Assurance report and software attestation

NEXT® 2.0, VERSION 1.8.0.116

Nextway Software A/S
(former Multi-Support International A/S)
Herning, Denmark

KPMG AG Wirtschaftsprüfungsgesellschaft

Table of contents

Appendices

Assurance report and software attestation for the business document and process management platform software Next® 2.0, Version 1.8.0.116

1 Audit engagement

By letter dated October 2, 2019

Nextway Software A/S (former Multi-Support International A/S), headquartered in Herning, Denmark

– hereinafter also referred to as "Nextway" or the "Company" –

engaged us to carry out an audit for the issuance of software attestation in accordance with the International Standard on Assurance Engagements (ISAE 3000) "Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information" on the business document and process management platform software Next® 2.0, Version 1.8.0.116.

Our responsibility was to carry out an assurance engagement and, based on our results, to express a conclusion with reasonable assurance concerning the compliance with respect to the German auditing standard "The Audit of Software Products" (IDW AuS 880).

All the products in the Next® digital workplace suite are based on a single unified platform for business document and process management – Next®. Next® addresses the need of companies to handle business documents and processes around them by replacing processes involving paper documents, Post-its, spreadsheets, and emails with software to complement companies core business systems.

2 Scope of our audit procedures

Our services involved reviewing the extent to which the recording and archiving processes are due and proper for the purpose of fulfilling commercial law requirements (e.g. archiving duty and duration, readability, security) and Generally Accepted Accounting Principles (GAAP). In detail, we carried out the following audit procedures as part of our assurance engagement:

- Gaining an understanding of the subject of the audit including a review of the documentation of procedures,
- evaluation of the software development procedure,
- audit of the suitability and functionality of the program functions and
- audit of the functionality of the software security.

Subject to our assurance engagement was the unified business document and process management platform software Next® 2.0, Version 1.8.0.116 of Nextway with the following components and products:

Components: Next® User Interface, Next® Services, Next® Search Engine, Next® Transformation Engine, Next® Decision Engine, Next® Process Engine, Next® Storage Engine

Products: Next® Enterprise Archive, Next® Mailroom, Next® Contracts, Next® Emails, Next® Approve, Next® Invoices, Next® Processes

The Next® Software consists of a platform for business document and process management with standard components and so-called products working on top of the platform to tailor individual business solutions in context with enterprise content management. The platform architecture contains components to capture, store, access and process business documents as named above. The products working on top of the Next® platform serve as applications to address different business processes.

The following areas were audited with restrictions:

- Next® can be run in a standardized cloud solution (e.g. on Microsoft Azure), as a fully tailored service offering on Azure (Software as a Service) or on premises as on-Premise Solution. Note that only the first mentioned environment and system configuration provided by Nextway was tested by us.
- Next® Services layer for integrations from external systems was tested based on a test environment of ERP-system Microsoft Dynamics NAV. However, the ERP-system was not in scope of this audit.

- The audit of the product "Next® Invoices" was conducted in an integrated environment together with the ERP-system Microsoft Dynamics NAV. As already mentioned above, the ERP-system was not in scope of our audit.
- For data backup and recovery procedures we performed only a review of the documentation provided by Nextway for this matter.
- Next® provides several customizing options and system functionalities for all mentioned audited areas. Note that solely the customizing options and system functionalities explicitly described in the respective audited areas in Section 7 were investigated as part of this software certification.
- Please note, that future program changes may have an impact upon the correctness of the software and the proper processing of data.
- Next® is available in eight different languages. However, all our audit procedures were tested in the environment provided by Nextway using the English version.

The following functionalities and requirements are excluded specifically from the audit scope:

- Products: Next® Timesheets, Next® ExCustody, Next® Bank Statements,
- Add-Ins Next® Document Capture for MS Office and MS Outlook
- Management tools Next® Active Directory Connector and Next® Enterprise Single Sign On
- Dedicated iOS and Android clients for mobile use
- Migration/upgrade functions
- Interface specification to up-stream and subsequent systems or modules
- Requirements regarding data archiving and deletion of data of the data privacy laws and regulations (EU-GDPR and German Data Privacy Law)
- Third party components, such as jBPM 7.25.0.final, Lucene 6.0.0 and Java, were not in scope of our audit.
- Next® for IBM i 1.0 (previous product version)

Test environment

The audit of the software was conducted in a test environment provided by Nextway which is described in further detail in Section 7.1.2 which we refer to.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for

Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Company applies International Standard on Quality Control 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.

Conduct of the audit

To carry out our reasonable assurance engagement Nextway provided us with all necessary documents, authorizations and information.

The audit of Next® took place between October 2019 and February 2020, in the Company's business premises in Herning, Denmark, as well as in KPMG's office in Hamburg, Germany.

For reasons of verification, we have taken extracts from the working documents as well as evaluations and information presented during the examination. The Product Management, the Support Department and the Software Developers of Nextway provided us with information about the software releases, documentation as well as the necessary explanations. The management confirmed the completeness and up-to-date of the evaluated software release and its documentation in a written declaration.

Our audit procedures relate to the significant characteristics of the aforementioned functions, in particular to the compliance of the criteria mentioned in Section 3 as well as the existing controls programmed within the software and the related security aspects. The program functions were tested by us on a random basis.

We have not formed an opinion on any other than the functionalities, components and products explicitly described in this report.

3 Basis of our audit

The following criteria were used as the basis for the audit and as benchmarks for our evaluation:

- Commercial law provisions (Sections 238, 239 and especially 257 of the German Commercial Code [HGB] in conjunction with Sections 140 to 148 of the German Tax Code [AO]),
- IDW (German Institute of Public Auditors) Auditing Standard 880 "The Audit of Software Products" (IDW AuS 880) as amended on March 11, 2010,
- IDW Accounting Principle of the Technical Committee for Information Technology IDW FAIT 1 "Principles of Proper Accounting When Using Information Technology" as amended on September 24, 2002 (IDW FAIT 1),
- IDW Accounting Principle of the Technical Committee for Information Technology IDW FAIT 3 "Principles of Proper Accounting When Using Electronic Archiving Procedures" as amended on September 11, 2015 (IDW FAIT 3),
- IDW Accounting Principle of the Technical Committee for Information Technology IDW FAIT 5 "Principles of Proper Accounting When Outsourcing Accounting-related Processes and Functions, including Cloud Computing" as amended on November 4, 2015 (IDW FAIT 5), and
- German Federal Ministry of Finance [BMF] letter dated November 28, 2019, on the "Principles for the orderly keeping and retention of books, records and documents in electronic form, and on data access" (Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie zum Datenzugriff) [GoBD].

4 Terms and conditions

The performance of the engagement and our responsibility – also in dealing with third parties – are subject to the General Engagement Terms for German Public Auditors and Public Audit Firms [Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschafts-prüfungsgesellschaften] as amended on January 1, 2017, a copy of which has been attached as Appendix 2 to this report. In extension of the liability limitation of EUR 4 million stipulated in no. 9 (2) of the General Engagement Terms, we are liable for damages caused by negligence in the amount of EUR 5 million. The amount stipulated in no. 9 (5) of the General Engagement Terms of EUR 5 million remains unaffected. Extensions of liability limitations shall not apply to damages for which liability limitation amounts are stipulated by law.

The use of our attestation and our audit report for advertising purposes is prohibited. Following the initiation of business without reference to the attestation and/or the report issued by us or the audit conducted by KPMG, disclosure or forwarding of our attestation or of this report is permitted subject to the following provision:

Nextway shall, prior to forwarding the attestation and/or the report on our work to a recipient, have the recipient sign the "

Client Declaration of Consent" attached as Appendix 0, pursuant to which the attestation and/or report is to be treated as confidential and our liability is limited in accordance with our General Engagement Terms.

In addition, we will provide the attestation and the audit report over the Internet on a website maintained by KPMG. A link will be made available that allows the attestation and the audit report to be retrieved via a KPMG server. Prior to downloading the report, the client must accept a declaration regarding forwarding and liability with respect to KPMG and our General Engagement Terms.

5 Summary of the audit results

Nextway Software A/S (former Multi-Support International A/S) engaged us to carry out an independent audit in accordance with the International Standard on Assurance Engagements (ISAE 3000) "Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information" on the business document and process management platform software Next® 2.0, Version 1.8.0.116.

The audit comprised the steps as described in Section 2 "Scope of our audit procedures". In detail, we performed an audit concerning the following requirements as part of our assurance engagement:

- Import of documents and data
- Indexing of documents and data
- Storage, management and immutability of documents and data
- Retrieval of documents and data
- Software security
- Logging of activities in context to archiving actions
- Differentiated authorization concept
- Audit of the software development procedure
- Data backup and recovery procedures
- Documentation of systems and procedures

Our audit procedures related to the significant characteristics of the aforementioned functions in particular to the compliance of the criteria mentioned in Section 3 "Basis of our " as well as the existing controls programmed within the software and the related security aspects and covered only those parts of the software which are described in Section 2 of this report.

The mentioned functionalities of the business document and process management platform software Next® 2.0, Version 1.8.0.116 were tested directly in the test environment or on a random sample basis. Those samples were appropriate in the test environment and complied with the regulatory requirements and corresponding criteria listed above. We carried out test cases independently in the various components and were able to achieve targeted results. Our test cases did not give rise to any objections.

The results of our audit of the business document and process management platform software Next® 2.0, Version 1.8.0.116 are summarized as follows:

Import of documents and data: Next® can, if used correctly, comply with the requirements with respect to proper recording of documents and data.

Indexing of documents and data: Items are recorded properly having assigned unique identifiers with metadata and processing rules are implemented accurately to support correct indexing and guarantee verifiability.

Storage and management of documents and data in the software: Necessary processing and archiving functions of the system are compliant to the German commercial law requirements as well as documented appropriately.

Retrieval of documents and data: Retrieval of documents and data can be performed within a reasonable time frame (ad-Hoc).

Differentiated authorization concept: The software requires appropriate authentication procedures and has an authorization concept which enables the user to sufficiently differentiate access rights.

Audit of the software development procedure: Nextway´s software development process has implemented sufficient controls to minimize the risks of an improper implementation of software development and deployment of software releases.

Audit of data backup and recovery: Next® 2.0, Version 1.8.0.116 provides the user of the software with appropriate documentation and procedures to perform back-up and recovery processes.

Documentation of systems and procedures: The documentation of systems and procedures are up-to-date and provide users and system administrator with sufficient information to use and operate the software.

As stated already in this report, the software is highly flexible to integrate into the user´s business-processes and connect to their IT-environment. Therefore, the software must be customized to fulfill the local law, regulatory requirements and standards.

For the detailed description of our test procedures performed and related results of our audit we refer to Section 7 of this report.

In the following Section we report on our attestation on the performance of the software audit.

6 Opinion

To Nextway Software A/S, Herning, Denmark

The management board of Nextway Software A/S (former Multi-Support International A/S), Herning, Denmark, has engaged us on October 2, 2019 to perform an independent audit of the software product

Next® 2.0, Version 1.8.0.116

Nextway's legal representatives are responsible for the software product and for planning, conducting and monitoring software development. This responsibility is not affected by our reasonable assurance engagement. Our responsibility is to express an opinion on the software product based on our audit.

We conducted our audit in compliance with the International Standard on Assurance Engagements (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (revised December 2013) and in conjunction with the German auditing standard: "The Audit of Software Products" (IDW AuS 880) in the version dated March 11, 2010. This requires that the software audit is planned and performed such that it may be assessed with reasonable assurance whether this software product enables to fulfil German requirements regarding German Commercial Code corresponding to German GAAP when properly used and corresponds to the criteria set forth in the engagement. This comprises our evaluation whether the criteria are properly implemented by the processing functions and by the program's internal control system as well as whether the documentation of systems and procedures provides meaningful information. The effectiveness of the program functions is evaluated by using test cases.

In accordance with the engagement, our audit was based on the following criteria:

- Commercial law provisions (Sections 238, 239 and especially 257 of the German Commercial Code [HGB] in conjunction with Sections 140 to 148 of the German Tax Code [AO]),
- IDW (German Institute of Public Auditors) Auditing Standard 880 "The Audit of Software Products" (IDW AuS 880) as amended on March 11, 2010,
- IDW Accounting Principle of the Technical Committee for Information Technology IDW FAIT 1 "Principles of Proper Accounting When Using Information Technology" as amended on September 24, 2002 (IDW FAIT 1),
- IDW Accounting Principle of the Technical Committee for Information Technology IDW FAIT 3 "Principles of Proper Accounting When Using Electronic Archiving Procedures" as amended on September 11, 2015 (IDW FAIT 3),

– IDW Accounting Principle of the Technical Committee for Information Technology IDW FAIT 5 "Principles of Proper Accounting When Outsourcing Accounting-related Processes and Functions, including Cloud Computing" as amended on November 4, 2015 (IDW FAIT 5), and

– German Federal Ministry of Finance [BMF] letter dated November 28, 2019, on the "Principles for the orderly keeping and retention of books, records and documents in electronic form, and on data access" (Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie zum Datenzugriff) [GoBD].

As software products are adapted to the requirements of the area in which they are used, our opinion can refer solely to whether the software product, if properly used, enables compliance with the criteria.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the result of our audit and considering the inherent limitations of the subject matter set out above, the business document and process management platform Next® 2.0, Version 1.8.0.116, for the audited functions for which we have issued a report dated February 29, 2020, if used correctly, enables archiving that complies with the German legal and GAAP requirements and "Principles for the orderly keeping and retention of books, records and documents in electronic form, and on data access" (GoBD) and meets the criteria listed above.

We have issued this attestation based on the engagement agreed with Nextway Software A/S, Herning, Denmark, which is subject to the General Engagement Terms for German Public Auditors and Public Audit Firms [Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften] as amended on January 1, 2017, enclosed as appendix, which are also effective to third parties. In extension of the liability limitation of EUR 4 million stipulated in no. 9 (2) of the General Engagement Terms, we are liable for damages caused by negligence in the amount of EUR 5 million. The amount stipulated in no. 9 (5) of the General Engagement Terms of EUR 5 million remains unaffected. Extensions of liability limitations shall not apply to damages for which liability limitation amounts are stipulated by law.

This assurance report and our opinion was issued for information purposes to the management board of Nextway Software A/S and must not be used in any other context than for the information of the management of Nextway Software A/S. This report and our opinion must not, in particular, be handed out to third parties or included in sales prospectuses or similar public documents or media.

By taking note of and using the information as contained in our Assurance Report and opinion each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations specified in item No. 9 included therein) and acknowledges their validity in relation to us.

Hamburg, February 28, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Weyell
Wirtschaftsprüfer
[German Public Auditor]
German equivalent to CPA

Kramer

7 Audit results in detail

7.1 Gaining an understanding of the subject to the audit

7.1.1 Purpose and general description

Nextway Software A/S (former name Multi-Support International A/S) is an international software vendor with a suite of products based on the Next® platform.

Next® addresses the need of companies in manufacturing, distribution, logistics, or insurance to handle business documents and processes around them by replacing processes involving, paper documents, spreadsheets, and emails with software to complement companies core business systems.

Next® is developed, maintained, and supported by Nextway. Next® is primarily developed in Java with extensive use of standard frameworks and libraries whereof some are open source and other are not.

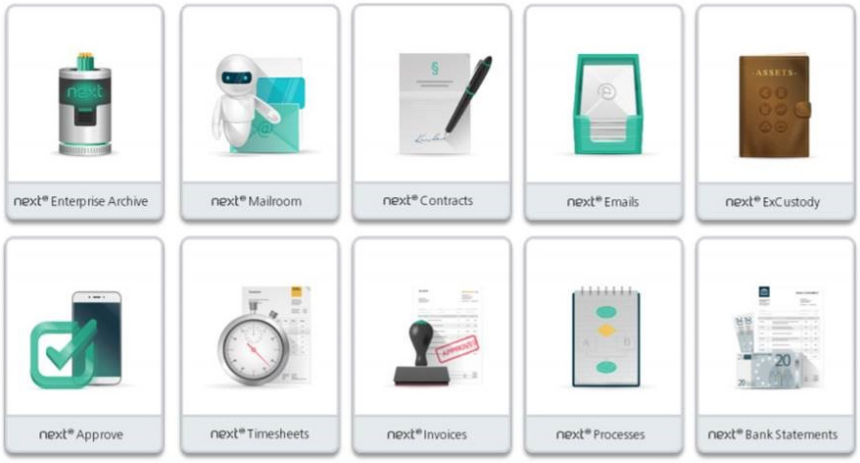

Figure 1: Product overview of Next® digital workplace suite

Next® is a suite of at least ten standard products for specific business needs such as the Next® Enterprise Archive and Next® Invoices as demonstrated in figure 1 "Product overview of Next® digital workplace suite" above. All products share the same code base with no customer specific variants.

Next® can receive data from a source ERP-system. Figure 2 "Next® Invoices – ERP Integration Overview" below illustrates the degree of an implementation and the interfaces between Next® and an ERP solution schematically.

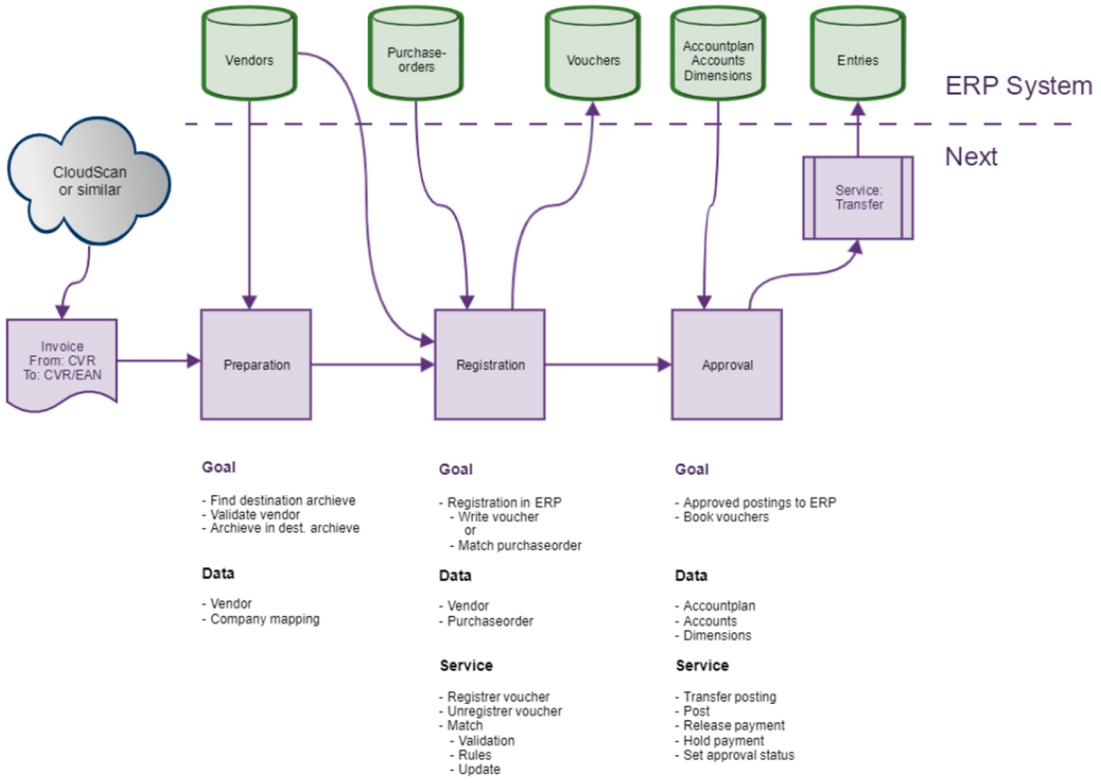

Figure 2: Next® Invoices – ERP Integration Overview

The products in the Next® digital workplace suite are based on a platform for business document and process management. When Nextway manages software assets, it is based on the components of the software demonstrated in figure 3 below.

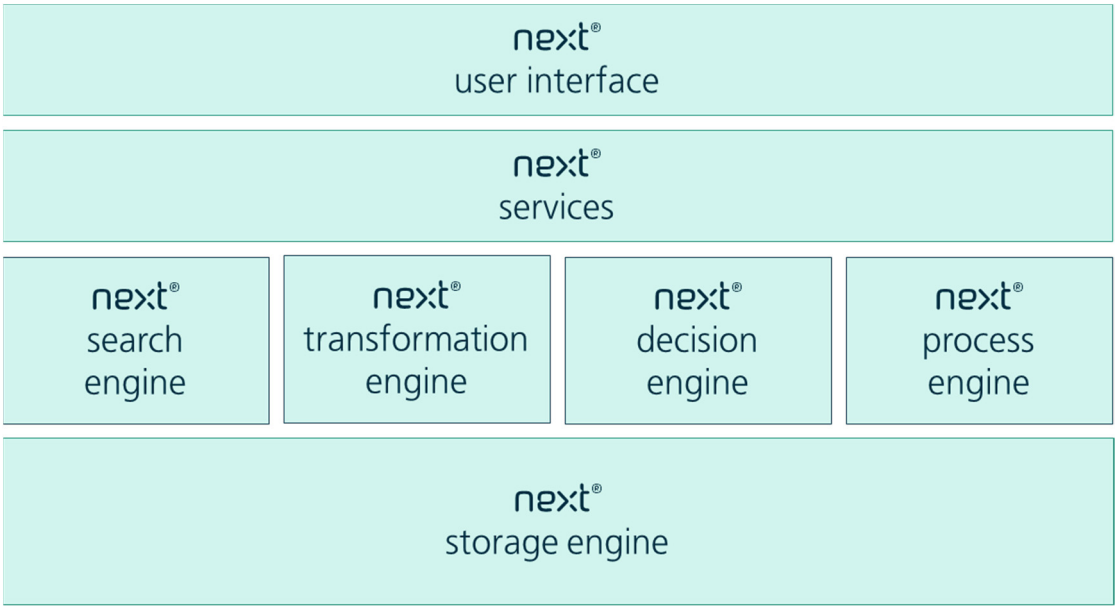

Figure 3: Software components

Next® User Interface

The standard Next® User Interface is browser based and delivered as HTML5 to the browser from a built-in webserver running https. This allows all Next® products to offer a user experience on PCs, Macs, and tablets without the effort to install software. The user interface can be used as integration point. Most features are available with URL scripting. For mobile use, Next® has dedicated iOS and Android clients.

Next® Services

The Next® Services layer is implemented as Representational State Transfer (REST) full service, securely exposing the features of the platform. Integrations from external systems is done using this services layer including a built-in security model.

Next® Search Engine

The Next® Search Engine is based on the industry standard open source library Lucene and allows Next® products to deliver responses within milliseconds to complex full-text queries in archives with millions of documents. The search engine is built on top of the storage engine and has a built-in role-based security model. According to the software design, full-text searches can be limited by permissions.

Next® Transformation Engine

The Next® Transformation Engine enables Next® products to transform documents and data from one format to another for example by using OCR technology to make scanned images or PDFs machine readable.

Next® Decision Engine

The Next® Decision Engine allows Next® products to make high performance Artificial Intelligence (AI)/rule-based decisions. The product Next® Mailroom makes extensive use of this in classifying and indexing incoming correspondence based on rules that are maintained by businesspeople. As per Nextway, the decision engine is fully compliant to the Decision Model and Notation (DMN) and based on the open source project Drools as Business Rules Management System (BRMS) solution.

Next® Process Engine

The Next® Process Engine lets Next® products execute business processes based on the BPMN 2.0 standard. Next® Invoices and other products make extensive use of this. It facilitates the processes of an archive. To enable processes for an archive individual Process Engines must be setup by the user.

Next® Storage Engine

The Next® Storage Engine is based on the append-only and NoSQL haystack technology invented by Facebook to store photos. The Storage Engine ensures performance and provides a built-in role-based security model.

Third Party Components

Versions for most important 3rd party components are jBPM 7.25.0.final, Lucene 6.0.0 and Java 8.

Deployments

The Next® platform together with its products are available in three different deployments:

- "Next® in the cloud" as standardized cloud solution (e.g. on Microsoft Azure),
- "Next® as a service" as fully tailored service offering on Azure (Software as a Service), or
- "Next® run on premises" as on-Premise Solution.

7.1.2 Description of the test subject and test system

Subject to our assurance engagement was the business document and process management platform software Next® 2.0, Version 1.8.0.116.

The audit of the software was conducted in a test deployment "Next® in the cloud" provided by Nextway with the system configuration illustrated in figure 4 "System configuration" below. However, all other configurations and both other deployment solutions such as "Next® as a service" and "Next® run on premises" were not in scope of our audit.

Components	Description
System type	Azure virtual, hosted by Microsoft
Bios	VRTUAL – 6001702
CPU	4x Intel® Xeon® CPU E5-2673 v4 2.30GHz
Main memory	32 GB
Hard drive	255 GB
Operating system	Windows Server 2019 Datacenter, version 1809
Operating system version	10.0.17763
Operating system build	17763.1.amd64fre.rs5_release.180914-1434
Next® version	1.8.0.116
Java version	OpenJDK 64-Bit Server VM (AdoptOpenJKD)(build 25.222-b10, mixed mode)

Figure 4: System configuration

Access to the browser-based standard User Interface of Next® was established using Google Chrome, Version 80.0.3987.116 (official build) (64-Bit). For mobile use Next® has dedicated iOS and Android clients that were not subject to our review.

The audit of the product "Next® Invoices" was conducted in an integrated environment together with the ERP-system Microsoft Dynamics NAV. However, the ERP-system was not in scope of this audit.

Versions for most important 3rd party components are jBPM 7.25.0.final, Lucene 6.0.0 and Java 8. However, 3rd party components were not in scope of our audit.

Note: It is within the user's responsibility to adjust Next® in accordance to the standards and recommendations provided by Nextway. In addition, the user must ensure that customizing of system functionalities meet local as well as regulatory requirements and standards. Furthermore, it is within the user's responsibility to consider and to adjust relevant recommendations of common guidelines, if necessary. Also, the user is responsible for the consistent assignment of access roles and effective business processes must be set up accordingly by the user before using Next®.

7.2 Audit of the IT-based archiving processes

In order to fulfill the statutory retention requirements, the use of archiving procedures throughout the entire archiving process must ensure that all documents and data are recorded in accordance with the archiving concept for which electronic archiving is permitted or necessary or has been specified. Furthermore, it must be ensured that the documents and data can be reproduced within a reasonable time frame for the duration of the retention obligation.

7.2.1 Import of documents and data

Requirements

- Clear definition of the entry type for each document type: Controls for entry must ensure that the documents to be archived are completely entered for each entry type.
- Comparison of the number of documents to be archived with the number of documents actually recorded on the basis of protocols (scan protocol etc.).
- Linking the individual pages of a multi-page document (incl. Back pages) in the software.

Description

The product Next® Enterprise Archive helps to capture business documents. Documents can be added to the enterprise archive by drag'n'drop, by clicks inside the software, with the help of an add-in and automatically by monitoring folders and Exchange servers or from business systems. Next® can receive data from a source ERP-system (see Section 7.1 "Gaining an understanding of the subject of the audit").

From the technical perspective the Index Server is responsible for full text extraction and extraction of index values, when not provided during the capture process. It contains the Next® Transformation Engine that allows Next® products to transform documents and data from one format to another.

Next® supports automatic text recognition using OCR technology and the creation of PDF documents from a merged e-mail. As part of an early recording process, the incoming invoices are scanned and, if necessary, processed with OCR technology for automatic text recognition.

From the user perspective Next® allows to file documents of different kinds. Documents are named items. For each item the user must create an item type in the archive such as "Invoice" or "Contract". Item types are configured from the archive menu of the administration module. Item templates are used to configure metadata, description and permissions on a document.

Next® conducts completeness and validity checks to prevent incomplete and wrong data entries. Entry controls regarding accuracy and completeness in context to the storage and processing of uploaded documents are addressed by Next® using item templates. To ensure that documents to be archived are completely entered, the flag "Required" can be used to indicate that a value for a field is required. Specific formats for fields can be predefined by the user. The software highlights fields if no or wrong/inconsistent values are entered and also generates a notification message.

Testing procedures

Within the scope of our audit, we uploaded and examined a sample of items such as invoices on a test basis by using the Next® User Interface to determine the accuracy and completeness regarding the storage and processing of uploaded data. When recording items, the system conducts numerous completeness checks and validations of the data entered and adds metadata from document recording. After the upload of documents, we assessed whether all items were depicted accurately and completely in the system.

Furthermore, we assessed completeness and plausibility controls of the individual data upload according to defined item templates. We assessed whether mandatory fields are highlighted and notification messages pop up in case fields contain no or invalid information.

Audit results

Based on our audit procedures, we concluded that the recording and processing of uploaded documents in the audited software can be satisfied. Sufficient controls within the software assure completeness. Hence, Next® is able to comply with the requirements with respect to proper recording of documents and data.

7.2.2 Indexing of documents and data

Requirements

When indexing documents and data, the requirements for orderly filing must be met in order to ensure that documents and data can be retrieved. With indexing, each archived document or data record is assigned to a unique document identification. This document identification links to an ordering criterion for the associated business transaction (e.g. document number, master data number). On the program side, clear links and their verifiability must be guaranteed. Processing controls must also ensure that two documents cannot be assigned the same document identification. If the indexing is done manually, the clear assignment of the documents must be sufficiently checked.

Description

Each resource in Next® is identified with a unique identifier also referred to as an urn. An example of an urn is "urn: multiarchive: item:AID:7743", showing the urn of an item in archive AID which is referenced with the number 7743.

Next® automatically organizes documents based on metadata and document content. Index profiles describe how data should be indexed for classified documents. Documents are automatically placed in logical folders. Manually added documents are verified against data of business systems. The software provides suggestions based on the existing data. Next® lists available categories and verifies the information provided by the user such as customer,

supplier and order numbers. The user has the possibility to accept suggestions made by the software or to search for alternative metadata and change it.

From the technical perspective the Next® Decision Engine allows Next® products to make AI/rule-based decisions. Therefore, the Next® Decision Engine uses rules to determine how a document should be classified. A rule is scoped by a rule family and the rule family limits how a rule can be configured. A rule consists of a collection of statements that must be true for the rule to trigger. Next® Mailroom uses this for classifying and indexing incoming correspondence based on rules. Rules can be maintained by the user and provide the opportunity for automatically classifying and indexing documents using the Next® Transformation Engine and Next® Decision Engine.

Testing procedures

Within the scope of our audit, we evaluated the defined procedures for the indexing and further computerized processing of documents (items) concerning the requirements for orderly filing, in particular with regard to complete and correct processing.

We manually and automatically uploaded a sample of items, examined the corresponding rule settings for indexing and tested whether a unique document identification was assigned to archived items. Furthermore, the assignment of unique document identification to an ordering criterion as well as a duplicate check was tested based on vouchers confirming that two documents cannot be assigned the same document identification. Also, the automatic assignment of metadata for associated business transaction was tested.

We assessed whether direct access to items is possible by using unique document identification or metadata.

We have tested the procedures described above with Next® Invoices in the test environment of an ERP integration with Microsoft Dynamics NAV.

Audit results

Based on our testing procedures, we concluded that items are recorded properly having assigned unique identifiers with metadata and that processing rules are implemented accurately to support correct indexing and guarantee verifiability.

7.2.3 Storage, management and immutability of documents and data

Requirements

Electronic archiving includes the long-term and unchangeable storage of accounting-relevant documents on machine-readable data carriers in order to fulfill the statutory retention requirements in accordance with § 257 of the German Commercial Code [HGB]. Therefore,

the software systems must meet high demands on the reliability of data storage and management.

Description

From the technical perspective the component Next® Storage Engine is the foundation for the content repository and archive solution of Next® and is responsible for coordinating data flow in the data structures. The component Next® Storage Engine ensures performance and provides a built-in role-based security model. The application server is responsible for archiving and processing documents. This server is accessed by the end users via browser. The append-only storage represents an immutable database keeping the entire history of applied changes to an item. The audit trail of changes to an item is presented to the user in within the Next® User Interface (activity log).

For selected advanced document capture processes, the SQL server is responsible for temporarily persisting record-based information. On database level security is based upon a database service user who needs full access to the databases, configured on the SQL server, and used by the capture server. Access for the service user should be limited to the relevant databases only.

The product Next® Enterprise Archive supports the storage and management of documents from the user's perspective. An archive groups filed documents. Archives are configured from the Next® Enterprise Archive application. A default archive is implemented and will be present after the first log in. The default archive is not used as a production archive and disappears as soon as the first archive has been created. Archives are configurated for specific purposes such as production archives or separate archives for testing or training purposes. The stack size of the archive is the only value that can be changed afterwards.

Next® provides two semantically different methods to delete documents. A delete method that marks that a document has been deleted, but where older revisions of the document can still be viewed, and a remove method that deletes the documents such that older revision of the document cannot be viewed. However, both variants for deletion of documents will fail if the document is on an active process or is checked out.

Whenever an element in the Next® Storage Engine is deleted a new revision of the element is created and marked as deleted. The element (document) will no longer appear as part of any new search hit list.

Using the method "Removal of documents" a removal will render the stored objects unusable, inaccessible, and unrecoverable. URL links to specific older revisions of a document externalized (in email or other systems) will no longer work. Nor is it possible to follow up activities in the business log about this document. Furthermore, removal of documents removes documents, that were deleted on previous versions. This can only be done if the user calling the remove has access to all revisions of an item.

Via Next® User Interface it is possible to delete the archive configuration. By clicking the delete button on a selected archive it is possible to delete an archive configuration. However, the item types, indexes and data are not deleted with this process.

Testing procedures

We configured an example archive and verified complete storage of the recorded data.

We performed numerous changes to archived items and assessed, whether changes to documents and data were recorded and comprehensible in order to assure transparency and verifiability of the steps being processed.

We reviewed processing and archiving functions of the system and assessed persistent data archiving regarding compliance with commercial requirements and reviewed the configuration of permissions for removing documents.

We verified, that the deletion of documents and data is restricted and depending on defined deletion permissions of elements.

Audit results

Based on our testing procedures, we concluded that the software subject to the audit allows persistent data archiving while changes to documents and data are recorded and comprehensible and that processing and archiving functions of the system are compliant to the commercial law requirements.

7.2.4 Retrieval of documents and data

Requirements

Stored documents and data must be reproducible and made legible at all times within a reasonable time frame throughout the retention period.

In the interest of the readability of the documents and data in the event of release changes in accounting systems, archiving systems are used which enable archiving that is independent of platform and release. So-called metadata (e.g. field type or field length for files, creation date or author for documents) are saved with the documents and data to be archived, which are read and interpreted when the archived documents and data are accessed.

Description

Technical basis for the retrieval of documents are the components Next® Storage Engine together with the Next® Search Engine. The Storage Engine acts as content repository and

archive solution of Next® ensuring performance to access documents within a reasonable time frame. The Next® Search Engine is built on top of the Storage Engine and processes queries.

The standard user interface of the archive is mainly arranged in two hierarchical organized sections for navigation and information. The navigation pane contains navigation modules, elements and items. The info pane contains info modules, tab panels, info elements, info panels and info items. The navigation pane includes a search module. In between of the two sections results are displayed.

Next® provides structured and less structured access to documents. Structured access is provided by certain configurable search forms for routine tasks applied to the navigation pane e.g. a relevant customer folder to view all the in- and outgoing documents related to this customer. For less structured searches, specific search fields enable the user to query documents by using metadata.

Results are previewed directly on the Next® User Interface. If an item is opened it will be presented in a new tab of the browser.

Testing procedures

Within the scope of our audit, we performed structured and unstructured queries to retrieve archived items and to assess the provisioning of documents and data within a reasonable time frame (ad-Hoc).

Furthermore, we compared the results of documents for different queries to the previously recorded documents to assess whether queries are repeatable, and the presented results are equal to the original recorded documents. We tested combinations of different types of metadata.

Also, we tested the provision of documents in a machine-evaluable format via an export interface of the software.

Audit results

Based on our testing procedures, we concluded that retrieval of documents and metadata is performed within a reasonable time frame (ad-Hoc).

7.3 Differentiated authorization concept

Requirements

The technical security measures such as access protection mechanisms of the software includes logical access controls. In addition to the access protection mechanisms, a suitable authorization concept must be implemented in the software to protect the archived documents and data. This can also be guaranteed by a cross-application authorization concept.

Solely authorized users should be able to access documents and data. Furthermore, the software should ensure compliance with segregation of duties. Access by the users responsible for system administration must be traceable on the basis of appropriate logging.

Description

Next® supports the concepts of authorization and authenticity and is typically used as an integrated element in a corporate IT landscape, adapting the security measures already in place. Next® Active Directory Connector and Next® Enterprise Single Sign On, allows users to manage Next® users with enterprise tools. If Next® is used without such user management tools, and users are managed directly in Next®, the software provides the ability to enforce strong passwords directly in Next®. However, both management tools were not in scope of our audit as we tested the integrated user management.

Enforce strong passwords for local users

Users must authenticate for the use of the software by using their username and password to gain access to the software. If the password is entered incorrectly, the user will receive a notification message. For the local user management in Next® the software provides three options for a system wide setting of password requirements for local users:

- Long password required (default) [password with at least 16 characters in length],
- Complex password required [at least 8 characters in length, consist of letters: a-z, A-Z, 0-9, and special characters &@§%, and contains at least three out of the four groups], and
- No restrictions on passwords.

Furthermore, user profiles can be flagged to "Force new password". By forcing a new password, the user must change his password upon next authentication.

Disable and prevent users from signing in

To enhance software security the features "Enable and disable user profile" and "Allow and prohibit sign in from user interface" are implemented. User profiles can be flagged to "Disable user" and "Prevent UI sign in". A disabled user profile cannot be used to sign in to Next®, neither via browser-based user interface nor via API (REST). The Flag "Prevent UI sign in" controls to allow and prohibit sign in from Next® User Interface. In case a user profile is used

as an interface user only, e.g. for system to system integration, by activating "Prevent UI sign in" the user profile cannot be used to access Next® with the standard user interface.

Users and groups

Next® users can be enrolled to an unlimited number of groups. Nextway recommends using groups as permission holders on objects as permissions are saved directly on objects such as archive/items and folders. The membership of a group is used for granting authority to different kind of information in Next®.

Permissions

As general rule every element in Next® is a carrier of its own permissions. On group elements permissions "Create", "Access", "Update" and "Delete" can be configured. Next® differentiates between different kinds of permissions such as item permissions, content permissions, folder permissions, filing permissions and item type permissions.

Permission policies

Permission policies allow users to change document and folder permissions interactively through the Next® User Interface. If multiple policies are applied the resulting permissions are a union of the policies.

Note: Permission policies were provided by Nextway on our test environment. Users of the software have to design and create permission policies independently, before using them. Options that can be specified on a permission policy are demonstrated in figure 5 "Options concerning permission policies" below.

Option	Description
Name	Name of the policy.
Description	Description of the policy, shown when changing permissions.
Applied permissions: Create	The groups that will gain Create permissions when this policy is applied.
Applied permissions: Access	The groups that will gain Access permissions when this policy is applied.
Applied permissions: Update	The groups that will gain Update permissions when this policy is applied.
Applied permissions: Delete	The groups that will gain Delete permissions when this policy is applied.
Policy users	The users that can apply this permission policy to documents etc.
Policy administrators	The users that can edit the policy itself.
Permission policies	Permissions for the policy itself. Manipulated through Policy users and Policy administrators' configurations described above.

Figure 5: Options concerning permission policies

Logging

User actions in Next® are logged in the business log down to the millisecond.

Testing procedures

Within the scope of our audit, we performed the following testing procedures:

- We tested and reviewed the implemented authentication and authorization procedures for users.
- We examined the existence of logical access controls and the possibility to implement a suitable authorization concept by setting up users and assigning authorizations using groups, permissions, permissions of group elements and permission policies also from the perspective of compliance to segregation of duties.
- We assessed the appropriateness of the implemented logging concept concerning the traceability of user interactions in context to changes to documents and data.

Authentication

We assessed the functionality of the system setting for password requirements by testing the default option "Long password required" as well as the option "Complex password required" and found that the options work as designed. Users must authenticate for the use of the software and the different password requirements are enforced. If the password is entered incorrectly, the user will receive a notification message.

Authorizations

We tested the authorization functions in context to user, group, permissions and permission policies implemented to assess the controls of authorizations and determined that the system correctly checks the defined authorizations and that created users are presented in a comprehensible way. Authorization functionalities in Next® were tested by creating test users and assigning and withdrawing authorizations to ensure, that only authorized users are allowed to perform certain actions in the system. Hence, access to documents and data is not possible without valid authorization.

Logging

We performed several different actions in the software such as creating and changing documents and data to provoke log entry records. We were able to evaluate the related changes within the info pane on the system for all actions taken by retrieving the changed documents to confirm the effectiveness of logging. Furthermore, we determined that the authorization to delete and modify logs is not granted. The audited log-protocols could not be changed/deleted with our test-users (no option/button provided in Next®).

Audit results

Based on our testing procedures and the result of our audit, we concluded that Next® provides the functionalities to adhere to the principle of the assignment of minimum access rights and segregation of duties when activated and configured appropriately. The controls for logical access are transparent and appropriately documented. If the feature to enforce strong passwords for local users is configured correctly, Next® can fulfil the regulatory requirements for password policy. The requirements for logging for the audited software can be satisfied. Our tests on the functionality of the access protection system did not lead to any objections. The software protects documents and data from unauthorized access.

Note: The design of the authorization procedures as well as the consistent allocation and verification of access rights are the responsibilities of the software-user. It is within the user's responsibility to ensure, that only personalized user accounts are set up in the system, the customizing of password requirements meet security standards and to adjust the password parameters to the user's applicable guidelines and the necessary security level and consider the relevant recommendations of common guidelines for change and software security. Effective authorization processes must be set up accordingly by the user.

As per Nextway, using tools such as Active Directory and Active Directory Federated Services to manage users is highly recommended.

7.4 Audit of the software development procedure

Requirements

The quality of software development is essential for the control of risks for proper implementation of the program functions. Standardized and normed development processes, the tool support of routine tasks in the development and complete and current process and test documentation have an error-reducing effect. On the other hand, inadequate software development procedures and the handling of outdated or not mature technologies have an error-increasing effect.

Description

There is a defined software development procedure at Nextway for creating complex software applications, in which tools are used for program development, maintenance and release management, which is described as an overview as follows:

The software development procedure of Nextway is adopting an agile methodic inspired by scrum. Therefore, Nextway follows a continuous integration approach with a strict process defining four different phases such as impact analysis, release planning, development process and test and review. As an underlying basis Nextway is using a three-tier system landscape with separate branches for development (DEVX), test (QAX) and release (Release).

The Change Management Organization is grouped in three groups: Stakeholders, Product Management and Software Engineering team.

Within the impact analysis every request raised by the stakeholders is categorized by the Software Engineering team into type (features or bug). Furthermore, the request is prequalified concerning development effort (more or less than 5 hours). The product backlog (new features, improvements and fixes with more than 5 hours development effort) is prioritized by the Product Management team. All new issues where implementation or specs are initiated are registered in the ticket system. Three priorities (critical, important and information) are used to clearly classify requests based on specified criteria.

The release plan (sprint backlog) stipulates ten sprints during a year with no fixed sprint duration. The ten releases are complemented by patch releases for bug fixes or subsequent deliveries of functionalities.

Sprints contain committed and non-committed features as well as a pick lists with smaller bug fix and improvement requests. Features can be taken in or out of the sprint if agreed on with Product Management. Each sprint ends with a release.

Each release is composed by the Product Management Organization. The Product Management Organization assesses, prioritizes and approves any developments. For each development acceptance criteria are defined and reviewed for clearance by the Product

Management Organization prior to release. Deviations from the plan or specs as well as the evaluation of negative test results and newly identified bugs must always be agreed on together with the related product manager. Regular scrum meetings facilitate the synchronization of team efforts.

The three-tier system landscape is used as follows: DEVX is used for new developments of planned releases and first round of testing, the QAX is used for second round of testing and development of fixes for patch releases and the release-branch is used for release candidates.

Adequate test procedures are planned for each feature. Thus, tests may include new unit tests (usually made before implementation), review, new test specs, change existing test specs, manual walk through of selected functions affected by the change, new acceptance test, new integration test, new crash test, performance tests or dedicated automatic tests.

As release-testing the following tests are run generally on environments DEVX and QAX: crash tests, automatic acceptance tests, integration tests. Unit tests are run every time the project is build. Furthermore, the fixes registered in the testing phase are verified and documented as comments within the wiki "Next Release Tests".

Segregation of duties during the test phase is addressed by assigning a different developer for test than the implementing developer and furthermore by assigning a different tester on the QAX environment than the tester on the DEVX environment.

Test plans are written for all features in a release by the team together with the team lead. Bigger features requested from Product Management that involve the user interface are always reviewed with Product Management. Business functionality may also be reviewed with Product Management if there are issues where functionality deviates from original plan or if there are open questions or findings such as increased performance or bugs.

The decision whether a release test is adequate is made by the team together with the team lead. Product Management can be consulted. Also, the team and the team lead decide which tests should be performed again on the QAX environment. Under specific circumstances functionality is reviewed by consultants or customers.

A guideline and process description for development is defined. Along the process, progress and tests results are documented on a confluence page for each release. Each release is issued together with detailed release notes and further information of implemented features.

Testing procedures

Within the scope of our audit, we inspected the description of the software development process and checked the implementation according to the description as well as the correctness of the software development process at Nextway by means of functional tests, questioning and inspection of further documents as well as demonstrations using the developer tools.

The assessment of the possibilities of the software maintenance is based on the IT-technical tools and the existing organizational measures in the software development process. We checked whether the necessary version management can be proven via the development environment and whether the change documentation can be created. We assessed the release procedures and maintenance methods regarding the changes to the software as well as the testing and release procedures.

Audit results

A proper procedure for program development, maintenance and release, and a corresponding version management (Change Management System) is in place. Errors detected based on appropriate test procedures are recorded, documented and managed by the implemented program development procedures. A release takes place through the people in charge. The Company uses commercial software Atlassian Jira as its ticket system, in which all tickets are visible and tracked.

Once development is completed and released, the product is transferred to the stable development branch from which new releases are created. The changes made to the software with a new release are together with corresponding release notes made available to the user group in the service portal of Nextway. Additionally, all changes are recorded in the online manual.

The change management procedure used is suitable for ensuring the regularity of program development and maintenance.

7.5 Audit of data backup and recovery

Requirements

The technical security measures include data security procedures. The implementation of suitable data recovery procedures assumes that software servers and the index databases are backed up at appropriate regular intervals.

Availability risks of the software must be reduced by regular data backup. Data backup is intended to ensure that in the event of a system crash or the loss or destruction of data, an orderly data reconstruction can be carried out. The software must have appropriate backup and restart procedures to ensure that data and programs are backed up periodically. The necessary work steps are to be described in an appropriate restart procedure.

Description

In order to ensure a consistent backup adequate instructions and recommendations concerning the configuration of backup and recovery procedures are defined in the Next®

Help-Portal for the relevant infrastructure servers such as application, capture, index and database, specifying the backup and restore of servers as well as archive, workflow and log data.

As per Nextway, backup and restore scenarios were successfully tested with Tivoli Storage manager, version 6, release 4.

Testing procedures

We performed a test of design and reviewed the technical documentation of the operational manuals for application, capture, index and database servers concerning guidelines for suitable data backup and recovery procedures.

Audit results

Based on our testing procedures, we concluded that the technical documentation for Next® contains guidelines and recommendations for backup strategy, backup methods, sequences, volumes and directories to backup and a sample backup schedule and that procedures for restore and recovery are described briefly. However, the effectiveness of backup and restore procedures were not in scope of our audit.

Note: In order to ensure a consistent backup and recovery across all files it is within the user's responsibility to set up specific arrangements for backup and restore scenarios accordingly.

7.6 Documentation of systems and procedures

Requirements

The documentation of systems and procedures is comprised of system documentation and user documentation. This is necessary for the proper handling and proper use of the software. Appropriate and comprehensible documentation is a requirement for the verifiability and, thus, the auditability of the software`s functional and operational procedures.

Description

Nextway's product documentation of systems and procedures is available as Web-Version. The user can connect to the Next® Help Portal (https://nextway.software/en-us/support/knowledge-base), which provides additional extensive and up-to-date software-specific documentation. Functionalities are presented using screenshots and written explanations and support the user how to use the software.

Testing procedures

The documentation of systems and procedures was examined in respect of its existence, completeness and comprehensibility by conduction of the following test steps:

- Access of the Next® Help Portal
- Review and analysis of the suitability of product documentation for system, user and processing documentation
- Review and analysis of infrastructure documentation

Via the online Next® Help Portal we were able to access and examine the available documentation for Next® 2.0, Version 1.8.0.116 and determined that the documentation was up-to-date and reflects the actual software procedures.

As part of this audit conducted, the available documentation was aligned with selected program functionalities and the description of the functions shows which data is processed and which data flows are initiated when executing a procedure.

Furthermore, Nextway provided operational manuals containing necessary information regarding the operational procedures, required for a server environment and the hosting of the software. The infrastructure documentation is maintained in Confluence.

Audit results

Based on our testing procedures we concluded, that the documentation of components and products as well as functionalities and procedures for Next® 2.0, Version 1.8.0.116 are up-to-date and provide users and system administrator with sufficient information to use and operate the software. The documentation is sufficient and helps the reader to obtain an overview of the functions and handling of the software. Using the explanations in the documentation, a competent third party could learn how to handle the software within a reasonable time frame.

Appendices

Appendix 1
Client Declaration of Consent

Client Declaration of Consent

I am aware that the attestation on the software audit conducted can only confirm that, if properly used, the software allows to comply with German requirements regarding German Commercial Code corresponding to German GAAP; that the attestation may also have qualifications, and that the attestation and report cannot replace my own critical examination of whether the software is suitable for my purposes.

The terms governing this KPMG engagement are set out in the General Engagement Terms for German Public Auditors and Public Audit Firms [Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften, 'AAB'] as amended on January 1, 2017, which are attached to the report. In extension of the liability limitation of EUR 4 million stipulated in no. 9 (2) of the General Engagement Terms, we are liable for damages caused by negligence in the amount of EUR 5 million. The amount stipulated in no. 9 (5) of the General Engagement Terms of EUR 5 million remains unaffected. Extensions of liability limitations shall not apply to damages for which liability limitation amounts are stipulated by law.

I agree with the validity of these General Engagement Terms including the limitation of liability also in respect of my relationship with KPMG. I will not forward either the opinion nor the assurance report on the review of the software to third parties.

_____

Signature (client of the contracting party)

Appendix 2
General Engagement Terms

[Translator's notes are in square brackets]

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.