

Articles

of the Association

Deutsche Prüfstelle für Rechnungslegung DPR e.V.
(German Financial Reporting Enforcement Panel - FREP),
of 29 April 2004, as amended on 6 April 2005 and 1 April 2009

Article 1

Name and Registered Office

- (1) The Association shall be known under the name

Deutsche Prüfstelle für Rechnungslegung DPR e.V.
(German Financial Reporting Enforcement Panel; Registered Association)

Upon registration in the Register of Associations (*Vereinsregister*), it shall use the abbreviation "e.V." for the suffix "*eingetragener Verein*" (Registered Association).

- (2) Internationally and outside of Germany, the Association shall be known under the name "Financial Reporting Enforcement Panel" (FREP).
- (3) The Association shall maintain its registered office in Berlin.

Article 2

Purpose

- (1) The purpose of the Association is
- a) to function as the governing body (*Träger*) for an independent enforcement panel pursuant to Sections 342b to 342e of the German Commercial Code (*Handelsgesetzbuch* - HGB);
 - b) to promote professional cooperation between the Enforcement Panel and national enforcement institutions outside of Germany and the relevant international organizations within the scope of the law.
- (2) The Association shall operate on a not-for-profit basis; it shall not pursue any economic objectives of its own. The funds of the Association may be used only for purposes provided for in these Articles. Members shall not receive any payments (*Zuwendungen*) from the funds of the Association.

- (3) In the event that the Association is dissolved, the assets shall be used for tax-advantaged purposes. Resolutions concerning the future use of the assets may only be implemented with the consent of the tax authorities (*Finanzamt*).

Article 3 Fiscal Year

The fiscal year shall commence on 1 January and shall end on 31 December.

Article 4 Membership

- (1) The following are eligible to become members of the Association: any professional organization or group representing the interests of accounting professionals and users of financial reporting whose purposes are closely aligned with the purposes of the Association and who represent more than a minor number of members. The professional organization or group must have been in existence for at least one year, it must perform its roles and responsibilities on a not-for-profit basis and its activities to date must offer a guarantee that its close alignment with the purposes of the Association is not just temporary, and that it will support the Association in discharging its roles and responsibilities.
- (2) Accounting professionals within the meaning of the above are all persons who, possessing the proper qualifications, maintain and/or prepare the commercial books and records or the other documents specified in Section 257 (1) no. 1 HGB for corporations or other legal entities either as employees or as independent professionals. Accounting professionals further include persons who, as German public auditors (*Wirtschaftsprüfer*), university faculty members (*Hochschullehrer*), sworn financial auditors (*vereidigte Buchprüfer*), tax advisers (*Steuerberater*), German attorneys at law (*Rechtsanwälte*), or on the basis of similar qualifications, act in an audit, consulting, teaching, or supervisory capacity or as analysts; this applies also to persons who are employed at an institution of higher learning or governmental agency.
- (3) Companies, audit firms and individuals are not eligible for membership.
- (4) Membership is acquired by written application and the acceptance of this application by the Governing Board.

- (5) Membership is terminated by resignation or exclusion. Resignations can only be tendered as of the end of the Fiscal Year subject to a notice period of two months.
- (6) A member may only be excluded for a material cause. Exclusions are enacted by resolution of the Membership Meeting adopted by a majority of three quarters of the members present.
- (7) The termination of the Membership shall not affect the obligation to pay the Membership Dues assessed for the current Fiscal Year. The member has no claims to the assets of the Association upon exiting.
- (8) Membership in the Association may not be used for promotional purposes. References to Membership on the letterhead of Association members are not permitted.

Article 5 Membership Dues

- (1) An admission fee is payable upon admission to the Association. In addition, members are assessed annual dues. Allocations up to twice the amount of the annual dues may be assessed, on an exceptional basis, to finance special projects.
- (2) The amount of the admission fees, annual dues and allocations are set by the Membership Meeting.
- (3) Dues are payable by or before 30 April of the respective Fiscal Year.

Article 6 Governing Bodies

- (1) The Governing Bodies of the Association are:
 1. the Governing Board,
 2. the Nomination Committee,
 3. the Enforcement Panel,
 4. the Membership Meeting.

The members of the Governing Bodies under no. 1, 2 and 3 are to be no older than 70 years of age.

- (2) The members of the Governing Bodies are obligated to maintain confidentiality with respect to all concerns of the Association and to

their activities except where publication is provided for by law, by these Articles, or in the relevant Rules of Procedure.

Article 7 Governing Board

- (1) The Governing Board shall be composed of at least three, and of no more than five members, being the Chairman, the Vice Chairman, the Treasurer and no more than two additional members. They shall be elected for a term of three years. They may be re-elected multiple times. At the expiration of its term, the Governing Board shall remain in office until a new board is elected. Any elections of substitute members that may become necessary during the term shall be voted by the Membership Meeting; any such election shall be effective only until the end of the current term in office.
- (2) Save as provided for in Article 9 (3) sentence 3, the Association shall be represented externally by any two members of the Governing Board. The authority to employ, remove from office and terminate the employment agreement with the General Manager rests with the Governing Board. The Governing Board executes the contracts with the members of the Enforcement Panel who are selected by the Nomination Committee with the approval of the Federal Ministry of Justice in consultation with the Federal Ministry of Finance, and the Board terminates the same in the event a member is removed from office by the Nomination Committee.
- (3) The members of the Governing Board serve in an honorary capacity. They are, however, entitled to reimbursement of their expenses.
- (4) The Governing Board sets out the principles for the work of the Association. It is incumbent upon the Governing Board, in particular,
 - (a) to publish the Annual Report including an audited set of financial statements;
 - (b) to prepare a timely financial plan in consultation with the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - BaFin) and to submit the same to the Federal Ministry of Justice and the Federal Ministry of Finance for approval;
 - (c) to maintain the books and records, including the preparation of the annual accounts according to German generally accepted commercial accounting principles;

- (d) to decide all matters that are not explicitly reserved to the Membership Meeting.
- (5) The Governing Board does not have authority to direct the Enforcement Panel or to its members.
- (6) Resolutions of the Governing Board shall be adopted by a majority of the votes of its members that are present.

Article 8 Nomination Committee

- (1) The Nomination Committee is composed of seven members with professional expertise, being the Chairman of the Governing Board and six persons who shall be elected by the Membership Meeting for at least three and no more than five years. Any election of a substitute that may become necessary during a member's term in office shall only be effective until the end of the departing member's current term. Members may be re-elected multiple times. When setting terms in office, care shall be taken that no more than three members of the Nomination Committee will leave the Committee at the same time.

When electing members of the Nomination Committee, the Membership Meeting shall give appropriate consideration to the various groups of accounting professionals and users of financial reporting among the membership.

- (2) The members of the Nomination Committee serve in an honorary capacity. They are, however, entitled to reimbursement of their expenses.
- (3) The members of the Nomination Committee shall elect a Chairman and Vice Chairman from among their numbers.
- (4) The Nomination Committee is responsible for
 - (a) electing the President, the Vice President and the additional members of the Enforcement Panel within the framework of procedures for the public notification of vacancies. As a rule, elections are for a term of four years. Members may be re-elected multiple times. When setting terms in office, care shall be taken that no more than half of the members of the Enforcement Panel will leave at the same time;
 - (b) removing members of the Enforcement Panel from office, which shall, however, only be permissible for material cause;

- (c) discharging (*Entlastung*) the Enforcement Panel.
- (5) The election of members of the Enforcement Panel requires the approval of the Federal Ministry of Justice in consultation with the Federal Ministry of Finance.
- (6) Resolutions of the Nomination Committee shall be adopted by a majority of two thirds of its members. Members who declare themselves biased shall not be counted as members for this purpose.
- (7) The Nomination Committee shall adopt Rules of Procedure for itself, which shall define a profile of requirements for members of the Enforcement Panel, the selection process and the general principles for contracts with members of the Enforcement Panel.

Article 9 Enforcement Panel

- (1) The Enforcement Panel shall be composed of no less than five members, being the President, the Vice President and additional members. It shall perform the roles and responsibilities stipulated in Sections 342b et seq. HGB.
- (2) Only individuals that are accounting professionals within the meaning of Article 4 (2) and are not members of either the Governing Board or the Nomination Committee, and who further possess sufficient experience in the application of International Financial Reporting Standards (IFRS), in particular, are eligible to be members of the Enforcement Panel.
- (3) The members of the Enforcement Panel shall perform their activities independent of any direction. They are, in particular, not subject to direction from the Governing Board. If third persons are engaged to perform examination activities for the Enforcement Panel, the Association shall be represented by any two members of the Enforcement Panel; to this extent, the members of the Enforcement Panel shall be deemed to have been appointed as special representatives within the meaning of Section 30 of the German Civil Code (*Bürgerliches Gesetzbuch* - BGB)
- (4) The President, the Vice President and the other members of the Enforcement Panel shall serve in a full-time capacity.
- (5) The Enforcement Panel shall adopt Rules of Procedure, which shall regulate the following, in particular:
 - (a) the selection of the Panel members who conduct an examination. The selection shall give special consideration to

expertise in the industry of the company to be examined, to the workload and to independence. Members are not considered independent if there is any concern about bias; this applies, in particular, if the member of the Enforcement Panel participates in the decisions of the company to be examined or of any of its affiliates or associations, or participated in such decisions in the last three years, or if there is - or was in the last three years - any financial or business relationship or an employment or consulting relationship in effect between the company to be examined or any of its affiliates or associations and the member of the Enforcement Panel;

- (b) the work program and the procedure for the initiation, performance and completion of examinations that have been initiated.

The Rules of Procedure shall be submitted to the Federal Ministry of Justice and the Federal Ministry of Finance for approval.

Article 10 Membership Meeting

- (1) The Association Members shall be called for an ordinary Membership Meeting once a year. Additional extraordinary Membership Meetings may be held for material reasons; they must be held upon the request of at least 10 percent of the members.
- (2) Ordinary and extraordinary Membership Meetings shall be called by the Chairman of the Governing Board or by the Vice Chairman in writing, subject to a notice period of two weeks with the agenda communicated at the same time.

Article 11 Chairmanship and Resolutions of the Membership Meeting

- (1) The Membership Meeting shall be chaired by the Chairman of the Governing Board or, in the event that he is not able to be present, by the Vice Chairman or another member of the Governing Board.
- (2) Every member shall have one vote in the Membership Meeting.
- (3) The members may also arrange to be represented by their authorized agent (proxy) or by other members, or may otherwise vote in absentia. No member may represent more than five members.
- (4) The Membership Meeting shall have a quorum if it has been properly called. It shall adopt resolutions by simple majority of members present

or represented by voting in absentia. Resolutions concerning the purpose of the Association or other changes to the Articles, or the dissolution of the Association shall require a majority of three quarters of the members present.

- (5) The Membership Meeting shall be recorded in written minutes that shall be signed by the Chairman of the Meeting. However, the effectiveness of the resolutions adopted shall not depend on being recorded in the minutes.

Article 12

Powers of the Membership Meeting

The roles and responsibilities of the Membership Meeting include, in particular

- (a) electing and removing from office the Chairman and the Vice Chairman of the Governing Board and the Treasurer as well as the other Governing Board members,
- (b) electing the members of the Nomination Committee in accordance with Article 8,
- (c) discharging (*Entlastung*) the members of the Governing Board and of the Nomination Committee,
- (d) adopting a resolution about the financial plan,
- (e) adopting resolutions about changes and amendments to these Articles and/or the dissolution of the Association,
- (f) electing the financial statement auditor.