

Conditions for access

This assurance report is issued for purposes of the Management of Vonovia SE, Bochum, only.

Our assignment for the Management of Vonovia SE, Bochum, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017.

[AAB \(PDF, english\) 303 KB](#)

By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

"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, the liability of the German Public Auditor for claims for damages of any other kind, 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], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) 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.

(5) An individual case of damages within the meaning of paragraph 2 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. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written 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."

Limited Assurance Report of the Independent Auditor regarding the Use of Proceeds related to the eligible green projects (Green Buildings) of Sustainable Finance Framework - Allocation Report of Vonovia SE

To Vonovia SE, Bochum

We have been engaged to perform an independent limited assurance engagement on the selected qualitative and quantitative disclosures related to the use of bond proceeds for eligible green projects marked with the symbol “(√)” in the Appendix “Allocation & Impact Reporting” of Vonovia SE, Bochum, (further “the Company”), as of March 2022 (further “the Report”). Our engagement in this context relates solely to the disclosures marked with the symbol “(√) ”.

It was not part of our engagement to review the Sustainable Finance Framework of Vonovia SE.

Management’s Responsibility for the Report

The legal representatives of the Company are responsible for the preparation of the Report in accordance with the Reporting Criteria. Vonovia SE applies the principles and standard disclosures of Sustainable Finance Framework as Reporting Criteria for the preparation of the Report. Reporting Criteria for the eligible green projects includes the valuation methodology as set out in the document “RESIDENTIAL BUILDINGS DE/AT/SE _ Eligibility Criteria” of the Sustainable Finance Framework of Vonovia SE (further the “Reporting Criteria”).

The responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for selected qualitative and quantitative sustainability disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Practitioner's Responsibility

It is our responsibility to express a conclusion on the Report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by the International Auditing and Assurance Standards Board (IAASB).

Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the above mentioned sustainability information in the Report of the Company as of March 2022 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of personnel on group level responsible for the disclosures related to the Use of Proceeds regarding the eligible green projects (Green Buildings) in the Report, in order to gain an understanding of the processes for the data management
- Interviews with relevant staff on corporate level responsible for providing and consolidating the data and information, as well as carrying out internal control procedures on the data and information
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the quantitative disclosures included in the scope of the Use of Proceeds regarding the eligible green projects (Green Buildings) in the Report
- Evaluation of selected internal and external documents
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey
- Reviewing the consistency of eligible green category declared by Sustainable Finance Framework with the reported information in the Report
- Verification whether the reported eligible green assets are aligned with the eligibility criteria set out in the Sustainable Finance Framework

Our assurance does not extend to any other information in the Report. We have neither reviewed and do not provide any assurance over any individual project information reported, nor is the reporting on the project evaluation and selection and the management of proceeds part of our assurance procedures.

Furthermore, we have no responsibility for challenging the Eligibility Criteria and, in particular, we give no interpretation on the final terms.

The verification of the issue conditions of the Green Bonds (including issue volume) and the process for internal tracking of disposition of funds was not part of our limited assurance engagement.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the qualitative and quantitative disclosures related to the "Use of Proceeds for eligible green projects (Green Buildings)" marked with the symbol "(√)" in the Appendix "Allocation & Impact Reporting" of Vonovia SE, as of March 2022 included in the scope of this engagement has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Management of Vonovia SE, Bochum, only. We assume no responsibility with regard to any third parties.

Our assignment for the Management of Vonovia SE, Bochum, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated 1 January 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Düsseldorf, 1 April 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signiert von
Marc Oliver Stauder
am 01.04.2022

Stauder
Wirtschaftsprüfer
[German Public Auditor]

Signiert von
Ines Brokof
am 01.04.2022

Brokof
Wirtschaftsprüferin
[German Public Auditor]

Appendices

Allocation & Impact Reporting	Appendix 1
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Appendices

Appendix 1
Allocation & Impact
Reporting

Allocation & Impact Reporting

as of March 2022

VONOVIA

Our Understanding of Sustainability

Vonovia is a part of society. Our business is to provide people with a fundamental need – a place they call home. As a sustainable and responsible housing company, we feel a special obligation towards our more than one million customers in Germany, Austria and Sweden – and at the same time towards society, the environment and our shareholders.

We know: Our corporate decisions always have an impact on people and neighbourhoods, on the environment and on the climate. We carefully balance these effects, especially when we modernize buildings and develop neighbourhoods, because environmental and climate protection should go hand in hand with our responsibility for safe and good housing at fair rent levels. This is our understanding of sustainable living. As a real estate company with a long-term focus, it is our goal to harmonise economic activities with social and societal responsibility as well as ecological objectives. We feel committed to the principles of the social market economy and economic efficiency. That is why Vonovia takes responsibility as a provider of affordable housing, as a service provider, as a builder and developer – but also as an active part of society. For us, sustainability is our purpose and it means managing our business activities in a way that generates the greatest possible long-term benefit for society as a whole. We want to be measured by this claim. It should be adopted by every employee.

Achieving the goals set by the Paris Climate Agreement is one of the major current and future challenges. We want to contribute to achieving these goals. That is why we have aligned our sustainability strategy with international standards, such as the United Nations Sustainable Development Goals. We are driving forward developments where our operations across our approximately 500,000 apartments and our large number of new construction projects can have the largest impact. We focus our activities on people and their respective living situations and want to contribute to a successful coexistence in a diverse and democratic society.

We have set out our ambition for sustainable action in eleven key areas across seven fields of action. We have summarised concrete goals up to 2025 in our sustainability roadmap. As an integral part of our management system, this Roadmap 2025 guides the business decisions across all of Vonovia's business functions. This enables us to contribute to sustainable development and to play an active role in creating a viable housing sector for the future.



Responsibility for sustainability rests with the Management Board and from there we drive the implementation throughout the company. Our sustainability committee meets quarterly to discuss strategic decisions and to evaluate our sustainability performance. The committee comprises the entire Board of Management, as well as the responsible executives for sustainability, corporate communication, controlling and business innovation. This ensures the consistent implementation of our sustainability strategy across all areas of our business and into our local neighbourhoods. After all, sustainable principles are part of the way all employees see themselves. In this way, we develop sustainable living environments and work in collaboration with our tenants and for the cities, communities and regions in which we operate.

As a housing company, we face a wide range of expectations from the most diverse stakeholders. We take these expectations into consideration in a regular and cooperative exchange with our stakeholders. We weigh the different interests and impacts and make responsible and transparent decisions. Since we want to shape the future of the housing industry as sustainably and effectively as possible, we rely on cooperation and joint approaches, especially in innovative projects in our neighbourhoods and construction projects.

Transparency safeguards our credibility. We publish our activities on sustainability and non-financial performance on our corporate website: <https://www.vonovia.de/en>. Our annual sustainability reporting is based on international recognised standards and frameworks to ensure the greatest possible comparability for all interested parties.

Our business model is embedded in social and ecological change processes. We take these megatrends – in particular the ongoing urbanisation, demographic change and the climate-related energy and mobility turnaround – into account when we review our sustainability strategy at fixed intervals and improve it in consultation with our key stakeholder groups.



Sustainable Financing Strategy



The European Union's building sector accounts for nearly 40% of the total energy consumption and about 35% of CO₂ emissions. In general, a major part of the existing buildings in the EU are energy inefficient.

Germany, the most populated country in the European Union, plays an important role for the EU to meet their climate goals. We are aware of this and want to be measured against it.

Our Sustainable Finance Framework is the logical further development of our Green Bond Framework published in March 2021. It takes into account the fact that the EU taxonomy has been published and also incorporates social criteria for the first time.

Our financing strategy pursues the goals of making our building stock almost climate-neutral by 2045 at the latest, in line with European and national requirements, and of continuing to offer our tenants affordable housing in the metropolitan regions of Germany, Austria and Sweden.

Consequently, the requirements for sustainable financing (green as well as social) set out in our framework will apply to the entire company, including Deutsche Wohnen, which has been part of the Vonovia Group since October 2021.

New Construction and Modernization are Triggers for Vonovia's Climate Path

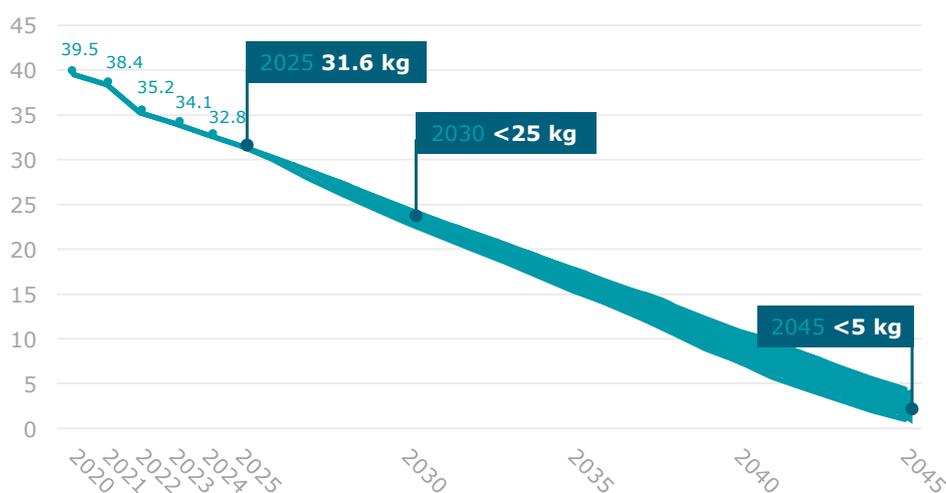
In light of the new Federal Climate Change Act and the sector targets contained therein, we have set the goal of achieving a nearly climate-neutral building portfolio by 2045, with a CO₂ intensity of less than 5 kg of CO₂ equivalents per m² of rental area. By 2030, we aim to achieve a CO₂ intensity of less than 25 kg CO₂e per m². These targets were once again developed through interdisciplinary consultation between various functional departments with the support of science (Fraunhofer ISE) and go further than the recognized 1.5° target course of the Carbon Risk Real Estate Monitor (CRREM) for multifamily homes in Germany

(as of 07/2021). The Vonovia climate targets are contingent not only on a comprehensive improvement of the building portfolio's energy efficiency through energy efficiency modernisation, but also on an increase of the share of renewable energies in neighbourhoods and a deep-seated transformation of the energy sector.

The number of climate projects is continuously increasing and ranges from a photovoltaic drive to new construction and innovative insulation methods and cooperation projects on the topic of green hydrogen.

Vonovia Climate Path: Portfolio Decarbonisation Strategy

CO₂ intensity in kg CO₂e/sqm per year*



The 3 levers of our climate path

- 1 > Continue **deep renovation**
- 2 > Replace **conventional heating** with hybrid systems and heat pumps
> **PV** on all suitable roofs
> Own local **heating networks in Urban Quarters** powered with renewable energy
- 3 > **Transformation of the energy sector** towards carbon-free district heating and green electricity

*includes scopes 1 & 2 as well as scope 3.3 „Fuel- and energy-related activities upstream“; referring to German building stock w/o Deutsche Wohnen. Development of energy sector according to Scenario Agora Energiewende KNDE 2045; For comparison: CRREM pathway MFH 1.5° DE 2045=5.4kg CO₂e/sqm per year (07/2021); Climate pathway development supported by Fraunhofer ISE

References



VONOVIA

Object: Reicker Straße, Dresden

Year of construction: 2019

Residential units: approx. 83

Characteristics: modular construction, 2 Children playgrounds

Energy Performance Certificate B



VONOVIA

Object: Rabensmorgen, Dortmund

Year of construction: 2020

Residential units: 17

Characteristics: modular construction, barrier-free

Energy Performance Certificate A



VONOVIA

Object: Hohemarktstraße, Oberursel

Year of construction: 2020

Characteristics: Building of 60 additional flats

Energy Performance Certificate A



DEUTSCHE WOHNEN

Object: Old building Modern 30s
Eulenspiegel/Olympisches Dorf,
Wustermark

Refurbishment: 2000

Rental units: 198

Characteristics: Natural gas

Energy Performance Certificate B



DEUTSCHE WOHNEN

Object: Serial housing slab building 90s
Hellersdorfer Promenade, Berlin

Refurbishment: 2016-2017

Rental units: 647

Characteristics: district heating

Energy Performance Certificate B



DEUTSCHE WOHNEN

Object: Post-war buildings 1960s
Springsiedlung, Berlin

Refurbishment: 2017-2019

Rental units: 408

Characteristics: district heating

Energy Performance Certificate B

Allocation

LIABILITIES

Type	ISIN	Terms (yrs)	Maturity	Coupon (%)	Volume (€)
Deutsche Wohnen					
green	DE000A3H25P4	10	07-04-31	0.500	318,300,000
green	DE000A3H25Q2	20	07-04-41	1.300	265,400,000
Vonovia					
green	DE000A3E5FR9	10	24-03-31	0.625	600,000,000
social	DE000A3MQS56	4	28-01-26	1.375	850,000,000
social	DE000A3MQS64	6	28-06-28	1.875	800,000,000
green	DE000A3MQS72	10	25-03-32	2.375	850,000,000
social	XS2368364522	2	08-04-24	FRN	48,060,000
green	XS2368364449	5	08-04-27	FRN	72,090,000

Subsidised loans

Deutsche Wohnen	-
Vonovia	1,335,000,000

ASSETS

Eligible portfolio	KPMG	Volume (€) ¹
Deutsche Wohnen²		
Green Buildings	✓	1,885,000,000
Vonovia		
Green Buildings ³	✓	7,090,000,000
Affordable Housing		12,650,000,000
Low Barrier Housing		3,040,000,000

In the Framework we commit to disclose the percentage of new financing and refinancing of the pool as a whole. In the near future we will also be reporting taxonomy aligned capex/opex. We manage the proceeds of the green and social bonds on a portfolio basis. Given the uncertainty of construction projects (new buildings as well as modernisations) in terms of capex and time we always finance these projects through a short term financing mix over the whole development period until completion. Once the project is complete it will be added to the green portfolio and the short term funding will be refinanced with green/social bond proceeds. We don't finance our future pipeline and developments with green/social bond proceeds as this would distort our reporting figures in terms of allocation and impact.

¹ Portfolio Approach, FairValues (IAS 40) as of 31.12.2021

² Deutsche Wohnen Social Assets and other Green Activities will be reported in 2023

³ According to the Sustainable Finance Framework, the category "Green Buildings" includes also buildings that have been refurbished with renovations resulting in a reduction of primary energy demand of at least 30% within a maximum of 3 years in comparison to the energy performance of the building before the renovation. The primary energy demand is calculated by the end energy demand multiplied by a primary energy factor.



Vonovia's Green Bond portfolio consists of € 8,900,000,000 in eligible green assets. As of March 2022, Vonovia had issued € 2,105,790,000 in Green Bonds. From the € 8,900,000,000 a share of € 8,400,000,000 responds to the EU Economic Activity (7.7) and correspondingly € 500,000,000 to the EU Economic Activity (7.2). Construction of new Building (7.1) will be reported for the first time in 2023.

Accordingly, all Green Bonds outstanding are fully allocated. ✓

Vonovia's Social Portfolio consists of € 15,690,000,000 in eligible social assets. As of March 2022, Vonovia had issued € 1,698,060,000 in Social Bonds. Accordingly, all bonds outstanding are fully allocated.

Assets per region



■ Germany ■ Sweden ■ Austria

Assets per category



■ Affordable Housing ■ Green Buildings ■ Low Barrier Housing

✓ Certified by KPMG

Impact Reporting



A. GREEN BUILDINGS

Ownership/Acquisition (7.7)

Eligible portfolio #assets	Deutsche Wohnen Germany	Vonovia Germany	Vonovia Austria	Vonovia Sweden	Total
assets EPC A+	4	-	283	-	287
assets EPC A	602	3,213	1,150	-	4,965
assets EPC B	10,243	31,862	-	4	42,109
assets EPC C ¹	-	-	-	578	578
Eligible Portfolio					
final energy demand kWh	55,230,375	174,393,139	7,516,315	4,035,060	241,174,889
CO ₂ emission t	8,837	38,677	1,493	127	49,135
Ø final energy kWh/sqm	66	64	62	77	65
Ø CO ₂ emission kg/sqm	11	14	12	2	13
Reference Portfolio					
final energy demand kWh	123,076,310	399,144,540	23,647,374	6,475,274	552,343,498
CO ₂ emission t	29,046	94,198	4,138	350	127,732
Ø final energy kWh/sqm	147	147	195	123	612
Ø CO ₂ emission kg/sqm	35	35	34	7	34
Savings					
final energy demand kWh	67,845,936	224,751,400	16,131,058	2,440,214	311,168,608
CO ₂ emission t	20,209	55,521	2,646	222	78,597

Modernisation (7.2)

Before modernisation

final energy demand kWh	49,196,351	49,196,351
CO ₂ emission t	10,687	10,687

After modernisation

final energy demand kWh	25,466,818	25,466,818
CO ₂ emission t	5,532	5,532

Savings

final energy demand kWh	23,729,533	23,729,533
CO ₂ emission t	5,155	5,155

¹only eligible for Swedish Assets



B. AFFORDABLE HOUSINGS

	GERMANY		AUSTRIA	SWEDEN
	WBS	OVM KPI	WGG/MRG	vulnerable Areas
Units	39,020	10,671	17,937	22,589
Area	2,485,813	712,653	1,312,667	1,650,974
Average Rent €/sqm	5.75	5.29	4.40	10.33
Comparable Rents				
Vonovia Average Rent €/sqm per Country	7.19	7.19	4.89	10.31
OVM Average Rent €/sqm	6.51	6.51	-	-
Green Assets - Average Rent €/sqm	7.99	7.99	6.99	10.28

A flat with WBS is rented at an average of €/sqm 5.75. A flat that falls below the 15% discount rate of the framework is rented at €/sqm 5.29. This is cheaper than both a flat with WBS and a flat rented at the local comparative rent (OVM). Here, the average discount is €/sqm 1.22 or 19%.

C. LOW BARRIER HOUSINGS

	GERMANY
Units	21,779
Properties	14,089
% Assets DE (Units)	6 %

D. VICTORIAHEMS ENVIRONMENT CARETAKERS PROGRAMME IN SWEDEN

The environment caretakers programme is part of our efforts to increase the employment rate to strengthen security and integration. It is aimed at newly arrived immigrants or people who have been out of work for a long time. The target groups are those who are furthest away from the labour market. The environment caretakers get an employment contract for 12 months with some support from the Public Employment Service. The time-limited employment means we can help more residents in our areas and create hope of future opportunities. When the employment comes to an end, we support the participants to move on to other jobs, such as with one of our contractors or

studies. The environment caretaker programme is a springboard to long term employment elsewhere.

We offer a wide range of social activities in our areas such as homework help, football school and swimming school. We have a special focus on women's associations and partnerships to empower mothers as we see them as the most important in creating good childhood conditions. Yearly we offer 50 summer jobs to youths. Through collaboration with authorities, municipalities, organizations, housing companies and associations we alleviate social unrest and create a greater sense of security for the residents in our areas.

Job creating programme	2019	2020	2021	Total (2013 - 2021)
No. of participants that completed the programme	25	20	25	145
No. of participants that went on to a job or education	15	13	13	97
% of participants that went on to a job or education	52%	65%	60%	67%
Employees Victoriahem	463	474	491	

Appendix 2
General Engagement
Terms

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*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 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 expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these 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 written agreement.

(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 provided as well as the explanations and statements, in a written statement drafted 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 writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. 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 written consent, 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 the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims 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, the liability of the German Public Auditor for claims for damages of any other kind, 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*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) 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.

(5) An individual case of damages within the meaning of paragraph 2 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. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written 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.

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, 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 written consent 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 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, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, 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.

(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, valuation assessments for property units, wealth tax, 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, capital transactions 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.