautern: “We’ll use the polystyrol insulation system”, says Dietmar Hoffmann. “You have the plans with the measurements. Just let me know before you send the truck with the delivery.” Bodo Mang jots down a few notes and nods. “I’ll call you. And we’ll see each other again in May at the latest, when you begin the work.” ◀

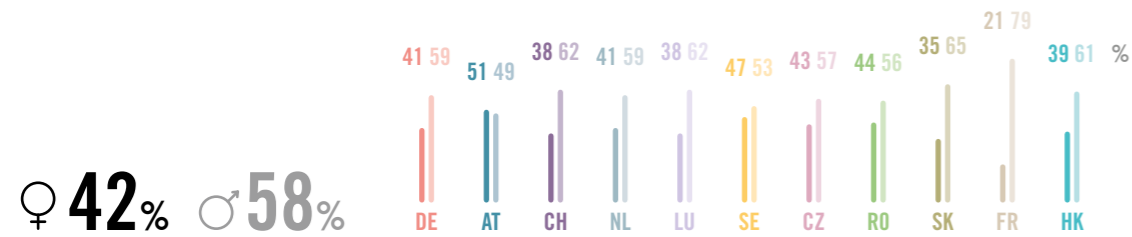


THE HORNBAACH MAP

158
 30
 11
 8

NUMBER OF EMPLOYEES AT THE HORNBAACH GROUP

Total **21,055**
 Germany **12,129**
 Other European countries **8,926***



♀ **42%** ♂ **58%**

NET SALES OF THE HORNBAACH GROUP in € million

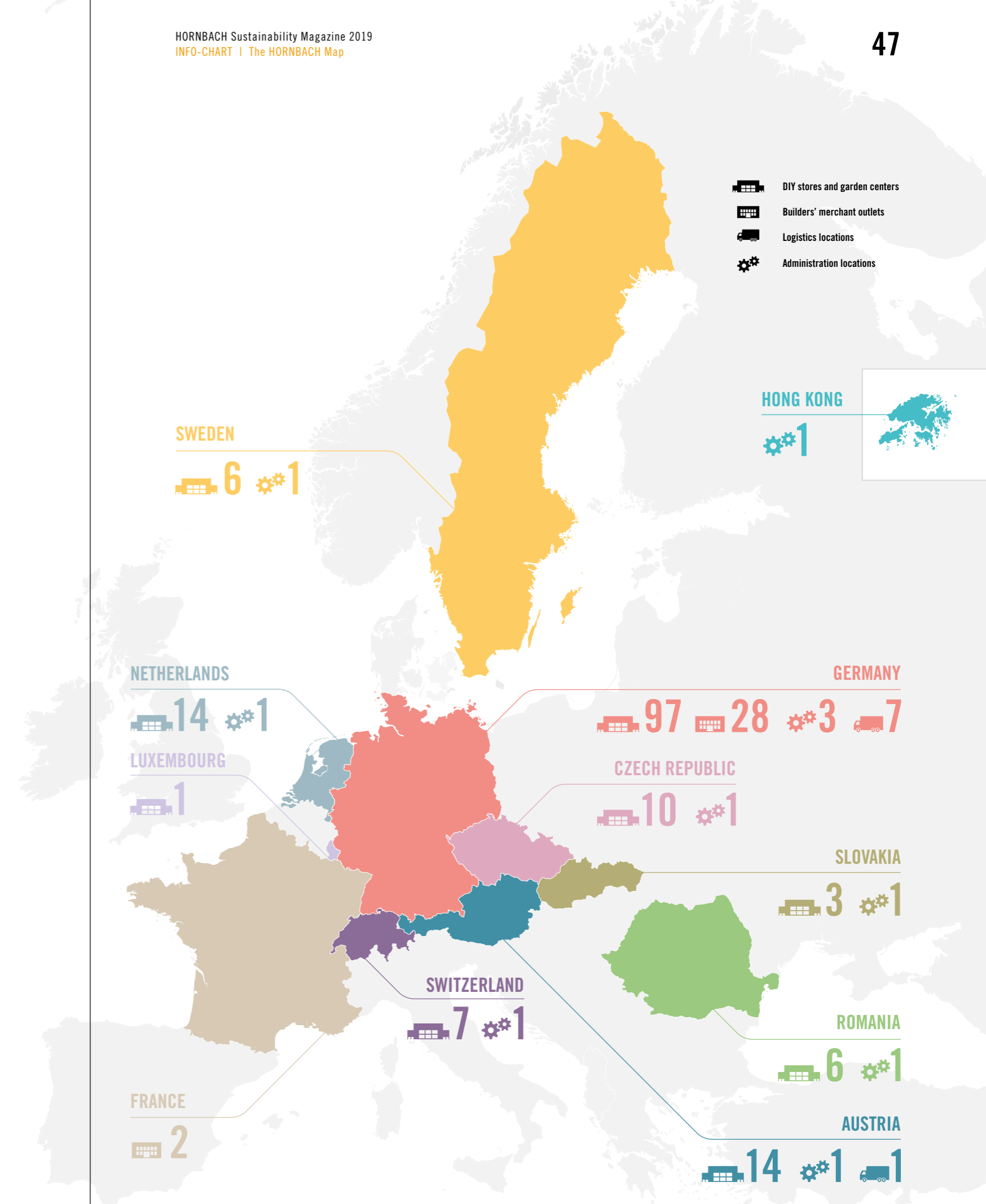
TOTAL **4,362**

HORNBAACH BAUMARKT AG GERMANY
2,118

HORNBAACH BAUMARKT AG OTHER EUROPEAN COUNTRIES
1,977

HORNBAACH BAUSTOFF UNION
265

Status: February 28, 2019 *of which: 23 in Hong Kong



- DIY stores and garden centers
- Builders' merchant outlets
- Logistics locations
- Administration locations



WOMEN AT WORK

PROSECCO SAWING

“Grab your toolbox, girls!” – based on this slogan, HORNBAACH’s DIY stores and garden centers in Germany each year invite female home improvement fans to their “Women at Work” events. The project evenings offer DIY aficionados and their wannabe counterparts the chance to try out various DIY projects under their own steam. Anne Spies

It is just before eight in the evening at the HORNBAACH store in Oberhausen. That would normally be time to make a day of it, but today things are just about to really get going. Trolleys laden with snacks and prosecco are on their way to the garden department where the beer garden tables await them. At project stations, store employees are setting out tools and materials and the DJ is performing a final sound check.

In the foyer, more than 200 women who have registered for HORNBAACH’s “Women at Work” have been gathering for half an hour now. All age groups are here – from students to pensioners, many have come with friends, and mothers have brought their daughters. Rather than going to the movies or to the disco, they will be spending this Friday evening at the DIY store – drilling and doweling, laying tiles, or doing a spot of woodworking. The mood is upbeat, and that despite the prospect of three hours of grime, sweat, and noise. Or maybe that is the appeal?

WOMEN AT WORK FACT BOX

HORNBAACH held its first “Women at Work” project evenings in 2005 – starting at a few trial stores. Given its great success, the event was soon rolled out across Germany. In 2018, no fewer than 8,000 women took part in the workshops at 95 HORNBAACH stores. The five topics on offer this time were “Creative surface design”, “Drilling and doweling”, “Laying laminates and vinyl”, “Wood processing”, and “Tiling”.

I feel out of place. DIY is really not my thing. So far, I have coped very well without drills, cordless screwdrivers, and compass saws. For me, DIY enthusiasts are mostly men, often slightly portly, usually 50 plus. Like the ones in HORNBAACH’s commercials who wave their hammers, covered in sweat and tears, or slide naked down the hillside. Not really my cup of tea. But the women waiting at the entrance this evening seem to take a different view. Some of them are likely already regulars – after all, statistics show that nearly half of visitors to DIY stores are women.

As soon as the last daytime customer has passed through the checkout, the doors re-open. The prosecco corks pop, the music gets louder, and the spirits rise. Determined to

give the whole thing a chance, I grab a glass of bubbly and squeeze in with the others on the benches. Opposite me is Martina, who was already at last year's event in Gelsenkirchen and has brought a friend this time. "Hey, we could do this kind of thing at our car workshop as well", she says. "We could show them how to replace sparkplugs or change the oil – our women customers would love that".

Store manager Thomas Schäfer takes hold of the microphone and offers everyone a hearty welcome. "I already recognized a few faces at the entrance", he grins. In fact, many of the women here are regulars. Some, like Martina and Sylvia, just want to have fun, while others aim to renovate an entire house. The rules for the evening are quickly explained. We will all complete the workshops listed on our registration slips, we are all on first-name terms, and the restrooms are on the left by the entrance.

And then we get down to work. I opted for "Processing wood – sanding, sawing, drilling". The aim here is to make a "knight's chair" out of two boards fitted into each other, and that in just an hour. Thankfully, the necessary steps are already sketched out on the boards and plenty compass saws are available. In next to no time, everyone is focused on the task in hand and the drive-in slowly fills with fine wood dust. I take up my saw and try to follow the markings as closely as possible. That way, the two parts of the chair should be a neat fit when it comes to the crunch. Needless to say, I too have to make retrospective corrections. By then, however, the first women are already relaxing on their home-made chairs and sipping hot chocolate.

I finish my little project just in time for the break and walk proudly, covered in dust, and with the chair tucked under my arm back to the meeting point in front of the stage. Pizza, pretzels, and cheese sticks are on hand to replenish our strength. And, with a bit of luck, those who took part in the tombola win a new

tool for their workroom – or a "Dream Boys" pin-up calendar. Some clichés die hard, it seems.

After the break, my next workshop is "Drilling and doweling". Those are skills that will always come in handy. Here too, after a brief explanation we get right down to work. Hands on drills, and drills in concrete blocks. "That's the hardest material you will encounter in any wall", our workshop leader explains. "But no worries, the drill will cope." Some women start drilling right away, but others are more hesitant. "Do we all have to do it?". "Yes, all of you – that's why you're here", is the clip and clear response. We then practice how to handle cavity dowels on the adjacent gypsum plasterboard. Dowels are a fantastic invention, one I knew absolutely nothing about until recently. Maybe it will not be so hard after all to attach things to my crumbly wall at home.

By now, it is just after eleven and practically time to go. A few shelves further down, the "Creative surface design" workshop is still in full swing. I bump into Martina and Sylvia again, who are putting the final touches to their vintage-look wooden boxes. They proudly present the results of the work they have done in the past hours.

I grab my knight's chair and finally head off together with the other participants, while the store employees start to clear up. All traces of our DIY party will have to be erased by seven in the morning, when normal operations restart. Who knows, maybe the odd participant or two will look by again? As for me, I will finally get round to mounting the lamps in my new apartment this weekend. ◀



Top: Store manager Thomas Schäfer welcomes participants to the HORNBACH store in Oberhausen.

Center: You have to give it a go: Applying cavity dowels to the gypsum wallboard.

Bottom: Each participant in the timber workshop builds her own knightly chair to take home at the end of the evening.

A SECTOR IN TRANSFORMATION

DIY retail has to digitalize and offer its customers more advice and service to survive competition from online players – so say retail experts. The stationary store will still be important in future, but “one size fits all” will be ever less effective. Anne Spies

DIY store customers are getting on a bit and young people are not into it. The online generation never learned about home improvement and quickly loses interest when confronted with endless shelves with no product evaluations or chat functions. Most products are easier to order online anyway and it takes less time to find guidance on Youtube than an employee at the DIY store – that is the cliché.

“Thanks to the ‘Amazonization’ of consumption, stationary retail is losing touch with its customers. Established business models are no longer sustainable”, that is the devastating conclusion reached by the Institute for Retail Research in Cologne (IFH). It is true that Amazon already generates more sales in Germany with DIY products than all stationary DIY store chains put together. According to the IFH study “Customer Journey Benchmarking DIY 2018”, Amazon is in many cases the first point of contact when looking for products to buy online. That is one side of the coin. On the other, more than 94 percent of sales with core DIY product ranges are still handled by stationary retailers. By comparison: Over a quarter of household electronic appliance and fashion sales are already generated online.

There are good reasons for the low share of online sales in the DIY business. First and foremost, there is the product range, which is very broad and often “cumbersome”. In

its online store, for example, HORNBACH offers around 170,000 items, including summerhouses, pallets of cement, and Christmas trees. Amazon still has a weak presence, particularly when it comes to builders’ merchants products. This is partly due to the complexity of the logistics involved. Not only that, it is often easier to hook up the trailer, drive to the store, and collect the construction material directly, rather than wait for delivery two or three days later. After all, many customers want to get their project completed immediately while the weather is still good.

Project is the catchword here: According to the IFH customer journey benchmarking study, nearly half of DIY store customers are not looking for an individual product, but rather for all the “ingredients” for an entire construction or renovation project. To account for this, HORNBACH has long positioned itself as a “project DIY store”, one that not only stocks materials in the quantities needed for projects, but also supports customers with professional advice at all of its stores and its in-house customer service center. At the same time, the company offers an ever wider range of instructive videos and digital tools to help customers with projects such as configuring individually prepared wooden panels, metal sheets, or shower units. And HORNBACH can organize a tradesman (or tradeswoman) for anyone who really does not want (or is unable) to do it themselves.



Combining online stores with a stationary presence offers advantages, and that is also reflected in the figures: According to statistics compiled by the BHB sector association, the share of online DIY sales attributable to stationary DIY store chains has risen steadily in recent years – from around ten percent in 2014 to almost a fifth in 2018. Customer surveys at HORNBACH revealed that two thirds of customers first looked for information online and then drove to the DIY store. Only 23 percent dealt with all aspects of their purchase online. And at HORNBACH, customers are drawing in ever greater numbers on the option of reserving products via the online store and then collecting them at the store (“Click & Collect”). This channel is growing far more rapidly than direct mailing.

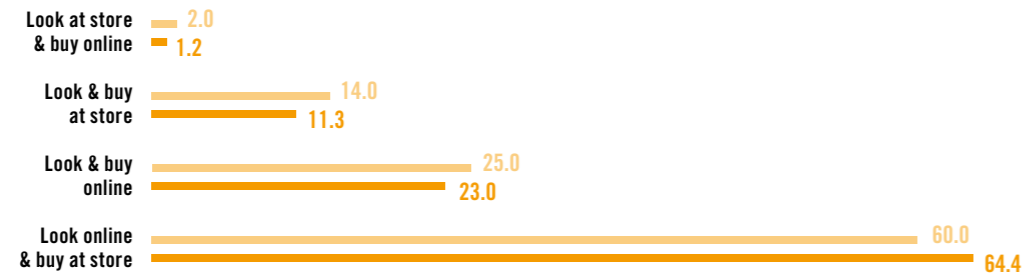
That shows that customers still want stationary stores to be able to touch the products themselves, try them out, and seek advice. The question is – what do these stores need

to look like in future? Here, the right solution still has to be found. Nearly all major DIY store operators have experimented in recent years with small-scale stores: HORNBACH with its compact stores, Toom with pop-up stores in inner-city locations, and Hagebau with an urban DIY store called Horst. In parallel, startups have also attempted to establish themselves with new ideas in the hotly contested German market – one example being “Jeez”, the mobile DIY store which comes directly to customers’ homes in a van.

One thing is certain: The diversity of store formats is set to increase in future (see interview). The professional tradesman heading for the drive-in store on a Monday morning to stock up tiles and bathroom ceramics for a bathroom renovation project and wanting to get to work as quickly as possible has very different needs from the big city hipster strolling through the DIY store on a Saturday afternoon on the lookout for ideas for her upcycling project.

To reach the younger generation as well, ever more DIY stores are providing home improvement assistance online.

CHANGING CHANNELS IN PURCHASING PROCESS IN %

Chart from HORNBAACH customer survey
2017 2018

One factor is nevertheless crucial for both customer groups – more advice, and more personalized advice. And that is what clearly sets stationary retail apart from pure players on the internet. That is also the finding of the “Omnichannel Retailing 2025” study – a joint project of the standardization organization GS1, the market researcher rheingold, and consultants at PwC: “Technologies are always useful when they help shoppers save time and enhance functionalities. They have the potential to free up time for employees and

create space for their strengths: social interaction, personal advice, empathy, and passion.”

On the one hand, the retail sector therefore faces the challenge of attracting and retaining qualified and committed employees. On the other hand, retailers have to decide how much and what kind of technological support is relevant and makes sense for customers. After all, innovation and technical advances come at a price. ◀

INTERVIEW

LESS IS MORE

Dr. Eva Stüber is a member of the management at IFH Köln. In her work, she focuses on issues relating to the future of retail, digitalization in the retail sector, and innovation.

EVER MORE DIY PRODUCTS IN GERMANY ARE BEING BOUGHT ONLINE. ARE STATIONARY DIY STORES ON THE WAY OUT?

Yes – in their current form at least. Many DIY stores do not offer what today’s customers need: convenience, simplicity, and speed. Based on their experience with online retailers, customers are used to being guided directly

to the right product via product recommendations, filters, and search functions. That does not work like that at real stores. It is not just a cliché to say that you rarely find employees who are able to help you. Having said that, it is also clear that current business models are not profitable enough to finance greater staff coverage.



SO HOW DO DIY STORES NEED TO CHANGE TO DO JUSTICE TO CUSTOMERS’ EVER HIGHER EXPECTATIONS?

DIY stores need to see themselves as solution providers for DIY projects. Rather than presenting an enormous product range capable of covering each and every customer’s needs, they should provide greater orientation and support customers with advice and services for their individual projects.

HORNBAACH SEES ITSELF AS A PROJECT DIY STORE AND ALSO OFFERS CORRESPONDING SERVICES, SUCH AS ORGANIZING TRADESMEN. BUT OUR COMPETITORS ALSO DO THAT NOW...

Yes, that is right. But often DIY retailers have not yet seen the whole picture or taken a sufficiently radical approach. Many customers are simply not aware of the project-related services. Retailers need to catch up, particularly when it comes to their online presence. Anyone wishing to attract customers’ attention alongside Amazon needs a clear profile over and above its mere product range. HORNBAACH has already come a long way in this respect and is significantly better positioned than other DIY stores. That is also reflected in its strong placement in our Online Retail Award. Overall, however, the sector is too slow and not innovative enough.

INNOVATION COSTS A LOT OF MONEY. AMAZON INVESTED € 22.6 BILLION IN RESEARCH AND DEVELOPMENT LAST YEAR. NO RETAILER CAN PLAY IN THE SAME LEAGUE.

That is correct – no one can manage that on their own, so it is about looking for the right cooperation partners: they may be manufacturers, or logistics companies, or service providers, but actually also dyed-in-the-wool competitors. Here, companies should maybe put their pride to one side. Other industries are further ahead in that respect. Five years ago, for example, cooperation between Daimler and BMW would have been unthinkable.

AND WHERE DO YOU SEE THE GERMAN DIY STORE SECTOR IN TEN YEARS?

We are sure to see a certain amount of consolidation and significantly less sales areas. But the sales areas that remain will be used more effectively with new formats better tailored to individual customer groups and needs in catchment areas. The basic supply of products will be covered online – so it will all be about combining that with stationary services and advice. ◀



OUT IN THE GREEN

A PASSION FOR GARDENING

It has been on the rise again for years now. Europeans' passion for gardening. You can see signs of it when you travel through the countryside – both in rural regions which never really lost their interest and, more recently, in cities as well. It is green and blooming, humming and buzzing, wherever you look.

Not least at Sonnwendgarten in Vienna.

Anna Krall

The green industry has benefited for several years now from social trends that have lent its products a certain hype and brought consistent growth in market volumes. Megatrends such as sustainability, urbanization, and health have made gardening a hip hobby". That is the summary provided by Garten e.V. in its latest annual report. Here, the sector association is referring above all to the ever more widespread issue of rural depopulation. Viewed negatively, this is taking young people into areas where there is limited living space, rents are high, and open space in short supply. So it is all the more surprising that the desire to live in (large) cities is opposed by a desire for more greenery and peace and quiet. In recent years, this apparent contradiction has given rise to a new – or rediscovered – passion for gardening.

UNUSUAL URBAN GREENERY

Small green oases have always arisen in urban spaces, and never more so than today. Roofs and tree shells are particularly well suited for this, as are spaces specially made available by city councils. And they came from nowhere: small-scale kitchen gardens, cultivated by individuals or groups, associations, and neighborhoods. Urban gardening is the term used to describe this trend. One key feature involves using unusual plant pots: old plastic bottles, wellington boots, bathtubs planted with bedding and balcony plants, vegetables, and herbs. This way, recycling turns into upcycling – a resource consigned to oblivion is suddenly granted a new lease of life.

"For our raised beds to work well, we needed not just recycling materials but also a few extras such as mouse fencing, threaded rods, dimpled sheeting, screws, and some good tools."

*Heinz Wottawa,
Director at Sonnwendgarten Wien*

URBAN GARDENING? KITCHEN GARDENING!

Everyone is talking about urban gardening. And that even though hardly anyone knows what the term really means. At base, it involves nothing more, or less, than converting any available urban space into a small garden. And mostly even a kitchen garden. After all, if you are creating greenery, why not go for the sort you can eat? In rural regions across Europe, the passion for growing your own fruit and vegetables never vanished entirely. And that even though providing an all-round supply of fresh food has long not been a problem.

"We see 'urban gardening' as active environmental protection based on self-sufficiency: organic food with no transport routes or external energy supply."

*Barbara Derkits-Kremser,
gardener at Sonnwendgarten Wien*

NEW AWARENESS

The joys of gardening have recently been enriched by a specific and maybe new awareness of health and environmental issues among the population. Where does my food come from? How was it produced? Many people – by no means just "eco-freaks" in their batik T-shirts – are asking themselves these and similar questions. Excessive fertilization and the use of sprays harmful to insects are topics that have reached the attention of a wider public.

"We aim to create an alternative to industrialized, globalized food production, help protect the environment and climate, and maintain biodiversity."

*Johanna Flock,
Director at Sonnwendgarten Wien*



What could be easier than growing your own fruit and vegetables? That is the best way to feel good when eating, as you know what the plant came into contact with from the very start. Anyone wishing to save themselves the work of cultivating seedlings can buy them at the nearest DIY store and garden center. But here too questions arise as to how the plants were cultivated and what materials were used?

CREDIBLE ANSWERS FROM RETAILERS

Retailers have the job of providing credible answers to precisely these questions raised by consumers. Alongside environmental aspects, there is also the issue of social standards at the plant nurseries. To gain the greatest possible degree of certainty as to the sustainable production of its Floraself plants, HORNBAACH Baumarkt AG relies on the recognized certification systems G.A.P. and MPS. Both these systems lay down strict requirements for the plant production process which cover all aspects from the plant protection products used, the choice and amount of fertilizer, and how waste is dealt with. HORNBAACH even goes one step further than required by the certification systems: In the plant cultivation process, it does not permit the use of any plant protection products that are harmful to bees or contain controversial neonicotinoids. Compliance here is certified by the Floraself quality seal printed on the labels of the plants.

“HORNBAACH is a reliable partner that supports us with expertise and the materials we need – and especially with a plentiful supply of superb soil. A handshake still means something there.”

*Harald Kicker,
Director at Sonnwendgarten Wien*

CREATIVE AND RESPONSIBLE

Using the right products, balconies and similar spaces can be turned in no time at all into livable, colorful oases. They improve the living environment and enrich residential areas. Community gardens in particular offer a focal point for people of all age groups to experience and enjoy the natural world. Generations can work together and learn from each other.

“The garden helps to develop the district here and promotes interrelationships and social mixing between traditional working-class districts and newly built urban districts. At present, we have 56 households, families and people living alone, and six charitable organizations that help children and young people, homeless people, migrants, people living with disabilities and mental health issues. In some of our beds, three generations from grandma through to grandchild are busy gardening.”

*Barbara Gscheidmayr,
Director at Sonnwendgarten Wien*

The responsible handling of resources is just as much in the foreground as biodiversity. After all, the pleasures of gardening are worth little if there are no useful insects to pollinate the bloomers. ◀

P. 56: Taking a break in Sonnwendgarten in Vienna. Milenka is proud of her bed, where she is growing the best tomatoes and onions.

P. 58: Plants in concrete rings, raised beds made of old pallets: unwanted materials are collected from surrounding building sites and put to new use.

SUPPLIERS

SNACK VEGETABLES FOR THE BALCONY

Fresh and tasty – and ready to enjoy directly from the plant or in the pan. Snack vegetables are particularly suited to window sills and balconies. The plants are smaller than normal garden vegetables, but just as productive. A perfect addition for a small urban garden. Governed by special hygiene standards, snack vegetable plants are cultivated above all in greenhouses in the Netherlands, such as here close to Vreugdenhil in De Lier. It takes several weeks for the plant to grow from a seedling into a fruit-bearing eye-catcher. And the tomato plants in particular need busy little helpers for pollination – the greenhouse is abuzz!

ORGANIC VEGAN HERBS À LA CARTE!

The organic garden center “Kräuter Gut” has cultivated its pot-herbs in line with strict green farming standards for more than 20 years now. Working with state-of-the-art technology, it specializes in environmentally friendly herb production. The herbs grow in well-isolated greenhouses, protected from any harmful environmental influences, and are exclusively fertilized with organic vegan manure. You could hardly do it better yourself! The garden center is also a place for anyone who likes to find out more – during tours or work placements, children and young people are given the opportunity to grow green fingers themselves.

BEDDING AND BALCONY PLANTS FROM WITHIN THE REGION

Long transport routes are easy to avoid. In line with the slogan “from and for the region”, at HORNBAACH the bedding and balcony plants from Endisch Garden Center in Hagenbach sport stickers proclaiming “Plants from the Palatinate”. The family business has been a partner to HORNBAACH for many years now. After all, the garden center is just a few hundred meters from HORNBAACH's headquarters in Bornheim, which means the Endisch family was also one of the first partners with which the company took steps to obtain M.P.S. certification. Many other garden centers also supply their nearby HORNBAACH stores directly with sustainable, regionally produced plants. ◀



Top: Snack vegetables being cultivated at Vreugdenhil. Later it will land in HORNBAACH's stores. Tasty!

Center: Organic vegan herbs from “Kräuter Gut”, an organic garden nursery in Nuremberg.

Bottom: Geraniums in every conceivable color, cultivated in the region, in this case at Gärtnerei Endisch in Hagenbach.



GREEN OASIS AND COMMUNITY MEETING POINT

Sonnwendgarten Wien Harald Kicker

Founded as a temporary “garden laboratory” in 2016, the project soon became an association responsible for this community garden. Hardly a year later, the association started out at its current location in Helmut Hilk Park. Then everything moved quickly. Members of the association busied themselves building garden sheds and raised beds for today’s 56 households. What makes this special is that the association worked with numerous waste construction materials from nearby building sites. Boards, posts, construction timber for the raised beds and garden sheds, building steel as trellises for the beans – more than a touch of upcycling here.

The interest is enormous. To account for this, the ten new households arriving each year are selected

by drawing lots. Gardening fans are then free to develop their beds as they like. This gives rise to an unusually wide variety of plants – but also to a highly diverse mix of people. After all, gardening is more fun when done together and the members can learn from one another.

Maintaining biodiversity and cultivating old plant varieties is a further objective at Sonnwendgarten. Consistent with this, the garden also has five organic beehives with a total of around 350,000 bees, mushroom farming, and a sustainable compost cycle. One aim for 2019 is to build a small PV power unit to harvest the energy from the sun. This should then power the garden kitchen, honey extractor, and heating for the experimental beds. Any surplus electricity will be provided to society. ◀



Top: Barbara takes care of her raised beds, which she built together with her husband.

Bottom: They are real “high-tech beds” equipped with floor heating. That way, the temperature remains stable and exotic plants can also be grown. Everything is home-built – using unwanted construction materials from surrounding building sites and HORNBAACH products.

THE LATEST FROM HORN BACH

GOOD NEWS



SHOPPING AND CHARGING

Two e-charging stations were unveiled at HORN BACH's store in Bornheim on November 9, 2018 and this marked the beginning of an ambitious project for Pfalzwerke AG. To ease the strain on the environment, the Ludwigshafen-based regional energy supplier aims to help e-mobility achieve a breakthrough in Germany. "In HORN BACH, we have gained a strong partner for further expanding our charging infrastructure. From our point of view, the company's nationwide presence, with stores throughout Germany, means it can play an immensely important role in

promoting the future topic of e-mobility", declared René Chassein, a member of Pfalzwerke's Management Board, at the opening ceremony. Around 20 stores are due to be equipped with fast charging stations each calendar year. This way, customers can charge their vehicles while shopping and tank up a range of 100 kilometers in just 20 minutes. That is an interesting option, particularly for customers who spend more time at the store to seek advice on complex projects in their homes or gardens. The service is also available outside Germany: HORN BACH stores in the Netherlands have already offered e-charging stations for their customers for some time now, while in Austria the store in Ansfelden was equipped with fast charging stations at the beginning of 2019. Here, the charging infrastructure specialist Scmatrics is fitting out HORN BACH's 14 locations with the relevant technology. ◀

REGIONAL PRODUCTS TO HELP A GOOD CAUSE

To make sure its customers have fresh, high-quality Christmas trees, HORN BACH Austria relies on regional production and short transport routes. All of its freshly cut Christmas trees come from Austria, and mostly from the Waldviertel region, where ecological tree cultivation plays a key role in the production of oxygen. Proof of regional origin can be found on the ribbon attached to each tree. Based on the number stated, consumers can trace the tree back to its producer. For every Nordmann fir sold, HORN BACH Austria once again donated 50 cents, and thus around € 30,000 in total, to "Light in the Dark"



(Licht ins Dunkel). This charity supports around 400 welfare and disabled people's projects a year, thus offering help to more than 16,000 children and their families. ◀

NEVER EASIER TO RETURN OLD APPLIANCES



Since November 2011, HORN BACH has provided customers at all of its stores in Germany with the opportunity to return old or broken electrical appliances such as drills, fret saws, and battery-powered screwdrivers, as well as non-DIY items such as toasters and shavers. The electrical waste thereby returned is collected from the stores by certified disposal specialists and municipal disposal companies. The aim is to help protect the environment by promoting recycling and preventing these products from finding their way into household waste. Retailers have been legally obliged to accept old appliances for several years now. To enhance visibility and offer clearer guidance for customers, in November 2018 a joint initiative between retailers and local councils introduced a uniform, voluntary logo for the collection points. As a reference partner for the retail sector, HORN BACH played a key role in this initiative. ◀

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HORNBACH Holding AG & Co. KGaA
 Le Quartier Hornbach 19
 D-67433 Neustadt an der Weinstraße
 Telephone (+49) 0 63 21 / 678 - 0
 Fax (+49) 0 63 48 / 60 - 42 99
www.hornbach-holding.com

Group Communications

Axel Müller
 Telephone (+49) 0 63 48 / 60 - 2444
public.relations@hornbach.com
www.hornbach-group.com

Engel & Zimmermann AG
 Schloss Fußberg
 Am Schlosspark 15
 82131 Gauting bei München

Design Concept and Photography

Schröder & Schröder GmbH & Co. KG
 Böttcherstraße 27
 49124 Georgsmarienhütte
mail@adrian-schroeder.de
www.adrian-schroeder.de

Sebastian Struch
www.sebastianstruch.de

Translation

Daniel Clark & Associates
 Business Communication Services
 Kopenhagener Strasse 49
 10437 Berlin
clark@dca-communications.com

Production

MEINDERS & ELSTERMANN GmbH & Co. KG
 Weberstraße 7
 49191 Belm
www.me-druckhaus.de

