

Report on the establishment of the
FINANCIAL STATEMENT
as of 31st December 2013

of

The Climate Concept Foundation

Klosterallee 55
20144 Hamburg

Financial Authority: Hamburg-Nord

Tax Registration Number: 17 / 406 / 03678

Result and Certification

In accordance with our mandate, we have prepared the following Financial Statement for **The Climate Concept Foundation, Hamburg**, as of 31st December 2013 based on the provisions of German Trade Law. Our findings are based on the information provided, the validation of which was not entailed in our mandate.

We executed our mandate in principal adherence and analog application of the guidelines published by the Federal Council of Tax Advisors (of Germany) on the establishment of Annual Financial Statements. This entails the establishment of a Financial Overview based on the financial book keeping and the inventory as well as the application of balance evaluation methods.

HAMBURG,

BORNHÖFT & SIEBKE
TAX ADVISORS

Legal and economic situation

Establishment

The Climate Concept Foundation has been established on 25th February 2011 and is domiciled in Hamburg. The responsible Charitable Organization's Surveillance Authority at the County Ministry of Justice officially acknowledged the Foundation as public legal entity on the 1st of March 2011. The Financial Year corresponds to the Calendar Year.

Charitable Purpose

The Foundation's Purpose is the furtherance of General Environmental and Habitat Protection as well as Science and Research. More specifically, it shall contribute to reducing greenhouse gas concentrations in Earth's atmosphere. This aim shall be pursued by initializing emission reduction projects as well as acquisition of CO₂-certificates. In addition, it financially supports the respective research institutions and contributes towards raising public awareness.

Capital Stock

The Foundation's Capital Stock as specified in the Statutes amounts to 60.000 EUR and has been credited to the Foundation's bank account no. 2028 831 200 held at the GLS Gemeinschaftsbank eG (bank code 430 609 67) on the 8th April 2011. The Capital Stock can be invested in order to obtain revenues, but no investment made shall compromise the Foundation's Purpose.

Foundation's Organs

The Foundation's Executive Board presently consists of the two Founders Mr. Christopher Brandt (Chair) and Mrs. Verena Brandt (Co-Chair). The Executive Board must consist of at least two persons also in future, but may not exceed five persons. In addition, membership of the Board shall be limited to a maximum age of 75 years. The Foundation is legally represented by two Executive Board Members jointly. The Board has a quorum to make decisions if two Executive Board Members are present in a Board Meeting. In case the Executive Board consists of five persons, at least three Members must be present. A Board of Trustees may be appointed (Consultative Board of Trustees). Such Board must be summoned (Mandatory Board of Trustees), if the revenues obtained in any Financial Year exceed 2.000.000 EUR or the Foundation's Capital Stock is larger than 20.000.000 EUR. The Mandatory Board of Trustees must advise and control the Executive Board, especially by agreeing to Annual Financial Statements and Executive Board Decisions.

Legal and economic situation

It also is entitled to elect and dismiss the Members of the Executive Board.

Liquidation

The Executive Board may decide to liquidate the Foundation with a two thirds majority vote. Such Decision must be acknowledged by the Charitable Organization's Surveillance Authority. Any such decision can be vetoed by the Founders.

Only German original legally binding

Financial statement as of 31st December 2013

ASSETS				LIABILITIES			
		EUR	EUR			EUR	EUR
		prev. year				prev. year	
ASSETS				A. FOUNDATION'S STOCK CAPITAL			
I.	Immaterial Assets	17.446,55	17.446,55	I.	Capital Stock		60.000,00
1.	CO ² -certificates	17.446,55		1.	at Foundation	60.000,00	60.000,00
II.	Material Assets	3.437,91	3.437,91	2.	Endowments subsequent to Foundation		0,00
1.	Office furniture / equipment	3.437,91		II.	Capital Reserve		0,00
III.	Financial Assets	0,00	0,00	III.	Other Reserves		0,00
				IV.	Financial Means Available		12.361,17
IV.	Inventory	0,00	0,00	1.	Surplus 2013	-3.037,70	
V.	Accounts receivable and other Assets	38,97	0,00	2.	Carry Over from previous financial year(s)	15.398,87	
1.	Claims against Founders	38,97	0,00	V.	Means applied		20.884,46
VI.	Actions / Bonds etc.	0,00	0,00	1.	Application Surplus 2013	0,00	
VII.	Cheques / Cash & Bank Accounts	72.781,16	75.500,31	2.	Carry Over from previous financial year(s)	20.884,46	
				B. DEBT			
				I.	Accounts payable to banks		0,00
				II.	Other accounts payable		458,96
		93.704,59	96.384,77			93.704,59	96.384,77

**Climate Concept Foundation
Hamburg**

Annual Statement in Income and Expenses for 2013

	EUR	EUR	EUR prev. year
I. <u>Income</u>			
1. Revenues – capital stock investment	188,60		380,76
2. Donations	10.000,00		95.855,15
3. Economic activity within the Foundation’s Purpose	0,00		0,00
4. Revenues by Exchange of Assets	0,00		0,00
		10.188,60	96.235,91
II. <u>Expenses</u>			
1. Dedicated to the Foundation’s Purpose			
a) Acquisition of CO ² -certificates	0,00		17.446,55
b) Financial support to other projects/ institutions	0,00		0,00
2. Public Relations / Marketing	3.661,60		18.542,82
3. Administrative Expenses	9.514,96		63.776,17
4. Neutral Expenses (Taxes withheld on interest)	49,74		100,42
5. Executive Board / Board of Trustees (reimbursements)	0,00		0,00
6. Expenses for Acquisition of Assets	0,00		0,00
7. Expenses on the Exchange of Assets	0,00		0,00
		-13.226,30	82.419,41
III. <u>Financial Means Available</u>		-3.037,70	
IV. <u>Financial Means Applied</u>		0,00	
V. <u>Financial Means to be carried forward</u>		-3.037,70	

Economic value of Assets in between 01.01.2013 and 31.12.2013

**Climate Concept Foundation
Hamburg**

Account	Position	Depreciation	Acqu. date	ND YY/MM	%	Acqu. cost 31.12.2013 EUR	Book Value 01.01.2013 EUR	Additions EUR	Reductions EUR	Exchange EUR	Depreciation EUR	Appreciation EUR	Book Value 31.12.2013 EUR
0011	CO2-certificate - Type 5-0 CER												
11001	2.000 units	none	12.01.2012	0/00	0,00	9.930,00	9.930,00	0					9.930,00
0011	CO2-certificate - Type 5-0 CER					9.930,00	9.930,00						9.930,00
0012	CO2-certificate - Type 1-1 EB												
12001	1.000 Stck.	none	27.03.2012	0/00	0,00	7.516,55	7.516,55						7.516,55
Sum	CO2-certificate - Type 1-1 EB					7.516,55	7.516,55						7.516,55
0420	Office Furniture and Equipment												
420001	IT equipment	none	01.07.2011	0/00	0,00	1.652,91	1.652,91						1.652,91
420002	Office desk	none	13.09.2011	0/00	0,00	1.785,00	1.785,00						1.785,00
Sum	Office Furniture					3.437,91	3.437,91						3.437,91

**Climate Concept Foundation
Hamburg**

Accounts to the Financial Statements as of 31st December 2013

	EUR	EUR	EUR prev. year
<u>Assets</u>			
I. Immaterial Assets		17.446,55	17.446,55
1. CO ² -certificates	17.446,55		
0011 Type 5-0 CER	9.930,00		9.930,00
0012 Type 1-1 EB	7.516,55		7.516,55
II. Material Assets		3.437,91	3.437,91
1. Office Furniture / Equipment	3.437,91		3.437,91
420 Office Furniture / Equipment	3.437,91		3.437,91
III. Financial Assets		0,00	0,00
IV. Inventory		0,00	0,00
V. Accounts receivable and other			
Assets		38,97	0,00
1. Claims against Founders	38,97		
1503 Claims against Founders.(b.1J)	38,97		
VI. Actions / Bonds etc.		0,00	0,00
VII. Cheques, Cash, Bank Accounts		72.781,16	75.500,31
1210 Deutsche Bank 508089000	12.322,86		15.178,43
1211 Deutsche Bank 508089001 GLS Gemeinschaftsbank eG	89,25		91,69
1221 2028831201	60.369,05		60.230,19
Sum		93.704,59	96.384,77

**Climate Concept Foundation
Hamburg**

Accounts to the Financial Statements as of 31st December 2013

	EUR	EUR	EUR prev. year
<u>Foundation's Capital Stock</u>			
I. Capital Stock		60.000,00	60.000,00
1. at Foundation			
800 Capital Stock	60.000,00		60.000,00
2. Endowments subsequent to Foundation			
II. Capital Reserve		0,00	0,00
III. Other Reserves		0,00	0,00
IV. Financial Means Available		12.361,17	15.398,87
Surplus 2013	-3.037,70		
Carry Over from previous financial year(s)	15.398,87		
V. Financial Means Applied		20.884,46	20.884,46
Application Surplus 2013	0,00		
Carry Over from previous financial year(s)	20.884,46		
<u>Debt</u>			
I. Accounts payable to banks		0,00	0,00
II. Other accounts payable		458,96	101,44
1700 Other accounts payable	458,96		
<u>Sum</u>		<u>93.704,59</u>	<u>96.384,77</u>

**Climate Concept Foundation
Hamburg**

Accounts to the Annual Statement on Income and Expenses 2013

	EUR	EUR	EUR prev. year
I. <u>Income</u>			
1. Revenues – Capital Stock investment		188,60	380,76
2. Donations		10.000,00	95.855,15
8950 Revenues from Donations	<u>10.000,00</u>		<u>95.855,15</u>
3. Economic activity within the Foundation's Purpose		0,00	0,00
4. Revenues from the Exchange of Assets		0,00	0,00
II. <u>Expenses</u>			
1. Dedication to the Charitable Purpose		0,00	-17.446,55
a) Acquisition of CO ₂ -certificates	0,00		-17.446,55
b) Financial support to other projects/ institutions	<u>0,00</u>		<u>0,00</u>
2. Public Relations / Marketing		-3.661,60	-18.542,82
4600 Marketing	-2.138,98		
4601 Visit of Trade Fairs / Conferences	0,00		
4602 Events held by the Foundation	0,00		
4650 Allowances / Hosting expenses	-75,00		
4661 Travelling Expenses	<u>-1.447,62</u>		
3. Administrative Expenses		-9.514,96	-63.776,17
4120 Staff Salary	-4.666,62		
4380 Contributions	0,00		
4390 Other Fees	0,00		
4910 Mailings & Packaging	0,00		
4930 Office Expenses	-31,92		

Climate Concept Foundation
Hamburg

Accounts to the Annual Statement on Income and Expenses 2013

	EUR	EUR	EUR
			prev. year
II. <u>Expenses</u>			
4935 Software / Tools, Short Time Licences	-1.064,42		
4945 Staff Training	-3.451,00		
4955 Book keeping	-257,93		
4957 Audits	0,00		
4970 Transactional Expenses	<u>-43,07</u>		
4. Neutral Expenses (Taxes withheld on interest)		-49,74	-100,42
2213 Capital Earnings Tax (CET) 25%	-47,15		
2216 German-Reunification-Surcharge on CET	<u>-2,59</u>		
5. Executive Board / Board of Trustees (Reimbursements)		0,00	0,00
6. Expenses for Acquisition of Assets		0,00	0,00
7. Expenses from Exchange of Assets		0,00	0,00
<u>Sum</u>		<u>-3.037,70</u>	-3.630,05

TAX ADVISOR'S NOTE ON EXECUTIVE STATEMENT

The Executive Director's Report displayed on the following two pages is not part of this Financial Statement compiled by us and has, therefore, also not been part of our audit. Its contents lie within the responsibility of the Foundation. We have added it to this Financial Statement upon request by the Foundation as a voluntary addition to the Financial Statement in order to provide a collective document of reporting to those interested.

Only German original legally binding

THE EXECUTIVE DIRECTOR'S REPORT

The Climate Concept Foundation's business years 2012 / 2013 were dedicated to establishing alliances with business corporations aiming at offering their products and services as "carbon neutralized". The Foundation's focus was on such products and services for which a specific amount of carbon emissions could be attributed to the end consumer using them. Our strategic concept was to acquire an amount of carbon certificates equivalent to the amount of carbon dioxide to be neutralized and withhold them from carbon trading on a permanent basis thus causing a corresponding reduction in overall emissions. The feasibility of this idea very much depends on functioning emission trading systems.

We consider this concept as no longer workable due to the significant decrease in carbon prices that began in spring 2013 and continues until today. The reason for this unbroken trend lies in the over-allocation of certificates in the European Emissions Trading Scheme (EU ETS). As a permanent correction of this allocation will not be feasible before the end of 2020, the resulting lasting weakness of European Emissions Trading will continue to put a burden on international emissions trading. For this reason, we see no alternative to developing the Foundation's strategy into a new direction.

We remain convinced that the policy instrument of emissions trading could play a significant role towards furthering climate change mitigation. The lessons learnt from the design of legal framework conditions – be in within the context of the Kyoto Protocol's flexible mechanisms or within European Emissions Trading – will also be useful for shaping climate policy in future.

That is why we regard it as a success that our lobbying work for a modification to the framework regulations governing a specific type of climate change mitigation projects has been accepted by the United Nations' Climate Change Secretariat. We were able to prove that the assessment of emission reductions was faulty for this project type: chemical industry plants for the production of nitric acid. The calculation of nitrous oxide reductions achieved by these projects was inherently wrong. For this reason, these projects received too many carbon certificates. As these certificates are sold and end up being used for justifying additional emissions elsewhere, an unjustified excessive issuance of such certificates places a burden on climate change mitigation.

Our input to the Climate Change Secretariat has helped to end this abusive practice. For the continuation of these projects – which are useful if emission reductions are assessed adequately – the modification initiated by us will ensure that (in cautious estimation) at least half a million certificates less are issued annually. We will continue to lobby for the ecologic integrity of international emission reduction projects.

In addition, the Foundation permanently withdrew a total of 2130 carbon certificates from emissions trading in the business years 2012 / 2013. This is mainly due to our "Offset Your Life" program, but also to our successful cooperation with Hamburg Hafen Marketing Limited.

A further success was our „Climate and Energy Policy Day“ to which we invited senior pupils from all schools in Hannover. Pupils had a chance to get a feel for the topic energy transition ahead of the day itself by trying out the energy policy online simulation “Energetika 2010” – a price winning learning game programmed by the Dialogik Institut at the University of Stuttgart. By participating in large numbers, pupils already had a good idea about the conflicting aims associated with present day energy policy.

On the Climate and Energy Policy Day“ itself, presentations of renowned experts provided a deeper understanding and an opportunity to discuss the pros and cons of different energy production technologies. In addition, the perspectives in European climate and energy policy as well as present climate policy efforts on the international level were highlighted.

In the late summer of 2013, the Foundation invited the winning team of the “Energetika 2010” challenge to visit an offshore windpark in the North Sea.

Beginning in 2014, we will take a step by step approach towards implementing the strategic transition necessitated by the present framework conditions in climate policy. This will happen in close cooperation with our partners and supporters. Although climate policy efforts presently are stagnating globally and Europe wide, the issue of climate change remains important. The Climate Concept Foundation will contribute to meeting this global challenge also in the years to come.

Hamburg, in February 2014

Christopher Brandt
(Executive Director)