
Report

Henkel AG & Co. KGaA
Düsseldorf

Independent Practitioner's Report on a Limited Assurance
Engagement on the Sustainability Portfolio Assessment for the
period from 1 January 2021 to 31 December 2022

Project: DEE00096114.1.1



Independent Practitioner's Limited Assurance Report

To Henkel AG & Co. KGaA, Düsseldorf

We have been engaged to perform a limited assurance engagement on the accompanying “SUSTAINABILITY PORTFOLIO ASSESSMENT” of Henkel AG & Co. KGaA, Düsseldorf, (hereafter the “Company”) for the period from 1 January 2021 to 31 December 2022 (hereinafter the “Adhesives Sustainable Product Portfolio Report”) in the context of Henkel's Sustainability Strategy.

Management's Responsibility for the Adhesives Sustainable Product Portfolio Report

Company's Management is responsible for the preparation and presentation of the Adhesives Sustainable Product Portfolio Report in accordance with the criteria as set out in “Sustainability Portfolio Assessment Methodology Manual” attached to the Adhesives Sustainable Product Portfolio Report (hereinafter the “Criteria”). This responsibility includes: designing, implementing and maintaining internal control relevant to the proper preparation and presentation of the Adhesives Sustainable Product Portfolio Report and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Audit Firm's Independence and Quality Control

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

The audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer”: “BS WP/vBP”) as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandards 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1)– and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Adhesives Sustainable Product Portfolio Report based on our work performed.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Adhesives Sustainable Product Portfolio Report has not been prepared, in all material respects, in accordance with the Criteria.

...

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement of the Adhesives Sustainable Product Portfolio Report under consideration of the Criteria.

Within the scope of our work we performed primarily on a test basis amongst others the following procedures:

- We made enquiries of Henkel's management, including those with responsibility for Adhesives Sustainable Product Portfolio governance, management and reporting (walk-through of the relevant process steps).
- The enquiries also included an inspection of internal documentation and process descriptions.
- We obtained the listing of Sustainable Products allocated into the Adhesives Sustainable Product Portfolio and evaluated the consistency with the Criteria.
- We evaluated our understanding of the design of the internal tracking method for managing, recording and reporting of disclosed information "figures and results" on the Adhesives Sustainable Product Portfolio Report.
- We performed a limited substantive testing on quantitative information ("figures and results") of the Adhesives Sustainable Product Portfolio Report: In our random testing we obtained a detailed listing of net sales and:
 - compared the net sales figures used with net sales derived from the audited group financial statements of Henkel AG & Co. KGaA for the period from 1 January 2021 to 31 December 2021 and from 1 January 2022 to 31 December 2022 and
 - retraced the sales amounts of the reporting period to Sustainable Products allocated into the Adhesives Sustainable Product Portfolio and the coverage of products assessed
 - recalculated the shares of products classified as pioneer, contributor, straight performer and challenged for the reporting period as defined in the Criteria
 - recalculated the shares of products classified to contribute to climate, circularity, safety and nature preservation for the reporting period as defined in the Criteria.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Adhesives Sustainable Product Portfolio Report has not been prepared, in all material respects, in accordance with the Criteria.

Restriction on Use

The assurance engagement has been performed only for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. Our responsibility for the assurance engagement and for our report is only towards the Company in accordance with this engagement. The report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. Section 334 BGB,

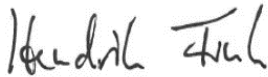
according to which objections arising from a contract may also be raised against third parties, is not waived.

General Terms of Engagement

We issue this report on the basis of the engagement agreed with the Company, which comprises the attached General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of 1 January 2017, which are also applicable to third parties.

Munich, 11 August 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

A handwritten signature in blue ink, appearing to read 'Hendrik Fink'.

Hendrik Fink
Wirtschaftsprüfer
(German Public Auditor)

A handwritten signature in blue ink, appearing to read 'Theres Schäfer'.

Theres Schäfer
Wirtschaftsprüferin
(German Public Auditor)

Attachments

- SUSTAINABILITY PORTFOLIO ASSESSMENT
- Sustainability Portfolio Assessment Methodology Manual
- General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of 1 January 2017

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SUSTAINABILITY PORTFOLIO ASSESSMENT

FIGURES AND RESULTS

- Our assessed portfolio covers all our commercial products with a total coverage **86.51% of 2021 Net sales value** and **87.81% of 2022 Net sales value**.
- Our assessed portfolio is divided into the following categories*:

Category	2021	2022
Pioneer	2.87%	3.03%
Contributor	16.03%	16.25%
Straight Performer	54.56%	55.05%
Challenged	13.05%	13.48%
Unknown	13.49%	12.19%

*[definitions and criteria available in a public document]

- 19%** has a significant sustainability contribution, defined as the sum of the Pioneer and Contributor product of which:

Focus Areas	2021	2022
solutions driving Climate preservation	9.18%	9.53%
solutions supporting a transition to Circularity	4.76%	4.63%
solutions enhancing Safety along the value chain	4.54%	4.75%
solutions enabling Nature preservation	0.42%	0.37%

2023

Henkel

Sustainability Portfolio Assessment

METHODOLOGY MANUAL

HENKEL ADHESIVE TECHNOLOGIES

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Introduction: Pioneers at heart for the good of generations

Our company purpose and focus on sustainability

Our commitment to sustainability has been an integral part of Henkel's corporate culture for decades and was reinforced as a central element in our company purpose *Pioneers at heart for the good of generations*. With our pioneering spirit, our knowledge, and our products, we want to shape a future worth living for present and future generations.

This is also what our sustainability strategy stands for: We want to actively drive the transformation to a sustainable economy and society, for the good of present and future generations. With nature that is not only protected but can also regenerate. With strong communities that enable people to live better lives and participate in society. And as a reliable partner, based on our values, integrity, science, and technology.

The operational implementation of our corporate sustainability strategy is the responsibility of our business units: Henkel Adhesive Technologies (HAT) & Henkel Consumer Brands (HCB). They align their brands and technologies to the sustainable development challenges specific for their product portfolio.

Henkel Adhesive Technologies: We Make It Happen

At [Henkel Adhesive Technologies](#) we lead today's markets and shape tomorrow's markets with our transformative solutions in adhesives, sealants, and functional coatings. Innovative thinking and entrepreneurial spirit are part of our DNA. By combining technical materials expertise and science-based innovation, we enable the transformation of entire industries, giving our customers a competitive advantage, and offer consumers a unique experience. As industry and application experts across manufacturing industries worldwide, we work closely with our customers and partners to create sustainable value for all stakeholders – with trusted brands and high-impact solutions based on an unmatched technology portfolio.

Our business consists of three key divisions: Mobility & Electronics, Packaging & Consumer Goods and Craftsmen, Construction & Professional. Our industrial product portfolio is organized into five technology cluster brands - Loctite, Technomelt, Bonderite, Teroson, and Aquence. For consumers and craftsmen, we focus on the four global brand platforms Pritt, Loctite, Ceresit, and Pattex.

Enabling sustainability

In addition to optimizing the footprint of our own business activities, the focus of Henkel Adhesive Technologies is on enabling sustainability for our customers. Even though our products usually only make up a small proportion of the respective end-product they can be a decisive factor in helping our customers to achieve their sustainability goals.

- We are therefore committed to helping our global industries address the environmental and social challenges they face by developing customized technological solutions and embedding sustainability as an integral part of our strategic focus: Our goal is to transform our portfolio to support the conservation of resources by promoting the efficient use of energy and materials, which several of our products already do. Similarly, some of our products also contribute to **climate change** mitigation by reducing the use of raw materials during the manufacturing processes or enabling our customers to do so when using our applications.
- Some of our solutions enable valuable resources to be kept in circulation and promote **circularity**. We do this not only by using renewable raw materials in our own products when the alternative is commercially or technically viable, but also by enabling the reuse and recycling of materials at the end of their life cycle.
- We place great emphasis on continuously optimizing the **safety** of our products. In doing so, we strive to go beyond regulatory compliance, which is why the first criterion of our methodology assessed is the presence of, "Negatively Flagged Chemicals", (NFC). We consider the following chemicals part of the NFC list:
 - Carcinogenic, Mutagenic, Reproductive toxicant (CMR) according to category 1A and 1B of the CLP Regulation (Regulation (EC) No 1272/2008 on the Classification, Labelling and Packaging of Substances and Mixtures).
 - Persistent, bioaccumulative and toxic (PBT) or very persistent and very bioaccumulative (vPvB) according to Annex XIII of Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH Regulation).
 - Other chemicals, such as Endocrine Disrupting Chemicals, identified as SVHC (according to REACH Annex XIV, or the REACH SVHC Candidate list) or subject to specific restrictions (as identified under REACH Annex XVII).
- Part of our portfolio focuses on reducing water consumption within our customers' applications, for example by reducing water usage and water pollution in manufacturing processes. Secondly, we also have solutions for improving water quality by advancing water filtration technologies. Both approaches are part of our effort to preserve **nature** and protect environmental resources.

Sustainability Portfolio Assessment objectives

Henkel Adhesive Technologies has developed a portfolio assessment process with a focus on sustainability to identify the most important levers through which our products can contribute to climate protection, safety promotion, and nature protection. The portfolio assessment allows us to analyze the scope and level of the sustainability contribution of our existing portfolio and innovation projects based on consistent criteria developed within Henkel Adhesive Technologies.

The main objectives of the assessment are:

1. Transparency

- Create an understanding within the organization on how our current portfolio contributes to sustainability.
- Provide a systematic framework based on consistent criteria to analyze the sustainability contribution of products.

2. Strategic leadership

- Drive sustainability as an integrated part of our business strategy.
- Grow net sales from solutions that have a positive and leading contribution to sustainability.

3. Continuously improve sustainability performance

- Starting in 2021, we set a goal to assess systematically every two years the products that make up at least 80% of the total net sales from the previous two years. The first assessment in 2021 covered the products sold in 2020 and 2019. The latest assessment was performed in 2023 covering products sold in 2022 and 2021. For the first time, we will have an external auditor reviewing the assessment recently conducted in 2023.
- Improve the sustainability performance of our portfolio on topics that are relevant to our customers' industries and contribute to solving global challenges.
- We also set a goal in 2021 that all new products, in other words all innovation projects, would have to be assessed for their sustainability impact.

Sustainability Portfolio Assessment methodology

As a basic requirement for all our processes, we ensure compliance with our established corporate [codes and standards](#).

Assessment scope

The scope of the assessment covers products that account for at least 80% of our net sales over the last two years. This process is systematically repeated every two years. So far, we have conducted the assessment twice.

At the same time, as part of the continuous improvement process, the assessment is mandatory for all new products, resulting from innovation projects, meaning that the sustainability assessment portfolio flagging is automatically reflected in all new products.

Sustainability Portfolio Assessment classification

The focus of the assessment is to identify and map those products within our portfolio that make a significant contribution to sustainability along the value chain. Reflecting our strategic approach to sustainability, the assessment focuses on four key topics:

- **Climate:** Enabling emissions reductions in customer production processes, and in the use phase of our products. Also enabling lower Scope 3 emissions to our customers by using low-emission raw materials.
- **Circularity:** Using circular raw materials and keeping valuable materials in the loop by contributing to the reuse, repair, and recycling of products and their components.
- **Safety:** Improving the chemical safety of our solutions and facilitating the safety of end products in the use phase and in our customers' production processes.
- **Nature:** Enabling the preservation and protection of environmental resources, such as water.

For each of the identified contribution criteria of - Climate, Circularity, Safety and Nature - the assessment will provide a classification for the level of contribution. Thus, all assessed products must be classified either as Challenged, Straight Performer, Contributor or Pioneer:

- **Challenged:** Product containing Negatively Flagged Chemicals (NFC) as defined above at a concentration higher than 0.1%. Products labelled as Challenged will not be eligible for any other sustainable flagging, regardless of the application or market served by that product. Many of our products are exclusively used in an industrial setting, and the NFCs are eliminated once the chemical reaction of curing takes place. In these specific cases, even though the NFCs are present at the beginning of our products, they will not

pose a safety risk further downstream. Therefore, in these specific cases, the responsible business units may decide that the products should not be flagged as Challenged.

- **Straight Performer:** Product that is not flagged as Challenged according to the above definition and do not have a benefit that would qualify them as a Contributor/Pioneer, or the product does not have the appropriate documentation to prove the sustainable contribution (Contributor/Pioneer).
- **Contributor:** Product that makes a positive contribution to sustainability within one of the focus areas based on the defined criteria, however, does not necessarily have to make a greater contribution than other products already on the market. The positive contribution must be demonstrated by a relevant proof document. (See other criteria below).
- **Pioneer:** A product that makes a positive contribution to sustainability in one of the focus areas based on the defined criteria. And a greater contribution compared to the market reference. We define the market reference based on our internal knowledge and understanding of the different markets and applications we serve; we recognize the dominant technologies as a baseline against which to compare sustainability contributions in order to qualify them as a Pioneers. The Pioneer contribution must be demonstrated by a relevant proof document. (See other criteria below).
- In addition, products that have not yet been assessed are marked as **Unknown**. These are products that represent a maximum of 20% of our total net sales in the years that are being assessed.

Assessment of Challenged products

As the safety of our products is one of our highest priorities, we continually strive to minimize the potential risks that the substances we use in our products may pose to the health and safety of human beings and the environment. Before assessing the contribution of our products to sustainability, we therefore analyze the chemical substances in our products regarding their impact on health and safety during production, application and end-use.

The Negatively Flagged Chemicals (NFC) have enabled us to prioritize a list of chemical substances by considering the toxicological and eco-toxicological risk assessments pertaining to each chemical. Products containing at least one of these Negatively Flagged Chemicals above a concentration of 0.1% are excluded from any further assessment regarding their contribution to sustainability.

Assessment of significant sustainability contribution: Straight Performer, Contributor, Pioneer

For a product to qualify as making a significant contribution to sustainability in any of these areas, it must fulfill at least one of the specific criteria and thresholds defined by Henkel Adhesive Technologies (details in next section).

Definitions of the different criteria:

CLIMATE

- Less CO₂ intensive raw materials: Products that have raw materials with a lower CO₂ footprint compared to market reference will be flagged as Contributor. If the CO₂ footprint reduction exceeds 25%, the product will be flagged as a Pioneer. Otherwise, the products will have no improvement in terms of their CO₂ footprint with respect to raw materials and therefore would be flagged as Straight Performer.
- CO₂ emissions savings/footprint reduction in OUR production: Products that create energy savings during Henkel's production or logistics, in other words sites already reducing Scope 1 and Scope 2. For example: fully carbon neutral sites or sites using renewable energy.
- CO₂ emissions savings in the use phase: Products that help reduce energy during customer application compared to the market reference. Products that help avoid CO₂ emissions during use/application by our customers compared to market reference. Products that create CO₂ emissions savings during end-use phase of our customers' products compared to the market reference. If these CO₂ emissions savings in the use phase are substantial in a specific market application, the sustainability lead of each business unit may flag the product as a Pioneer based on their expert judgement.
- Prevention/Reduction of resource consumption: Products that enable a lower CO₂ footprint by reducing or eliminating raw materials consumption in our customer's manufacturing processes. Products that enable a lower CO₂ footprint by extending the useful life of our customers' products, including by enabling repair, overhaul, or remanufacturing. If these CO₂ emissions savings in the customer's manufacturing processes or lifetime extension of the customer's products are substantial within a specific market application, the sustainability lead of each business unit may flag the product as a Pioneer based on their expert judgement.

CIRCULARITY

- Circular raw materials: Products made from bio-based, recycled or CCUS (Carbon Capture, Use, and Storage) materials. Sustainable packaging: this criterion is used in the business units that sell packaged products for consumers or professional use, where the packaging contributes to sustainability of the product. These products could be flagged as a Contributor if their packaging complies with the following criteria: 50-65% recycled content; reduced packaging (for plastic 10-15% or for metal packaging 15-20%); products with a change in packaging format to reduce/eliminate the use of materials. For products to be flagged as a Pioneers the criterion is: the packaging needs to have at least 65% recycled material; the packaging is 100% recyclable; and products with packaging that is reusable or part of a closed loop system.
- Compatibility with recycling: products verified to be compatible with commonly used recycling processes and materials; products that lead to improved recycle quality.
- Debonding: products that offer a mechanism to debond incompatible substrates to enable reuse or separate recycling; products verified to be compatible with subsequent recycling/reuse processes.
- Biodegradable / compostable products: products that offer environmental benefits by being able to biodegrade under specific conditions such as composting or in the open environment. Compostable products that support the composting of food waste e.g., industrial composting. Biodegradable products for items that will inevitably be lost to the environment. Our products are tested according to the CEPI/4evergreen standards.
- New Designs: products in this category can only be flagged as a Pioneers. Adhesives, sealants, and coatings used in innovative ways to help our customers create new applications and products designed for circularity, focusing on fully recyclable, repairable, or reusable solutions that require a significant change in design.

SAFETY

- Enhance chemical safety in Henkel's production: products that go beyond legal compliance but are aligned with industry standards in terms of product safety during in Henkel's production, allowing the use of less toxic chemicals compared to the alternative technologies, leading to safer handling during production.
- Enhance chemical safety in customer application: products that go beyond legal compliance but are aligned with industry standards in allowing the use of less toxic chemicals compared to the alternative technologies, leading to safer handling during customer application.
- Enhance health and safety in end-use (consumer): products that go beyond legal compliance but are aligned with industry standards in allowing the use of less toxic chemicals compared to the alternative technologies, leading to safer handling during

customer application; products that enable improved safety in the end use of customer products through our adhesives, sealants, and surface treatment products.

NATURE

- Reduced water consumption in customer application: using Henkel's expert knowledge based on specific market applications products that reduce the amount of water used in the customer application compared to other technologies used in the same application, as well as products that enable water to be reused.
- Increased water and wastewater quality in customer application: using Henkel's expert knowledge based on specific market applications products that improve the quality of water entering wastewater treatment, as well as products that have been shown to improve water quality compared to other technologies used in the same application.

To make the assessment even more robust, we have already introduced the first concept of counterbalancing effects; therefore, at the end of the assessment, it is required to review the assessment again for possible adverse effects, to ensure a balanced approach to identifying possible points for improvement. This initial analysis does not necessarily mean the products would change from the original flagging, which filtered out the Challenged products and identified the contributions to sustainability. The approach is to start the thought process and look for future enhancements (See Figure 1 for more details).

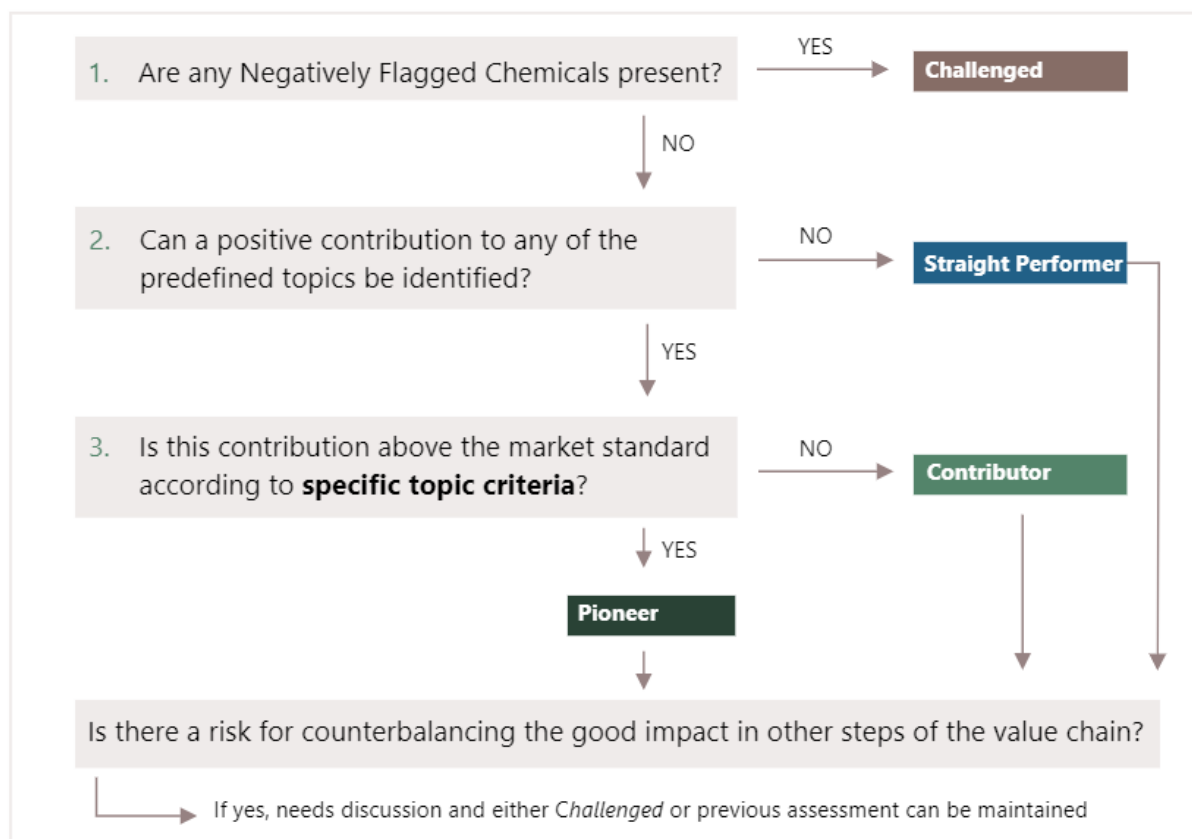


Figure 1: Graphic decision-making explanation of Sustainability Portfolio Assessment classification

To guarantee a fact-based approach, a corresponding proof document must be available for all products whose contribution is assessed as significant. Guidance is provided on the permitted types of documents. These proof documents include both internal and external documents, including Life Cycle Assessments (LCA), different types of laboratory test results, for example C14 analysis, or different types of certificates, such as biodegradability certification conducted by a third party, customer, or supplier confirmations, Technical or Safety Data Sheets (TDS/SDS), and manufacturing instructions.

Sustainability Portfolio Assessment process governance

The methodology will be continuously reviewed and improved as new regulations are being developed and sustainability topics evolve. It is important for Henkel Adhesive Technologies to remain well informed and to ensure that the methodology is up to date. The portfolio assessment is divided into two separate but related processes: the assessment of the existing product portfolio and the assessment of innovation projects.

Existing product portfolio

- **Time frame:** bi-annual mass assessment with a scope of products generating at least 80% of net sales in the previous two years. Having said that, products could be reassessed as needed during this period, if new proof documents became available that would change the classification of the assessment. For example, if a product was flagged as a Straight Performer due to a lack of a clear proof document to back up the Contributor/Pioneer sustainability classification.
- **Responsibility:** commercial and technical experts from Henkel Adhesive Technologies' business areas.
- **Main objective:** to provide transparency on current portfolio's sustainability contribution to integrate sustainability as a factor in strategic management and portfolio development.

Innovation Projects

- **Time frame:** continuous assessment at different stages of product development with a final identification of the sustainability class at the launch gate.
- **Responsibility:** commercial and technical experts from Henkel Adhesive Technologies' business areas; the project team includes product development, marketing, and operations, for example.
- **Value:** measuring the sustainability contribution of all new innovation projects to continuously improve the portfolio's sustainability performance.

Data governance

Several processes are in place to ensure the completeness, correctness, and consistency of the assessed data.

- All data for products in the existing portfolio are checked regularly by internal quality assurance tools.
- The product data assessment is always conducted under the four-eye-principle by at least two people with appropriate commercial and technical expertise. Two roles are assigned to each product assessment – assessor and approver. The assessment is conducted by the assessor – an expert with knowledge of the product, markets and applications served. Once the assessor has completed the sustainability assessment of each product, the business unit's designated approver must review and approve the assessment. By definition, the approvers are sustainability leads of each business unit. The role of assessor and approver is determined by the specific structure and needs of each business unit.
- The assessments are carried out in an application developed in SAP WebDynpro. All assessment data is stored in Henkel's master data.

As part of the bi-annual portfolio assessment, the central sustainability management team reviews the criteria and trains all Henkel employees involved in the process on the updates and tools. The central sustainability management team also conducts spot sample checks to ensure data quality and follows up with the respective business units, if corrective actions prove necessary.

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.