

ARTICLES OF INCORPORATION OF THE INSTITUT DER WIRTSCHAFTSPRÜFER IN DEUTSCHLAND E.V.

adopted by resolution at the 27th Wirtschaftsprüfertag [General Meeting of IDW Members]

in Neuss on September 19, 2005

[This is a translation of the Articles of Incorporation from the German original. The German original is the only authoritative version. Translator's notes are in Square Brackets]

§ 1 Name and Legal Domicile

- (1) The "Institut der Wirtschaftsprüfer in Deutschland e.V." [Institute of Public Auditors in Germany, Incorporated Association] (hereinafter called "IDW") is the association of Wirtschaftsprüfer [German Public Auditors] and Wirtschaftsprüfungsgesellschaften [German Public Audit Firms].
- (2) The IDW has its legal domicile in Düsseldorf and is registered in the Register of Associations.

§ 2 Objects

- (1) The IDW fosters the technical domains relating to Wirtschaftsprüfer and acts in the interests of the Wirtschaftsprüfer profession.
- (2) In particular, the IDW discharges the following functions:
 - a) to provide for the education and continuing professional development of Wirtschaftsprüfer and for their professional succession, and to conduct appropriate measures therefor;
 - b) to advocate uniform principles for exercise of the profession in an independent, individually responsible and conscientious manner, and ensure members' compliance with these principles;
 - c) to foster the further development of the role of the Wirtschaftsprüfer profession.

In fulfilling these functions, the IDW may also render expert opinions on technical and professional issues that concern the Wirtschaftsprüfer profession as whole.

- (3) The IDW may establish arrangements for old age and survivors' pensions or insurance for German public auditors.
- (4) In fulfilling these functions, the IDW may become a member of other domestic or foreign organizations.
- (5) The object of the IDW is not directed towards commercial business operations.

§ 3 Membership

- (1) Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften may be admitted as full members of the IDW. Members of the executive board or executive officers of, or unlimited partners authorized to represent, Wirtschaftsprüfungsgesellschaften should also individually be full members of the IDW when these individuals are Wirtschaftsprüfer.
- (2) The following individuals may be admitted as associate members:
 - a) former Wirtschaftsprüfer who have been honourably discharged from the profession and who are no longer active as a sole practitioner in the areas defined in § 2 of the Wirtschaftsprüferordnung [Law Regulating the Profession of Wirtschaftsprüfer (WPO)] or employed by a legal person as described in § 44b of the WPO;
 - b) executive board members, executive officers, unlimited partners and limited liability partnership partners of Wirtschaftsprüfungsgesellschaften who are not Wirtschaftsprüfer;
 - c) civil partnership or limited liability partnership partners of Wirtschaftsprüfer who are not Wirtschaftsprüfer (e.g., Rechtsanwälte [German lawyers in public practice] and Steuerberater [German licensed tax advisors in public practice]);
 - d) vereidigte Buchprüfer [licensed auditors in public practice authorized to perform only statutory audits of annual financial statements of mid-sized Gesellschaften mit beschränkter Haftung (GmbH) – German limited liability companies] appointed on the basis of the Gesetz über eine Berufsordnung für Wirtschaftsprüfer [Law Regulating the Profession of Wirtschaftsprüfer] dated July 24, 1961 (unamended version);
 - e) individuals authorized as, or appointed, expert auditors in a foreign state, provided that the conditions for their authorization or

appointment comply, in all material respects, with the requirements of the Wirtschaftsprüferordnung (§ 28, Abs. 3 Satz 1 WPO [Article 28, 3rd paragraph, 1st sentence, WPO]), as well as any equivalent auditing or professional firms under foreign law;

- f) in addition, by virtue of special directives from the Administrative Council and the Board of Directors, organizations and institutions performing functions similar to those of Wirtschaftsprüfer, as well as any associate members pursuant to § 3 Abs. 2b and c whose conditions of membership have ceased to exist upon their reaching retirement age in accordance with to § 5 Abs. 2c;
 - g) those individuals who have passed the examination for Wirtschaftsprüfer, but have not yet been appointed as Wirtschaftsprüfer, may be admitted as associate members, provided there are no reasons, which would bar the admittance of former Wirtschaftsprüfer, that would preclude this.
- (3) Personages who have rendered outstanding service in relation to the Wirtschaftsprüfer profession may be appointed honorary members.

§ 4 Members' Rights and Responsibilities

- (1) Every member must acknowledge the IDW's objects under these articles of incorporation and commit him- or herself to observe and foster the IDW's objectives.
- (2) Within the limits of these articles of incorporation, and within confines of the IDW's means, every member is entitled to make use of technical support, to participate in IDW education, continuing professional development and technical events, use the IDW facilities and obtain its publications. Full members are entitled to also allow their employees to participate in IDW education, continuing professional development and technical events.
- (3) Every full member has the right to vote for [the members of] IDW governing bodies and, when the member is a natural person who has been a full member of the IDW for at least five years without interruption, the right to stand for election to the IDW governing bodies.
- (4) The IDW maintains a register of its members. The members are obligated to disclose their personal and professional particulars to the IDW analogously to the requirements of the Wirtschaftsprüferordnung.

- (5) Full and associate members are obligated to render fees and subscriptions when due as charged under the terms of these articles of incorporation and the fee bylaw.
- (6) A member is obligated to inform the IDW's Board of Directors without delay of any decision to arraign that member or the officer of a member on a criminal charge in connection with the exercise of the professional activities of that member. Similarly, the IDW is to be notified of any legally effective convictions in criminal or professional court proceedings as well as of any cease proceeding orders pursuant to § 153a StPO [Strafprozessordnung: German Code of Criminal Procedure].
- (7) In addition, the following provisions in paragraphs Nos. 8 to 12 apply to full members.
- (8) Members are obligated to comply with and apply the Standards for Quality Control in the Wirtschaftsprüfer Practice issued by the IDW as well as to ensure and monitor that the Standards are complied with and applied by their employees.
- (9) As part of his or her individual professional responsibility, every member must observe, as issued by the IDW's technical committees, the IDW Technical Opinions, IDW Auditing Standards, IDW Assurance Standards, IDW Accounting Principles, and IDW Standards, which set forth the views of the profession on technical accounting and auditing matters as well as on other objects and aspects of professional activities, or which contribute to their development. The member must therefore carefully examine whether the standards set forth in an IDW Technical Opinion, IDW Auditing Standard, IDW Assurance Standard, IDW Accounting Principle and an IDW Standard, are to be applied to his or her activities and to the matter under his or her consideration. Any departures from these standards must be emphasized and justified at length in writing in an appropriate place (e.g. in the long-form audit report).
- (10) In addition to studying the requisite professional literature, as part of his or her professional duty to continuing professional development, every member in active professional practice is obligated to participate in professional development measures; the nature and scope of which are within the individual responsibility of the Wirtschaftsprüfer, and the annual mean average of which may not be less than 40 hours. Such professional development measures include, among other things, attendance of technical events, participation in discussion groups as well as professional

development activities within the own firm of equivalent value, and literary technical work.

- (11) Every member is obligated to preserve, at all times, his or her independence, in particular, his or her financial independence vis-à-vis clients, and observe the other professional standards issued by the IDW.
- (12) Members are not permitted to use information not generally accessible to which they have become privy through the performance of professional assignments to enter into transactions for their own benefit or for the benefit of a third party, or to pass such information on to third parties.

The Council of Honour investigates violations of the first sentence. If the Council of Honour initiates an investigation, the member concerned is obligated to provide information to the Council of Honour.

§ 5 Entry into, Withdrawal from, and Suspension of Membership

- (1) Applications for entry into membership must be in writing. The Board of Directors decides on admissions. In the event of a rejection, objections must be submitted to the Council of Honour. The affected party is entitled to appeal against a decision by the Council of Honour, over which the Administrative Council has the final decision.
- (2) Membership lapses upon
 - a) decease;
 - b) withdrawal;
 - c) the requirements for membership cease to be fulfilled;
 - d) expulsion.
- (3) Every member may tender his or her resignation, but must thereby observe a period of 6 months notice to the end of each calendar year. In special cases, the Board of Directors may grant a reduced period of notice.
- (4) Members who remain in arrears vis-à-vis the IDW in respect of their subscriptions or any other obligations arising from the fee bylaw despite repeated reminders may be expelled from the IDW by a resolution of the Board of Directors.

Furthermore, following a hearing of, or suggestion by, the Council of Honour the Board of Directors may expel these members from the IDW

whose personal or professional behaviour constitute good cause for expulsion, or who have grossly violated the interests of the association. A serious breach of member responsibilities pursuant to § 4 is deemed as being good cause justifying expulsion.

The affected party is afforded the opportunity to submit a verbal or written statement. The affected party may file an objection by registered letter against the Board of Directors' decision within one month after the expulsion resolution has been served. The Administrative Council has the final decision on such objection.

- (5) If the Board of Directors becomes aware that a member has been arraigned on a criminal charge in connection with exercise of his or her professional activities, the Board of Directors resolves to suspend the membership of the member affected. Throughout the period of membership suspension, the affected member's right to vote and stand for election as well as any possible membership in an IDW governing body, in technical committees and working parties or in the Council of Honour are suspended. Other rights and responsibilities of the member remain unaffected.

In the event of a legally effective conviction in criminal or professional court proceeding, or after a legally effective resolution to cease proceedings comes into force pursuant to § 153a of StPO, suspension of membership shall cease two months after notification of the verdict or resolution to the Board of Directors, unless the Board of Directors and/or the Council of Honour have initiated expulsion proceedings within this time limit. If the member is acquitted or the proceedings otherwise, with legal effect, cease, then suspension of membership ends upon notification to the Board of Directors of the legally effective verdict or the resolution to cease proceedings.

§ 6 State Groups

- (1) The IDW members form one state group in each state of the Federal Republic. Members from neighbouring states may combine into a common state group.
- (2) State groups represent the interests of the members in their area and serve the mutual exchange of information between members and governing bodies; they help support the IDW in the conduct of its functions. They have the right to vote for the candidate members of

Administrative Council pursuant to § 9 Abs. 1; the provisions of § 8 Abs. 6 and 7 apply to the voting processes. One of the members elected to the Administrative Council is simultaneously elected head of the state group, whereas another one as his or her deputy.

§ 7 Governing Bodies

- (1) Governing bodies of the IDW are:
 - the Wirtschaftsprüfertag (meeting of members pursuant to Bürgerlichen Gesetzbuchs [German Civil Code]);
 - the Administrative Council;
 - the Board of Directors.
- (2) Members of the Administrative Council and Board of Directors are obligated to maintain confidentiality in respect of all matters of a personal nature as well as of business and operational events of which they have become aware through the exercise of their office and refrain from exploiting the business and operating secrets.
- (3) Activities in the IDW's Administrative Council and Board of Directors are principally voluntary. Reimbursement of business travel [expenses] is granted pursuant to the policies to be drawn up by the Administrative Council.
- (4) The term of office of members of the Administrative Council, and the members of the Board of Directors elected by the former, is four years. However, the members of the Administrative Council, and the Board of Directors elected by the former, remain in office until either a new election or a re-election has taken place. If a member of the Administrative Council withdraws during his or her term of office, the Administrative Council may designate a Wirtschaftsprüfer to become an interim member for the period until the next Wirtschaftsprüfertag in which elections for the Administrative Council take place. Such a designation does not apply when a member of the Administrative Council withdraws because of an appointment to the Board of Directors.
- (5) Every office held expires upon termination of IDW membership. Resignation from office is permitted. Furthermore, Wirtschaftsprüfer who have retired from employment and Wirtschaftsprüfer in their own practice no longer actively exercise any professional activities should withdraw from their voluntary activities within the IDW. Such Wirtschaftsprüfer

should withdraw from their office within six months after the occurrence of the circumstances causing the withdrawal.

Any member that has reached the age 65 should tender his or her resignation from the office within six months following this date.

- (6) Minutes, in which the resolutions passed are recorded, must be taken for every meeting of an IDW governing body. The Chair and the person taking the minutes must sign the minutes.

§ 8 The Wirtschaftsprüfertag

- (1) The Wirtschaftsprüfertag comprises all full IDW members. Each full member has one vote. The membership right of a Wirtschaftsprüfungsgesellschaft must be exercised by a Wirtschaftsprüfer who is a full member of the IDW and belongs to this firm. Honorary and associate IDW members are to be invited to attend the Wirtschaftsprüfertag and participate therein in an advisory capacity.
- (2) The Wirtschaftsprüfertag is responsible for
 - a) electing the members of the Administrative Council
 - b) electing the members of the Council of Honour
 - c) receiving reports from the Board of Directors and the Administrative Council on the development of the profession and the IDW as well as on other important issues
 - d) ratification of [decisions made by the] Administrative Council
 - e) amending the articles of incorporation
 - f) dissolving the IDW.

The Administrative Council is entitled to undertake editorial amendments to the articles of incorporation.

- (3) The Wirtschaftsprüfertag is held at least every two years. The Board of Directors determines the venue, time and agenda. Members are invited in writing, including notification of the agenda, at least six weeks before the date of the assembly of Wirtschaftsprüfertag.
- (4) Extraordinary Wirtschaftsprüfertage are convened whenever the Board of Directors or the Administrative Council or 100 full members consider it necessary.

- (5) The Chair of the Board of Directors directs the Wirtschaftsprüfertag.
- (6) Regardless of the number of members present, the Wirtschaftsprüfertag is capable of reaching resolutions [no quorum required]. Members prevented from appearing personally may delegate their voting right to another member in writing [proxy]. However, no member is allowed to hold more than six votes.
- (7) The simple majority of votes represented prevail for resolutions and elections.
- (8) A three-quarters majority of the votes represented at the Wirtschaftsprüfertag is required for resolutions intended to effect an amendment of the articles of incorporation; however, at least four fifths of the members must be represented to pass a resolution amending the Institute's purpose or its dissolution. If the number of members represented is not adequate to meet this requirement, a second Wirtschaftsprüfertag may pass the necessary resolution with three quarters of the members represented.
- (9) If the Administrative Council objects to a resolution by the Wirtschaftsprüfertag amending the articles of incorporation, a second Wirtschaftsprüfertag that reaches a final decision must be convened within three months.

§ 9 The Administrative Council

- (1) The state groups elect one member for the Administrative Council for each for every complete and incomplete block of 100 full members residing in the area of that state group. To the extent that the number of Administrative Council members is in excess of or is less than 50, the number [of members in each block of] 100 will be decreased or increased accordingly.
- (2) Seven additional Administrative Council members will be elected by the Wirtschaftsprüfertag, regardless of the location of their professional domicile.
- (3) One of the Wirtschaftsprüfer present will be elected by the Wirtschaftsprüfertag as the election officer [responsible] for polling. Voting is by simple majority. If none of the candidates obtains more than half of the valid votes cast, then a run-off vote between the two candidates who

obtained the most votes takes place. A secret ballot takes place upon request of at least twenty Wirtschaftsprüfer who are present.

- (4) Special minutes of the polling will be recorded and must be signed by the election officer and the person taking the minutes.
- (5) The Administrative Council is responsible for:
 - a) electing the nonexecutive [¹] members of the Board of Directors;
 - b) electing the Chair of the Hauptfachausschuss [Auditing and Accounting Board];
 - c) fixing the budget;
 - d) issuing the fee bylaw;
 - e) approving the annual financial statements and the annual report as well as ratifying [the decisions of] the Board of Directors;
 - f) appointing the auditor of the financial statements;
 - g) appointing honorary members;
 - h) appointing members of the relief fund supervisory board as well as amending the statutes of the relief fund;
 - i) establishing, relocating and closing state business offices.
- (6) The Administrative Council meets at least once per year. The Chair of the Administrative Council will determine the venue, time and agenda of the meeting. Members of the Administrative Council must be invited and notified of the agenda in writing at least four weeks before the date of the meeting. If at least three members of the Administrative Council request, two weeks prior to the meeting date at the latest, in writing, that further matters be put on the agenda, this must be done without delay, and all other members must be notified.
- (7) Extraordinary Administrative Council meetings will be convened whenever this is considered necessary by the Board of Directors, or when at least five members of the Administrative Council request that a meeting be convened.

[¹] [The German original refers to “ehrenamtliche Mitglieder des Vorstandes”, which are “voluntary members of the Board of Directors; however, under the terms of the articles of incorporation, these members act in a nonexecutive capacity, as opposed to the executive members of the Board of Directors. Consequently, this translation refers to the voluntary members of the Board of Directors as “Nonexecutive Directors”.]

- (8) The Administrative Council elects its Chair and his or her deputy by a simple majority vote.
- (9) The Administrative Council constitutes a quorum if at least half of its members are present. Each member has one vote. Resolutions will be passed by simple majority. Every member of the Administrative Council is entitled to authorize, in writing, another Administrative Council member to represent him or her.
- (10) The members of the Board of Directors are entitled to participate in Administrative Council meetings in an advisory capacity.

§ 10 The Board of Directors

- (1) The Board of Directors, which comprises nonexecutive and executive members, is responsible for the management of the IDW. The Board of Directors is composed of six nonexecutive and three executive members; this does not affect Abs. 5 Satz 4 to 7. The executive members of the Board of Directors constitute an Executive Board as defined in § 26 BGB.
- (2) The Board of Directors is responsible for all decisions and measures not assigned to other governing bodies under these articles of incorporation. In matters of particular importance, the Board of Directors should consult the Administrative Council. The Board of Directors' executive members (Executive Board) direct the operations of the IDW, unless Board of Directors resolves otherwise for particular business. The Board of Directors issues an Operational Policy to more closely define the responsibilities of the Executive Board and regulate the interaction between nonexecutive and executive members of the Board of Directors. The Board of Directors' responsibilities encompass decisions with respect to the general direction of professional policy.
- (3) The Administrative Council elects, from among its members, the nonexecutive members of the Board of Directors by secret ballot. When a nonexecutive member of the Board of Directors withdraws, the Administrative Council may elect a new nonexecutive member of the Board of Directors for the remaining term of office.
- (4) The nonexecutive members of the Board of Directors elect, from among their members, the Chair of the Board of Directors and his or her deputy for a two-year term each. Abs. 9 applies.

- (5) The nonexecutive members of the Board of Directors appoint the executive members of the Board of Directors for a five-year term, which expires upon reaching 65 years of age; re-appointment is permitted. The nonexecutive members of the Board of Directors appoint a member of the Executive Board as Chief Executive Officer of the Board of Directors. This person directs the Executive Board. In departure from Abs. 1, the nonexecutive members of the Board of Directors may appoint four executive members of the Board of Directors. Abs. 9 applies as appropriate. An increase to four executive members of the Board of Directors pursuant to Satz 4 requires the approval of Administrative Council. In this case, the Administrative Council may elect up to two additional nonexecutive members of the Board of Directors in compliance with Abs. 3.
- (6) The majority of the executive members of the Board of Directors must be Wirtschaftsprüfer.
- (7) The IDW is represented vis-à-vis executive members of the Board of Directors judicially and extrajudicially by the Chair of the Board of Directors or his or her deputy. This also applies to the entering into, and cessation of, and in particular, termination of, service contracts with the executive members of the Board of Directors that must be entered into in writing. The occupation of an office within a governing body by the executive member of the Board of Directors expires simultaneously with the cessation of employment.
- (8) The Board of Directors should meet at least four times per year. Furthermore, additional meetings of the Board of Directors will be convened if the Chair or the Chief Executive Officer consider this to be necessary or if at least three nonexecutive members of the Board of Directors request the convening of a meeting. The Chief Executive Officer extends invitations to the meetings and sets the agenda by mutual agreement with the Chair of the Board of Directors. The Chief Executive Officer reports in full to the Board of Directors on significant actions of the executive board.
- (9) The Board of Directors constitutes a quorum if at least half of its members are present. Each member has one vote. Resolutions are passed by simple majority; in the event of an equal division of votes, the vote of the Chair of the Board of Directors is decisive. Absent members of the Board of Directors may participate in Board of Directors' resolutions by letting another member of the Board of Directors submit a written vote [proxy].

- (10) The governing bodies of the IDW are represented vis-à-vis third parties jointly by any two of the Executive Members of the Board of Directors.

§ 11 Council of Honour

- (1) The Council of Honour consists of three members and three deputies. Members and deputy members must be Wirtschaftsprüfer; they may not be members of the Board of Directors or the Administrative Council. The term of office of the members of the Council of Honour is four years.
- (2) In cases of § 5 Abs. 5 Satz 2, the Council of Honour will act on submissions by the Board of Directors, or on its own initiative. In cases of § 4 Abs. 12 Satz 2, the Council of Honour will be called to act by the Board of Directors. The Council of Honour may also be called to act by the Board of Directors in the event of any other violations of the articles of incorporation by members. Furthermore, the Council of Honour acts if IDW members use it to settle personal differences.
- (3) The Council of Honour may pronounce disapprobation vis-à-vis a member and, in serious cases, recommend expulsion of the accused from the association to the Board of Directors.

§ 12 Committees

- (1) A permanent Hauptfachausschuss [“Auditing and Accounting Board”] must be established, whose responsibilities include consulting on professional issues; the issuance of statements ^[²] and technical opinions of the IDW is reserved solely for the Hauptfachausschuss.
- (2) The Board of Directors may employ additional committees and determine their responsibilities.
- (3) The Board of Directors will appoint committee members. When appointing members to professional committees, where possible, the Board of Directors should take the wishes of the Hauptfachausschuss into account. University lecturers and other experts who are not members of the IDW may be appointed members of professional committees.

^[²] [The reference to statements should be read as a reference to IDW Auditing Standards, IDW Assurance Standards, IDW Accounting Principles and IDW Standards as noted in § 4 Abs. 9 of the Articles of Incorporation]

- (4) The Administrative Council elects the Chair of the Hauptfachausschuss. In this election, if the Hauptfachausschuss nominates at least two Wirtschaftsprüfer, the Administrative Council is bound by the recommendations of the Hauptfachausschuss.
- (5) Committee members will be elected for a maximum term of four years.
- (6) In relation to secrecy and the committee members' voluntary offices, the provisions of § 7 Abs. 2 and 3 apply analogously.
- (7) The committees are obligated to report to the Board of Directors. Members of the Board of Directors are entitled to participate in committee meetings in an advisory capacity.

§ 13 Grand Technical Council

The Grand Technical Council, in which representatives of the industry, academia, public authorities and the profession may be included, will be established for the purposes of jointly discussing fundamental technical issues.

§ 14 State Business Offices

The IDW maintains its principal business office at the location of its legal domicile. Notwithstanding § 9 Abs. 5 i), The IDW this office maintains state business offices in

Berlin

for Berlin/Brandenburg

Frankfurt

for Hesse, Rhineland-Palatinate and Saarland

Hamburg

for Bremen, Hamburg/Mecklenburg-West-Pomerania, Lower-Saxony and Schleswig-Holstein

Leipzig

for Saxony/Saxony-Anhalt/Thuringia

Munich

for Bavaria

Stuttgart

for Baden-Württemberg.

§ 15 Financial Year, Budget, Annual Financial Statements and Annual Report

- (1) The IDW's financial year is the calendar year.
- (2) A budget must be prepared for every financial year. [Under- and over-expenditure in] items estimated in the budget compensate one another. If deficits are expected, the Board of Directors must arrange for the determination of a supplementary budget.
- (3) The annual balance sheet must be prepared in accordance with the requirements for large corporations under commercial law. The annual performance statement must use the layout of the budget. The annual financial statements must be expounded in the annual report.
- (4) The annual financial statements and the implementation of the budget must be audited by a Wirtschaftsprüfer.

§ 16 Subscriptions

For to fulfil its responsibilities, the IDW charges an admission fee as well as subscriptions based on its fee bylaw.

§ 17 Effective Date

The articles of incorporation, in the version adopted on November 28, 2001, become effective on January 1, 2002.*)

The Institute is registered at the Düsseldorf Official Court – Register of Associations – under „Institut der Wirtschaftsprüfer in Deutschland e.V.“ under Reference No. 89 VR 3850.

*) The last time resolutions concerning the articles of incorporation were passed was on the 27th Wirtschaftsprüfertag on September 19, 2005 in Neuss. The

foregoing articles of incorporation are the final, now currently applicable version
(Status: September 2005).