

EnBW Energie Baden-Württemberg AG Karlsruhe

Limited Assurance of the
Greenhouse Gas (GHG) Statement
1 January 2023 to 31 December 2023

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft





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Independent auditor's report on a limited assurance engagement

To EnBW Energie Baden-Württemberg AG

We have performed a limited assurance engagement on the "EnBW Greenhouse Gas Report 2023 of EnBW Energie Baden-Württemberg AG", Karlsruhe, (hereinafter the "Company") for the period from 1 January 2023 to 31 December 2023 (hereinafter the "non-financial Reporting").

Not subject to our assurance engagement are other references to disclosures made outside the non-financial Reporting as well as prior-year disclosures.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial Reporting in accordance with the Greenhouse Gas (GHG) Protocol, Corporate Accounting and Reporting Standard, Revised Edition (Scope 1 and 2) and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, issued by the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) (hereinafter the "GHG Protocol").

These responsibilities of the Company's executive directors include the selection and application of appropriate methods for the preparation of the non-financial Reporting and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial Reporting that is free from material misstatement, whether due to fraud (manipulation of the non-financial Reporting) or error.



Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer”]: Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial Reporting based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” and ISAE 3410: “Assurance Engagements on Greenhouse Gas Statements”, issued by the IAASB. These standards require that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's non-financial Reporting is not prepared, in all material respects, in accordance with the GHG Protocol. Not subject to our assurance engagement are other references to disclosures made outside the non-financial Reporting as well as prior-year disclosures.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.



In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of the relevant employees regarding the selection of categories for the non-financial Reporting,
- Inquiries of the relevant employees involved in the preparation of the non-financial Reporting about the preparation process, about the internal controls related to this process as well as disclosures in the non-financial Reporting,
- Inspection of the relevant documentation of the systems and processes for collecting, aggregating and validating relevant data in the reporting period,
- Identification and assessment of risks of material misstatement in the non-financial Reporting,
- Analytical procedures on selected disclosures in the non-financial Reporting,
- Inquiries, inspection of sample documents and obtaining evidence relating to the collection and reporting of selected disclosures in the non-financial Reporting,
- Evaluation of the presentation of disclosures in the non-financial Reporting.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial Reporting of the Company for the period from 1 January 2023 to 31 December 2023 is not prepared, in all material respects, in accordance with the GHG Protocol.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial Reporting as well as prior-year disclosures.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility



is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The enclosed "General Engagement Terms Wirtschaftsprüferinnen, Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] on 1 January 2024 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (ey-idw-aab-en-2024.pdf). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.


Stuttgart, 12 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kuhn
Wirtschaftsprüfer
[German Public Auditor]

Welz
Wirtschaftsprüfer
[German Public Auditor]

EnBW Greenhouse Gas Report 2023

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Greenhouse Gas (GHG) Emissions of EnBW Energie Baden-Württemberg AG for the fiscal year 2023 including information on the audit performed in accordance with and subject to the verification standards ISAE 3000 Revised and ISAE 3410

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1 Introduction to limited assurance engagement in accordance with and subject to ISAE 3000 and ISAE 3410

This report is the annual greenhouse gas (GHG) emissions inventory (hereinafter “the inventory”) report for EnBW Energie Baden-Württemberg AG (hereinafter “EnBW” or “we”). **The inventory is a quantification of the amount of GHG emissions that can be directly attributed to the company’s operations within the declared boundary and scope for the specified reporting period – fiscal year 2023, January 1, 2023 to December 31, 2023.**

The inventory has been prepared in accordance with the requirements of the Greenhouse Gas (GHG) Protocol, Corporate Accounting and Reporting Standard, Revised Edition (Scope 1 and 2) and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, published by the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD). Throughout this document ‘emissions’ means GHG emissions and is quantified in metric kilotons (kt) of CO₂ equivalents (hereinafter “CO₂eq”).

A limited assurance engagement was completely performed by EY in accordance with and subject to the International Standard on Assurance Engagements ISAE 3000 Revised “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and ISAE 3410 “Assurance Engagements on Greenhouse Gas Statements” issued by the International Federation of Accountants (IFAC). The Assurance conclusion (opinion/ finding) is part of the independent auditor’s report.

The GHG Report covers 100% of Scope 1, 2 and 3 emissions of EnBW (with few not relevant exclusions of sources, facilities or operations) reported in the Carbon footprint of EnBW in the fiscal year 2023.

2 Statement of intent

The inventory is a central component of EnBW Energie Baden-Württemberg AG’s commitment to measure and manage our emissions.

We actively support the Paris Agreement and the resulting decarbonization targets set by the EU and Germany. Achieving Germany’s climate protection targets will impact all stages of the value chain for electricity and gas in which EnBW is active: from switching over generation from fossil fuels to renewable energies such as wind and solar power and expanding the grid infrastructure, through to areas such as energy efficiency, e-mobility and energy services for our customers.

3 Description of EnBW

Our company is transforming itself from an energy supply company into a sustainable and innovative infrastructure partner, also outside of the energy sector. Sustainability is an important element of our business model and acts as a compass for our strategic alignment. We draw on a variety of resources – from finances through to infrastructure – for our corporate activities. As a result of the efficient use of these resources, we create value for ourselves and our stakeholders. **Since 2021, our business portfolio has been split into three segments that encompass the following activities:**

- **The Smart Infrastructure for Customers segment** comprises the sale of electricity and gas, the provision and expansion of quick-charging infrastructure and digital solutions for electromobility, activities in the telecommunications sector and static storage systems in conjunction with photovoltaics.
- The transmission and distribution of electricity and gas are the main components of the **System Critical Infrastructure segment**. Our activities in this segment are designed to ensure the security of supply and system stability. The provision of grid-related services and the supply of water are other activities in this segment.
- The **Sustainable Generation Infrastructure segment** encompasses our activities in the areas of renewable energies and conventional generation, district heating, waste management and energy services. In order to ensure the security of supply, we maintain the power plants that have been transferred to the grid reserve. In addition, this segment includes the storage of gas and trading of electricity, gas, CO₂ allowances and fuels, as well as the direct distribution of renewable energy power plants.

Below you can find a figure that shows the **business portfolio of EnBW (three segments):**



The topics of sustainability and climate protection continue to be issues of intense public interest and will also influence social acceptance for our business activities to a greater extent in future. We have set ourselves the goal of continuing to develop our business model in line with the economic, ecological and social dimensions of sustainability. As an energy company, we can make a particularly effective contribution to climate protection. **In the Group, we aspire to reduce our greenhouse gas emissions by 70% by 2030 and become climate neutral with respect to our own emissions (Scope 1 and 2) by the end of 2035 at the latest.**

Our Group environmental targets – which are integrated into the EnBW 2025 Group strategy – relate to the expansion of renewable energies and to making our contribution to climate protection. These targets are measured using the key performance indicators “installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE” and “CO₂ intensity”. Our Group environmental goals are supplemented by activities and targets for the implementation of environmental themes in the EnBW Sustainability Agenda. Alongside EnBW AG, the main subsidiaries dealing with environmental issues include Energiedienst (ED), Stadtwerke Düsseldorf (SWD), Pražská energetika (PRE) and Netze BW. Like EnBW AG, these and other subsidiaries have an environmental management system certified in accordance with DIN EN ISO 14001 or EMAS. We have thus created the prerequisites for ensuring that environmental requirements are systematically and continuously taken into account. It is used to manage guidelines and regulations, define and monitor environmental targets and establish the necessary (internal) audit processes. The consistent implementation and further development of the environmental management system ensures that any material negative impacts on the environment can be avoided as well as possible. Risks generally exist in the area of environmental protection due to the operation of power generation plants and transmission facilities and the possible consequences for air, water, soil and nature. We counter these risks using organizational and procedural measures to reduce their impact, as well as through emergency planning and hazard prevention measures.

4 Climate protection goals of EnBW

4.1 Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) helps companies to develop their own science-based climate protection targets. In October 2021, EnBW announced its commitment to set science-based targets according to the SBTi. This process was concluded in spring 2023 - EnBW received SBTi seal of approval for climate targets with planned coal phase-out by 2028 - EnBW has reduction targets that are in line with the Paris Agreement. These reduction targets cover the entire value chain for EnBW and are split into three Scopes: Scopes 1 and 2 include, in particular, the greenhouse gas emissions produced by our power plants as they generate electricity and heat, and when energy is distributed in the grids operated by our subsidiaries. Our Scope 3 emissions are mainly influenced by the gas consumption of

our customers. We aim to follow a 1.5 degree-aligned path for Scopes 1 and 2 emissions and a well-below 2 degrees-aligned path for Scope 3 emissions.

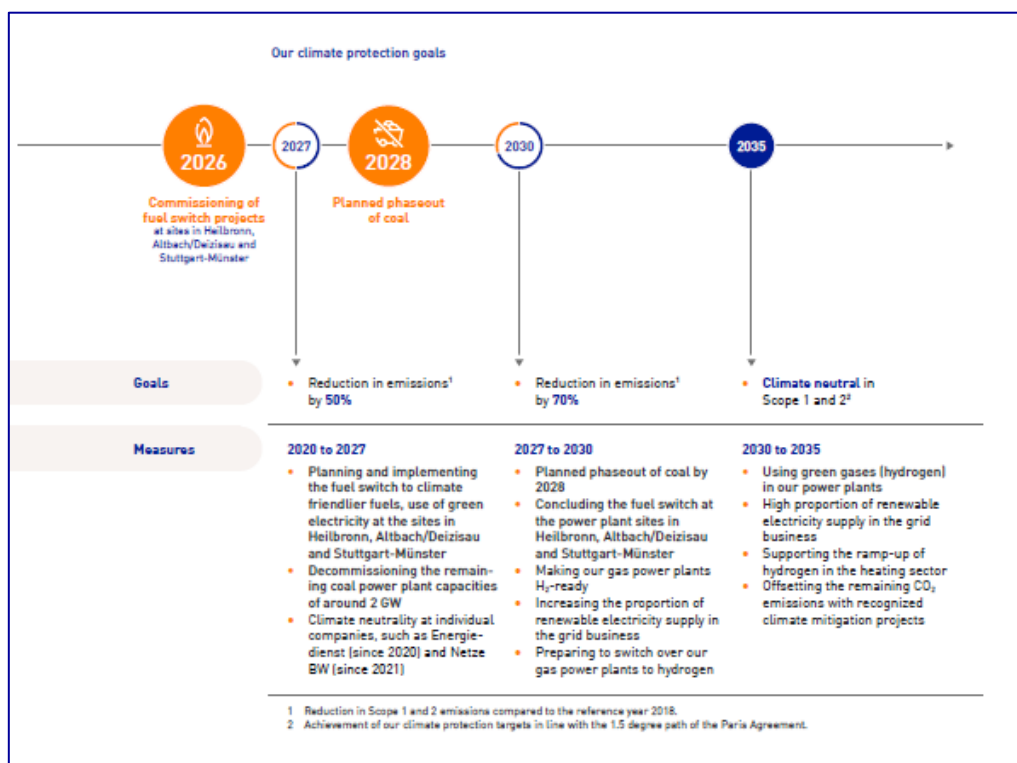
As an integrated energy company with its own generation portfolio – which is increasingly characterized by renewable energies – we can make an important contribution to decarbonization and thus to safeguarding the livelihoods of future generations.

4.2 Measures

Our climate targets are in line with the requirements and targets of the Paris Agreement.

They are also intended to strike a balance between the various expectations of our stakeholders, with whom we are in constant dialog. These include, above all, the provision of affordable and climate-friendly energy and security of supply.

The most important step towards achieving our climate protection targets is the early phase-out of coal. Assuming the necessary ramp-up of renewable energies and the considerable progress in grid expansion in line with the plans of the German government, we are planning to phase out coal at EnBW by 2028. We had already disposed of 2,700 MW of CO₂-intensive generation capacity before the Coal Phase-out Act (“Kohleausstiegsgesetz”). For employees in conventional generation, we use suitable personnel instruments such as further training and forward-looking personnel planning. Former employees from conventional generation are already contributing their expertise in other areas, such as our offshore activities.



In principle the reference year for our climate protection goals and for the reduction of Scope 1, 2 and 3 emissions is 2018. The reference year is 2018 because the 2020 reporting year cannot be considered representative for the coming years (due to market effects and the coronavirus pandemic).

4.3 Milestones

Scope 1 and 2: emissions in our value chain

An important milestone in reducing our CO₂ emissions is the fuel switch at the Heilbronn, Altbach/Deizisau and Stuttgart-Münster power plant sites. The specific emissions from electricity generation will be reduced by around 60% by switching from black coal to natural gas. The conversion of the plants is already underway and is expected to be completed in 2026. From the mid-2030s, the plants are to be operated with climate-neutral gases, primarily green hydrogen, thus enabling climate-neutral generation at the sites. We plan to phase out the coal-fired power plants with a generation capacity of around 2,000 MW that are still on the market by 2028. Various measures are required to reduce our indirect emissions from energy procurement (Scope 2). CO₂ emissions from the general electricity mix will decrease in the coming years due to the expansion of renewable energies and the gradual phasing out of fossil fuels. This will also lead to a reduction in our Scope 2 emissions. In addition, we are planning the targeted purchase of green electricity.

Scope 3

Our gas sales are central to our Scope 3 emissions. This depends heavily on various developments in the heating sector. In addition to the ramp-up of heat pumps, the partial addition of climate-neutral gases in heat generation and the expansion of climate-neutral district heating, we expect a general reduction in the heating requirements of buildings through energy-efficient renovations and a rejuvenation of the residential building stock in the coming years. We will drive this development forward as a partner, particularly in the development of a hydrogen infrastructure. This will enable us to offer our gas customers a reliable and affordable energy supply in future based on a sales portfolio geared towards climate-friendly gases.

The last step to reaching climate neutrality

In 2020 we set ourselves the goal of being climate-neutral in Scopes 1 and 2 by 2035. We intend to offset the remaining emissions in Scope 1 and 2 from 2035 onwards by supporting recognized climate protection projects with the highest standards (e.g. Gold Standard) on a transitional basis until we have achieved net-zero. Our subsidiaries Netze BW and Energiedienst have already been climate neutral since 2020 and 2021.

5 Organisational boundaries included for this reporting period

Organisational boundaries were set with reference to the methodology described in the Greenhouse Gas Protocol (GHG Protocol). As detailed in the GHG Protocol Corporate Standard, a company has three options for defining its organisational boundaries: Equity share, financial control and operational control. **EnBW has opted for the financial control approach for its emission inventory. Under the financial control approach, a company accounts for 100 percent of the GHG emissions over which it has financial control.**

In accordance with the full consolidation method, all subsidiaries under the control of the Group are included. The Group controls an associate if it is exposed to risks or has rights to variable returns as a result of its involvement in the associate, and the Group has the ability to use its power over the associate in a way that affects the amount of the returns from the associate. **For further information see EnBW Integrated Annual Report 2023.**

6 GHG emission source inclusions

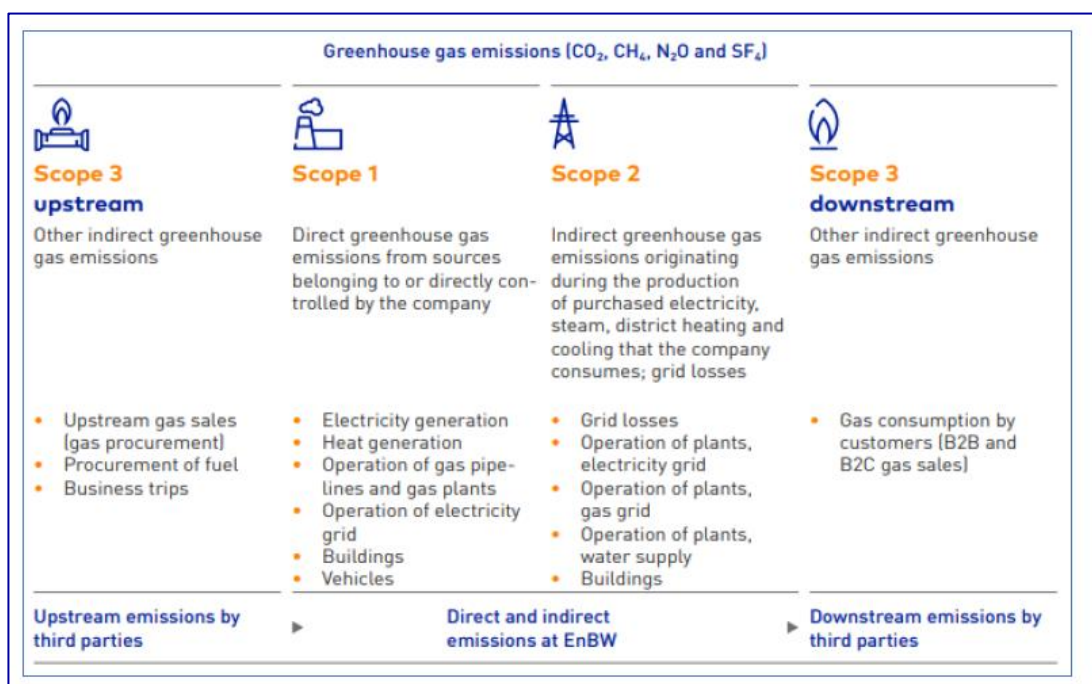
The GHG emissions sources included in this inventory were identified with reference to the methodology in the GHG Protocol. **As adapted from the GHG Protocol, these emissions were classified under the following categories:**

- **Direct GHG emissions (Scope 1):** emissions from sources that are owned or controlled by the company.
- **Indirect GHG emissions (Scope 2):** emissions from the generation of purchased electricity, heat and steam consumed by the company.
- **Other Indirect GHG emissions (Scope 3):** emissions that occur as a consequence of the company's activities but from sources not owned or controlled by the company.

The emissions sources/ categories (Scope 1, 2 and 3) in the figure below have been included in the GHG emissions inventory – these are the relevant and main categories of EnBW and for EnBW's activities (materiality analysis):

Scope 1 - categories	Scope 2 - categories	Scope 3- categories
Direct emissions from combustion processes of stationary plants	Indirect emissions from purchased electricity	Fuel and energy-related emissions
Direct emissions from combustion processes of mobile plants	Indirect emissions from district heating/cooling	Upstream transportation and distribution
Direct emissions of fugitive gases		Business Travel
		Use of sold products

Below the **relevant activities and emissions of EnBW:**



7 Data collection – Carbon footprint of EnBW

EnBW calculates and reports on its carbon footprint in accordance with the GHG Protocol and takes into account Scope 1, Scope 2 and Scope 3 emissions.

Scope 1 emissions from the combustion of fossil fuels are calculated on the basis of the requirements of the European Emissions Trading System (EU ETS). This is based on the Regulation on the monitoring and reporting of greenhouse gas emissions (Monitoring Regulation, MVO) (EU Regulation 2018/2066). The emission factors according to the current guidelines for the preparation of monitoring plans and emission reports for stationary installations of the German Emissions Trading Authority (Deutsche Emissionshandelsstelle, DEHSt) and from publications of the Federal Environment Agency (Umweltbundesamt, UBA) are used. The calculation of the CO₂eq of greenhouse gases is carried out on the basis of the GWP100 heat potentials in accordance with the Sixth IPCC Assessment Report (AR6).

We measure market based - **Scope 2 emissions** using specific emission factors according to the designation of the electricity and heating supplies to our plants and buildings. In order to determine location-based Scope 2 emissions, we apply the energy designations used in the respective country, such as the federal mix (Bundesmix) of the general electricity supply mix according to section 42 German Energy Industry Act (Energiewirtschaftsgesetz).

The calculation of **Scope 3 emissions** from the upstream chain of our gas sales and gas consumption in our gas plants is currently based on the UBA and the DBI Gas and Environmental Technology Institute using the general factor of 29 g CO₂eq/kWh. We calculate the upstream CO₂ emissions from fuel procurement for the generation of electricity and heat in our generation plants using GEMIS factors. The Scope 3 emissions from our air and rail travel are stated according to the data we receive from our service provider and Deutsche Bahn. For the combustion of gas by our customers, we use an emission factor of 201 g CO₂/kWh of natural gas in accordance with Annex 2 of the 2030 Emissions Reporting Ordinance.

8 GHG emission calculations and results – EnBW Carbon footprint 2023 – subject to limited assurance engagement in accordance with ISAE 3000 Revised and ISAE 3410

Our direct CO₂ emissions are mainly determined by the use of our power plants. Due to the impending gas shortage and in order to ensure the security of supply of heat and electricity, a higher proportion of coal-fired power plants had to be used in the second half of 2022. The gas supply situation eased again at the end of 2022 and in the course of 2023. As a result, our thermal generation plants could be operated as planned in 2023. This led to a **decrease of our direct CO₂ emissions (Scope 1) to 10.9 million tons of CO₂eq in 2023** compared to

17.5 million tons of CO₂eq in 2022. Following the exceptional years in 2021 and 2022 due to the Russia-Ukraine war, our Scope 1 emissions are therefore almost back at the 2019 level.

We also reduced **our indirect CO₂ emissions (Scope 2) to 0.4 million tons of CO₂eq in 2023** (compared to 0.5 million tons of CO₂eq. in 2022). This is largely due to the fact that we were able to significantly reduce our grid losses compared to the previous year.

Our Scope 3 emissions also fell for the second time in since 2022 and 2021. In concrete terms, this means that our **indirect emissions in Scope 3 amount to 26.6 million tons of CO₂eq in 2023**. In comparison to 37.7 million tons of CO₂eq in 2022 and 60.9 tons of CO₂eq in 2021, this represents a reduction in our Scope 3 emissions since 2021 by more than half. The reason for this is that our Scope 3 emissions are significantly influenced by our customers' gas consumption and gas sales in the B2C and B2B sectors. The reduction is therefore a result of the consequences of the ongoing Russia-Ukraine war, the mild temperatures in the winter months of 2022/2023 and 2023/2024 and the continued high willingness of our customers to save gas. This development was reinforced by the ongoing calls to save gas, e.g. by the German Federal Network Agency (Bundesnetzagentur) and the monetary incentive for our customers through the gas savings bonus (Gassparprämie) from EnBW and Yello for saving at least 10% gas in the period from October 2022 to April 2023.


Carbon footprint of EnBW in the fiscal year 2023 – results:

EnBW Energie Baden-Württemberg AG GHG Emissions for CY 2023	
Scope 1 Emissions	
10.910 ¹ metric kilotons (kt) of CO ₂ eq	
Scope 2 Emissions – Market Based	
421 kt CO ₂ eq	
Scope 2 Emissions – Location Based	
875 kt CO ₂ eq	
Scope 3 Emissions	
26.576 ¹ kt CO ₂ eq	
Category 3 (GHG Protocol): Fuel and energy-related activities (not included in Scopes 1 or 2)	649 kt CO ₂ eq
Category 4 (GHG Protocol): Upstream transportation and distribution	3.320 kt CO ₂ eq
Category 6 (GHG Protocol): Business travel	3 kt CO ₂ eq
Category 11 (GHG Protocol): Use of sold products	22.603 kt CO ₂ eq

¹ Deviation due to rounding.

Scope 1 emissions include the greenhouse gases CO₂, CH₄, N₂O and SF₆ in the following composition:

Scope 1 only CO₂	10.692,1 kt CO ₂ eq
Scope 1 CO₂eq regarding to CH₄	154,1 kt CO ₂ eq
Scope 1 CO₂eq regarding to N₂O	32,3 kt CO ₂ eq
Scope 1 CO₂eq regarding to SF₆	31,3 kt CO ₂ eq

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A limited assurance engagement was completely performed by EY in accordance with and subject to the International Standard on Assurance Engagements ISAE 3000 Revised "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements" issued by the International Federation of Accountants (IFAC). The Assurance conclusion (opinion/ finding) is part of the independent auditor's report.

The GHG Statement covers 100% of Scope 1, 2 and 3 emissions of EnBW (with few not relevant exclusions of sources, facilities or operations) reported in the Carbon footprint of EnBW in the fiscal year 2023

9 Contact

For questions and feedback please reach out to

EnBW Energie Baden-Württemberg AG

Sustainability Department

Durlacher Allee 93

76131 Karlsruhe

mailto: nachhaltigkeit@enbw.com

General Engagement Terms

for

Wirtschaftsprüferinnen, Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]

as of January 1, 2024

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüferinnen/Wirtschaftsprüfer) or German Public Audit Firms (Wirtschaftsprüfungsgesellschaften) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing (Textform) or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties. A German Public Auditor is also entitled to invoke objections (Einwendungen) and defences (Einreden) arising from the contractual relationship with the engaging party to third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (Grundsätze ordnungsmäßiger Berufsausübung). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (betriebswirtschaftliche Prüfungen), the consideration of foreign law requires an express agreement in writing (Textform).

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information submitted as well as the explanations and statements provided in a statement as drafted by the German Public Auditor in a legally accepted written form (gesetzliche Schriftform) or any other form determined by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in a legally accepted written form (gesetzliche Schriftform) or in writing (Textform) as part of the work in executing the engagement, only that

presentation is authoritative. Drafts of such presentations are non-binding. Except as otherwise provided for by law or contractually agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing (Textform). Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's consent be issued in writing (Textform), unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for subsequent performance (Nacherfüllung) in writing (Textform) without delay. Claims for subsequent performance pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: Handelsgesetzbuch], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: Wirtschaftsprüferordnung], § 203 StGB [German Criminal Code: Strafgesetzbuch]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, claims for damages due to negligence arising out of the contractual relationship between the

engaging party and the German Public Auditor, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: Produkthaftungsgesetz], are limited to € 4 million pursuant to § 54 a Abs. 1 Number 2 WPO. This applies equally to claims against the German Public Auditor made by third parties arising from, or in connection with, the contractual relationship.

(3) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(4) The maximum amount under paragraph 2 relates to an individual case of damages. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million.

(5) A claim for damages expires if a suit is not filed within six months subsequent to the written statement (Textform) of refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

(6) § 323 HGB remains unaffected by the rules in paragraphs 2 to 5.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report (Bestätigungsvermerk), he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's consent, issued in a legally accepted written form (gesetzliche Schriftform), and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any material errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing (Textform), ongoing tax advice encompasses the following work during the contract period:

- a) preparation and electronic transmission of annual tax returns, including financial statements for tax purposes in electronic format, for income tax, corporate tax and business tax, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing (Textform).

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (Steuerberatungsvergütungsverordnung) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (Textform).

(6) Work relating to special individual issues for income tax, corporate tax, business tax and valuation assessments for property units as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (Textform) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (Verbraucherschlichtungsstelle) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.