

Rules of Procedure of the Board of the Foundation 'Future of the Carbon Market'

The Board of Trustees of the Foundation 'Future of the Carbon Market' Foundation (hereinafter: 'Foundation') herewith issues the following Rules of Procedure of the Board in accordance with section 11 subs. 1 of the Statutes of the Foundation (hereinafter: 'Statutes'):

Section 1 General

- (1) The Members of the Board shall conduct the business of the Foundation in compliance with the due diligence of a prudent and conscientious manager in accordance with the legal provisions, the Statutes and the present Rules of Procedure. In addition, the Members of the Board shall comply with the principles of good foundation practice of 10 August 2010 of the Federal Association of German Foundations (*Bundesverband Deutscher Stiftungen*) (**Annex 1** to these Rules of Procedure) as well as with the Public Corporate Governance Code in its respectively valid version.
- (2) The Board shall bear joint responsibility for the implementation of the entire management of the Foundation, even if specific task areas are assigned to individual Members.

Section 2 Principles of cooperation

- (1) In the context of the overall responsibility for management, each Board Member shall work together with the other Members of the Board in a collegial, trust-based manner in the interest of the Foundation.
- (2) The Members of the Board shall inform one another of important activities and events. In case of reservations with regard to activities of the other Members of the Board, each Board Member shall be obliged to initiate a resolution of the entire Board if the reservations cannot be resolved through discussion with the other Members of the Board.
- (3) The Chairperson of the Board shall be informed of individual matters on request.
- (4) Activities and transactions which are extraordinarily significant for the Foundation, or which entail an extraordinary economic risk, shall be subject to the prior consent of the whole Board.



Section 3

Resolutions with a qualified majority

The Board shall decide with a qualified majority in accordance with section 11 subs. 6 of the Statutes

- a. in matters for which the Statutes or the present Rules of Procedure provide for a decision to be taken with a qualified majority;
- b. in matters which require the consent of the Board of Trustees (section 6);
- c. on fundamental questions of the Foundation regarding its organisation, as well as the investment, profit and loss and financial planning;
- d. deciding on the creation of reserves;
- e. in matters in which a Board Member demands that a decision be taken with a qualified majority.

Section 4

Chairperson of the Board

- (1) The Chairperson of the Board shall represent the Board of the Foundation and the Foundation itself vis-à-vis the Board of Trustees and the Chairperson of the latter.
- (2) The Chairperson of the Board shall be entitled and obliged to endeavour to ensure that the respective guidelines established for management are implemented, and that management by the Board is implemented in a uniform fashion.
- (3) If the Chairperson of the Board is unable to conduct business, and if no deputy Chairperson has been nominated, he/she shall be represented by the ordinary Board Member who has belonged to the Board longest, and should there be several ordinary Members of the Board of equal seniority, by the oldest of them.

Section 5

Cooperation with the Board of Trustees

- (1) The Board and the Board of Trustees shall work closely together in the interest of the Foundation.
- (2) The Board shall inform the Board of Trustees regarding all questions concerning the Foundation at least every three months, in a timely manner and comprehensively on other matters, should an important occasion arise.



- (3) It shall pass on the accounts and reports on the administration of the Foundation, as well as the annual report on compliance with the purposes of the Foundation, to the Board of Trustees within six months after the end of the respective financial year.

Section 6

Transactions requiring approval

- (1) The Board shall require the approval of the Board of Trustees for transactions designated in section 9 subs. 1 of the Statutes.
- (2) The approving resolution of the Board of Trustees shall require the majority of the votes cast.
- (3) Over and above the requirement for approval in accordance with section 6 subs.1 in conjunction with section 9 subs. 1 (lit. f) of the Statutes, the Board shall require the approval of the Board of Trustees regarding all and any promotional measures the scope of which exceeds EUR 200,000.00 in individual cases, regardless of whether the investment is carried out in one financial year or is planned to be spread over several financial years.

Section 7

Co-opted Members of the Board

- (1) In accordance with section 7 subs. 2 of the Statutes, the Board shall be composed of delegated and co-opted Members.
- (2) The co-option of a Board Member shall only be permissible if the person has special technical expertise and experience with regard to the implementation of the Foundation's tasks or can support the objectives in a special manner. This shall be deemed to be the case if
 - a. the person has special experience or expertise in connection with the project-based mechanisms of the Kyoto Protocol, or
 - b. is able to demonstrate many years of activity in the area of environmental protection and/or development cooperation, or
 - c. has rendered outstanding services in the field of environmental protection and/or development cooperation.

Section 8

Implementation of the purposes of the Foundation

- (1) In order to fulfil its purposes, the Foundation shall participate in the so-called "Programmes of Activities" (hereafter: as PoA) through start-up financing.

- (2) The start-up financing of PoAs and comparable programmatic projects shall be carried out insofar as the further preconditions therefore are met, inter alia through the purchase of emission certificates by the Foundation. Where the project organisation is unable to provide and transfer the emission certificates directly to the Foundation, start-up financing shall be provided by payment of an advance by the Foundation. This advance (payment) shall not be carried out until a corresponding purchase agreement has been concluded between the respective project organisation and the Foundation.
- (3) In case of emission certificates which can be used for compliance with emission mitigation commitments within the Kyoto protocol, the Foundation shall be obliged to immobilise the emission certificates on assignment by the project organisation or to have them immobilised where appropriate via third parties. The Foundation shall not be permitted to re-sell or trade such certificates.
- (4) The Foundation shall ensure that verified or certified emission reductions which are procured by the Foundation shall not be used for further verification or certification with the goal to fulfil voluntary or mandatory emission mitigation targets.
- (5) Subject to the consent of the Board and of the Board of Trustees, the Foundation may also hand out the Foundation's funds in the shape of subsidies to the project organisation which are repayable in the event of success, i.e. if certain quantities of emission certificates generated are exceeded, if this activity is not subject to approval in accordance with section 32 of the Banking Act (*Kreditwesengesetz – KWG*), or if the Foundation has been granted approval in accordance with section 32 of the Banking Act for this activity.
- (6) Subject to the consent of the Board and of the Board of Trustees, the start-up financing of projects may also be provided by the Foundation acquiring purchase price receivables from emission certificate purchase agreements from the project organisations through forfeiting and immediately paying contemporaneously in return for assignment. This advance (payment) shall not be carried out until a corresponding purchase agreement has been concluded between the respective project organisation and the Foundation. In the event of success, i.e. if certain quantities of emission certificates generated are exceeded, the payment effected by the Foundation shall be repayable if this activity is not subject to approval in accordance with section 32 of the Banking Act, or if the Foundation was granted permission in accordance with section 32 of the Banking Act for this activity.

Section 9

Promotion criteria

- (1) The Foundation shall promote the non-profit objectives designated in section 2 subs. 2 of the Statutes through suitable measures, including financial support.



- (2) The Funding Guidelines which form Appendix 2 to these Rules of Procedure shall apply for the promotion of all emission-reduction projects, in particular in accordance with the Kyoto Protocol, under any follow-up agreements or other bilateral or multilateral agreements through start-up financing,
- (3) The Board shall decide on the allocation of the Foundation's funds in accordance with section 5 subs. 3 of the Statutes by reference to the Funding Guidelines.
- (4) The Foundation shall be obliged to comply with the requirements contained in sections 51 et seqq. of the Tax Code (AO) in realising the purposes of the Foundation.