

# **Combined Separate Non-Financial Report 2021**

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Contents

- 1. Introduction ..... 3**
  - 1.1. Business model ..... 3
  - 1.2. Importance of sustainability for IKB ..... 4
  - 1.3. Process for determining material topics ..... 4
  - 1.4. Managing sustainability risks ..... 5
- 2. Topics included in reporting ..... 6**
  - 2.1. Public programme loans – environmental and social aspects ..... 6
  - 2.2. Professional qualification – employee aspects ..... 7
  - 2.3. Combating corruption and bribery ..... 9
- 3. Disclosures required under the EU Taxonomy Regulation ..... 11**
  - 3.1. Obligatory reporting pursuant to Article 8 of the EU taxonomy regulation ..... 11
  - 3.2. Voluntary reporting pursuant to Article 8 of the EU taxonomy regulation ..... 12

## 1. Introduction

### 1.1. Business model

The business model of IKB Deutsche Industriebank AG is focused on the German upper midmarket, mainly comprising companies with annual revenues of more than €100 million. German corporate customers in the upper midmarket are among IKB's preferred target groups due to what in some cases are their outstanding market position, their strong equity base and liquidity resources and, resulting from this, their particularly low default rates. The Bank is characterised by long-standing and stable customer relationships and a close understanding of the concerns of mid-cap companies.

IKB has clearly defined its business segments. The Public Programme Loans segment includes income and expenses from development loans granted to mid-cap clients as well as advisory services for obtaining and applying for public programme loans. The Corporate Bank segment comprises the services related to internally financed corporate banking business. In addition to financing and advisory services in traditional lending business, this also includes supporting customers in their capital market activities. The income and expense items from Funding & Asset Liability Management and the investment portfolio are reported in the Corporate Centre segment. As part of a joint venture with Hypoport SE, IKB acquired a 30% share of FUNDINGPORT GmbH and established its own IKB sales platform which, since 1 January 2022, has been brokering financing projects between customers with annual revenue ranging from €10 million and €100 million and the financing banks via the FUNDINGPORT platform.

As of 31 December 2021, IKB employed around 548 people (full-time equivalents) and, with six locations, has a sales network covering all regions of Germany. Its integrated business approach comprising regional sales, industry groups and product groups aims to ensure solution-oriented, high-quality support for customers. IKB's customer business focuses on lending and structuring advice (including capital market products). The key factors here are a disciplined loan pricing policy and an appropriate risk-return profile. Each loan must be profitable in its own right. The Bank also arranges financing solutions for its customers outside its own balance sheet. This includes assisting companies in accessing the capital market, for example the issuance of promissory note loans or bonds. As a specialist, IKB offers its customers access to public loan programmes.

As of 31 December 2021, IKB had a share of 3.1% in the market for long-term corporate loans to the German manufacturing sector. At the same time, its share of the market for loans under the development loan programmes offered by KfW Bankengruppe (KfW) relevant for IKB stood at 8.1%. IKB's competitors are large universal banks as well as a number of larger institutions from the public banking sector.

The business model is described in detail in "Section 1. Basic information on the Group" of the combined management report in IKB's 2021 annual report.

While the financial year 2021 extends from January to December, the previous shortened financial year 2020 comprises nine months, which is attributable to a transition from the previous financial year end from 31 March to 31 December. The financial years 2021 and 2020 are therefore comparable only to a limited extent. IKB's combined separate non-financial report for the financial year 2021 combines the non-financial Group statement in accordance with section 340i (5) in conjunction with section 315b of the German Commercial Code (HGB) and the non-financial statement of the parent company in accordance with section 340a (1a) of the HGB in conjunction with section 289b of the HGB. A framework was not used on account of the size of the Group.

The combined non-financial statement for the period from 1 January 2021 to 31 December 2021 was not subject to a voluntary external audit. As of the publishing date 29 April 2022, the figures presented in this report for the period from 1 January to 31 December 2021 have not yet been audited.

Unless noted otherwise, the following statements apply to both the Group (IKB) and IKB AG (IKB AG).

### 1.2. Importance of sustainability for IKB

IKB's business strategy is geared towards sustainability. This means adopting a considerate, conservation-oriented approach to the environment, ensuring responsible, legally compliant and future-oriented behaviour on the part of IKB, its managers and employees. In this context, IKB supports its customers in investment projects in particular through public loan programmes of KfW and other development banks, providing tailored financing solutions aimed at sustainable economic development in accordance with the criteria for the environment, social responsibility and corporate governance. In addition, the Bank focuses on the professional qualification of its employees and on combating corruption and bribery. This also reflects IKB's programme of corporate values, under which social awareness is optimally strengthened on the basis of the values "professional", "committed" and "reliable", including with a view to sustainability.

IKB's business model is aligned towards generating sustainably positive earnings. In this way, the Bank creates value for its stakeholders, and particularly its customers, shareholders, investors and employees and their families. In order to ensure its economic sustainability, IKB is committed to maintaining a solid equity base, safeguarding its liquidity, designing its new business and pricing policy in a risk-conscious manner, and ensuring that its processes and structures are efficient.

Financing projects of companies in the upper midmarket to achieve their climate and sustainability targets should offer IKB opportunities for growth. IKB is currently analysing strategic opportunities within the context of ESG. Nearly 50% of IKB's loan portfolio is based on KfW public loan programmes. IKB is one of the leading banks in KfW's pass-through business and has a significant market share for various complex public loan programmes that are also aimed at reducing CO<sub>2</sub> emissions. This distinct expertise in public loans is also meant to play a significant role in the Bank's ESG strategy. To manage ESG activities, IKB has formed a project team that is tasked with ensuring the required standards in the regulatory context and, in the strategic context, developing the level of ambition as well as the potential strategic potential and an ESG governance with regard to sustainability. The project team comprises the functions of Corporate Development, Investor Relations/M&A, Risk Controlling, Finance and Sales.

IKB's business activities and sustainability are centred around the customer relationship, which forms the basis for the Bank's sustainable economic development. Expertise and mutual trust are the fundamental values underpinning customer relationships that often go far beyond the duration of the respective loans. Sustainable customer relationships, often spanning several generations, create the basis for the Bank's economic success. Ensuring that business partners, customers and the public have confidence in the responsible and legally compliant behaviour of all IKB employees is extremely important to the Bank's reputation.

### 1.3. Process for determining material topics

Responsibility for the process of determining the key sustainability topics for IKB lies with the ESG project team. To identify the relevant sustainability topics, designated representatives were appointed for the divisions/staff departments of Finance, Legal, Governance & Compliance, Human Resources, Credit Products/Public Programme Loans, Corporate Development, Risk Controlling and Investor Relations/M&A. The sustainability-related data and facts available for the key elements of the value chain were structured and the relevant topics identified in a continuous dialogue with the respective representatives (see "2. Topics included in reporting"). The materiality of these topics in terms of IKB's business activities and their impact on the sustainability aspects were determined in coordination with the entire Board of Managing Directors. The present non-financial statement discusses topics which were identified

as material for the understanding of IKB's business development, results and position, as well as the effects of its activities on the aspects subject to reporting – environmental, employee, social, human rights and combating corruption and bribery – within the meaning of the CSR Reporting Obligation (CSR-RUG). Additionally, the requirements of current political and regulatory developments are factored into the selection of topics and prioritisation. Demands of society, customers and stakeholders with regard to sustainability are also material for the selection of topics.

The material topics identified for IKB are public programme loans, employee qualification and combating corruption and bribery. The responsible representatives of IKB's sustainability topics report to the Board of Managing Directors occasion-related and prepare specific recommendations for action on the sustainability aspects subject to reporting, and agree on these with the Board. Furthermore, IKB reports on current sustainability activities in the corporate blog on its website (<https://www.ikb-blog.de/>) and on topical articles and events here. IKB has various products, concepts and processes that take into account social, ecological and ethical aspects within a context of sustainability. These are specified in the following chapters along with their existing measures and concepts.

### 1.4. Managing sustainability risks

As a financial institution, IKB shares in the responsibility to combat climate change and makes a relevant contribution to supporting the transition to a low-CO<sub>2</sub> economy and a more social society with its financing solutions.

The Bank sees ecological and social factors as an element of responsible business activity and takes these factors into account systematically when developing traditional financing solutions. They are reflected in its advice to corporate customers on the benefits of public programme loans for sustainable investments (see also "2.1. Public programme loans – environmental and social aspects") and are taken into account when internally funded loans are granted.

IKB's business model means that its lending business is primarily subject to indirect physical and transitory risks through its customers. Physical risks may result from isolated extreme weather events and their consequences as well as long-term changes in climate and ecological conditions. Transitory risks result from the fundamental transition to a low-carbon economy. For example, climate events like low water levels or long periods of drought, rethinking at a political or regulatory level due to climate change, disruptive technologies and business models or changed preferences in markets and in society as a whole could lead to a deterioration in production and sales conditions. This could have an adverse effect on the net assets and results of operations of IKB's customers, and ultimately on their capital service capability. The impact on the real economy could spread to IKB's balance sheet and lead to a deterioration in its risk indicators.

To prevent or reduce the negative consequences from the Bank's business activities for the environment and society and the risks arising as a result, approaches for identifying, evaluating, controlling and mitigating sustainability risks have been developed and are taken into account in lending and investment decisions. In line with the BaFin guidance notice on dealing with sustainability risks, IKB does not classify sustainability risks as a separate risk type. Instead, sustainability risks have an impact on the established risk types (for IKB, this primarily means counterparty default risks) and are included in risk controlling for these risk types. In this way, sustainability risks are analysed when making individual lending decisions and, if relevant, taken into account when determining industry limits and evaluating collateral. With regard to its target customers in the upper midmarket segment, industry diversification is also significant. In setting its limits, the Bank is guided both by the significance of the industry for the German economy and an analysis of the expected outlook for the industry. IKB does not fundamentally exclude any sectors from its lending business. Rather, it adopts a best-in-class approach and focuses on (potential) borrowers in a sector with solid business foundations and a sustainable and future-oriented strategic alignment. Environmental, climate, social and govern-

ance aspects are particularly taken into account in the sector analyses and for the purpose of specific lending decisions in the development loan business.

Sustainability risks are currently only included in the internal rating systems in the Corporate function indirectly (e.g. via qualitative rating questions). As sustainability risks are a comparatively new risk factor, there is currently insufficient historical data to empirically demonstrate an influence on the probability of borrower default for IKB. The Bank does not currently make use of an additional ESG rating or ESG scoring system.

## **2. Topics included in reporting**

### **2.1. Public programme loans – environmental and social aspects**

IKB is focused on the benefit to the customer. All advisory services and products are geared towards customer needs and continuously developed and enhanced. IKB contributes to safeguarding the future of Germany's mid-cap companies with its comprehensive advisory services and tailored financing concepts. IKB is unique in its public programme loan expertise: every corporate customer adviser has the knowledge needed to provide professional advice to companies in the upper midmarket concerning appropriate development loan solutions, supported by a highly specialised development loan product team. This includes a strategic dialogue on the sustainability of business plans.

Now that most of IKB's customers have made it through the coronavirus pandemic and the funding policies of the new German federal government are becoming concrete, the focus is increasingly being placed on public funding programmes that centre on energy and resource efficiency and decarbonisation. The topics of carbon footprint and sustainability are the subject of intense discussion at the management level of IKB's customers. Public funding programmes are already on offer for a number of these topics. The current German government is expected to add further programmes. In spite of rather subdued demand for loans overall, IKB managed to make up ground in new business in 2021, primarily via the KfW energy efficiency and environmental programmes, thus reaching the level of before the pandemic. IKB expects stable demand in this segment in future as well.

For companies in the production sector, the expansion of the energy and resource efficiency programme in particular plays a major role in the economy. Since November 2021, not only energy efficiency measures, but also resource-conserving measures at production facilities have been refinanced, thus enabling additional noteworthy repayment subsidies. For this specific customer need, IKB has developed a green loan framework concept in particular for loans refinanced via the KfW environmental and energy efficiency programmes and underwent certification by the agency CICERO Shades of Green. On this basis, IKB is in a position to issue green loan certificates to its loan customers for their specific public funding programme.

IKB's lending process is defined in detail in the business process management regulations. Potential customers are identified and addressed on the basis of the target groups defined in conjunction with the Board of Managing Directors. The present values to be realised are determined as part of the planning developed together with the Board of Managing Directors. In discussions with potential customers, the suitable financing solution for the respective investment project is selected using an end-to-end analysis of the financing requirements. This typically also includes an examination of whether public programme loans can be employed. IKB's public programme loan advisory specialists examine the available funding options at an early stage in the investment planning process and develop financing concepts on this basis. The financing solution must offer benefits to the customer and be sustainably economically viable for IKB. The Board of Managing Directors is also involved in the pricing process.

Like all other lending by IKB, public programme loans are subject to a defined credit process. Any special requirements arising from KfW's programme conditions are included in the process description and documented accordingly.

KfW – like all other development banks whose programmes are passed on by IKB – regularly reviews compliance with all of the funding requirements concerning applications, lending, the observation of drawdown requirements, controlling the use of funds, and portfolio and collateral management.

The Board of Managing Directors receives a monthly report on new public programme loans.

By taking this approach to business, IKB makes a considerable contribution to reaching climate targets, with a special focus on the established midmarket. As in the previous financial year, the development of new business was characterised by the ongoing coronavirus pandemic. With its good position in public programme loans, IKB was able to continue support of its customers with the special KfW loan programmes. In the financial year 2021, the demand for internally funded loans accelerated noticeably, resulting in a total of €3.0 billion being paid out (nine months of the shortened financial year 2020: €1.5 billion: public programme loans €1.1 billion, corporate loans €0.4 billion). Payments of €2.0 billion were attributable to the corporate loan business, and €1.0 billion to the public programme loan business. As a result, the share in the total volume accounted for by the corporate loan business widened by 40 percentage points, from 26% to 66%, compared to the nine-month period of the previous year.

### 2.2. Professional qualification – employee aspects

IKB hired 28 new employees in the financial year 2021. The search for qualified managers and specialists on the competitive employment markets remains challenging. This makes it all the more important for IKB to continuously identify high-potential employees and successfully develop them further. The Bank's traditional staff development activities are supported by the following factors:

Flat hierarchies, an open communication culture and constructive cooperation with the Works Council mean that employees' ideas and suggestions can be taken into account quickly and in a targeted manner. Information about current developments at the Bank is provided on the intranet continuously and in a timely manner. The Board of Managing Directors also reports on the Bank's position at regular employee events and is available for an open dialogue. Managers are regularly informed about new developments.

IKB is committed to upholding the globally applicable principles regarding human rights, labour standards, the environment and combating corruption. Together with the Code of Conduct of the Company, these principles form a binding framework for guiding the actions of IKB. The Code of Conduct is the foundation of IKB. With its Code of Conduct, IKB provides its employees with principles and rules for appropriate and independent actions in dealing with customers, business partners, managers and colleagues.

Furthermore, IKB promotes a cooperative and innovative corporate culture that is enshrined in its Code of Conduct. IKB's values ("professional", "committed" and "reliable") serve to guide its actions. They provide orientation internally while also positioning the Bank's actions externally with regard to customers. A Bank-wide snap survey was conducted in the period under review to establish how and with what emphasis the results of the values workshops were implemented in the Bank's teams. Other questions were aimed at finding out how cooperation and management have changed under the specific circumstances of the coronavirus period, and what challenges and requirements have arisen.

Managers appreciate and encourage an open dialogue with regard to the opportunities and risks of transactions. All employees have the right to fair, polite and respectful treatment by managers, employees and colleagues. No one should be harassed, discriminated or disadvantaged on account of their gender, origin, skin colour, nationality, religion or beliefs, sexual orientation, age, physical condition, union membership, family status or appearance.

All employees must confirm that they acknowledge the principles of the German General Equal Treatment Act. To ensure this, online training in accordance with the German General Equal Treatment Act is mandatory for all employees. This addresses topics such as gender equality and direct and indirect discrimination, for example with respect to female part-time employees.

Additionally, in 2021, IKB committed to and signed the Diversity Charter. The Bank is convinced that diverse teams and mixed management levels lead to better decisions at the company in the long term. Different ideas and perspectives help drive innovations, manage risks and keep the business model running successfully over the long term. In addition, all managers and employees receive training on the subject of unconscious bias.

The same principles and rules apply in the selection of service providers and suppliers. Upholding human rights for example is of great importance in this regard as well.

Committed, well-trained, responsible employees are essential for IKB. In particular, they help to support sustainable customer relationships and hence IKB's sustainable business development. Accordingly, the Bank pursues a policy of sustainable staff development aimed at ensuring the professional and personal qualification of its employees and improving IKB's attractiveness as an employer.

IKB's staff development strategy is derived from its corporate strategy. IKB's aim is for employees to continue to identify with IKB, its values and its strategic orientation. Employee expertise is a vital factor in IKB's success. In light of the dynamic markets, employee training is extremely important to the Bank. IKB's business success is based on the commitment and motivation of its employees and their creativity, qualifications and willingness to learn. The Bank's corporate policy also aims to create a framework for ensuring that employees are happy and successful with IKB.

IKB offers a wide range of measures to support its employees. The available training is concentrated around needs-oriented professional seminars. Methodological and behavioural training, foreign language courses and management seminars are also offered, for example. In response to the coronavirus crisis, most further training measures were switched to digital formats. In the financial year 2021, there were approximately 300 qualification measures with a total of 3,500 participants.

The working environment at IKB is increasingly characterised by new challenges and rising demands accompanied by increasingly limited resources and means. This requires forms of organisation that can permanently adapt to new conditions, and employees and processes that are able to implement this change in a very short space of time.

For the purposes of its initial professional training concept, IKB employs talented young employees in a three-and-a-half-year programme comprising training at IKB and a course of studies at FOM University of Applied Sciences for Economics and Management in Düsseldorf. Employees at the Frankfurt location can study at the Frankfurt School of Management and Finance alongside their work. Unlike a traditional banking apprenticeship, this provides young employees with a more detailed and specific insight into the particular challenges and tasks of a special-purpose bank like IKB. Training at IKB offers a comprehensive, practically oriented insight into the strategy, business segments and central functions of the Bank. IKB hired five new dual students in the financial year 2021. The students are introduced to their workplace through a combination of active learning by doing and systematic job training by means of individual training plans. This job training is accompanied by various orientation seminars that strengthen the young employees' network and sense of identification with IKB. IKB takes a targeted approach to supporting the network of young employees via an internal mentoring programme.



As part of its promotion of young talents, the Bank also employs trainees on a needs-oriented basis. IKB AG offers its employees numerous ways to better harmonise their private and professional lives. Achieving work-life balance is a prerequisite for satisfied and motivated employees. These include family-friendly offers, effective health promotion and flexible working conditions.

Employees' health, well-being, job satisfaction and ability to perform are closely related to, and help to ensure, competitiveness. The Bank has supported in-house sports (football, badminton, yoga) and massages at work for a number of years. Pre-employment medical examinations, health checks, flu vaccinations and occupational medical care are healthcare services offered by IKB to its employees, some of which are voluntary and some of which arise from occupational health care regulations. The Fürstenberg Institute, which has worked in the areas of external employee consulting and work-life service for more than 25 years, supports IKB in dealing with the consequences of demographic change, complex change processes and increasing requirements for employees and management. On the basis of information and advice and qualified mediation offerings provided by the work-life service, IKB employees can seek help and get support in all phases of their lives and careers.

To provide lasting protection for employees in the event of a pandemic, the Bank had already established a comprehensive pandemic concept in recent years, allowing it to take suitable measures to protect its employees' health and preserve business processes at short notice. Due to the coronavirus crisis, the Group created the option of employees working from home as far as possible. In addition, greater flexibility was provided for the working time framework. The Bank does not currently see elevated personnel risks in this respect. There is no increased danger of staff leaving. The Group's stable IT systems mean all employees can work from home. As a result of flexible working hour regulations, working in non-core times is possible so that staff with children can ensure adequate care. As part of the project titled "New Work", in 2021 additional elements such as mobile working and desk sharing were introduced to enable employees greater flexibility of their workplace even after the pandemic. In addition, the IT equipment of employees was completely modernised, and stability and quality were improved to account for the requirements of the continuing digitalisation of the Bank.

Since 2006, IKB has participated in the "audit workandfamily" developed by the non-profit Hertie Foundation as a strategic management instrument. As part of this audit of work-life balance, relevant areas of human resources policy are analysed and areas for action are identified with the aim of promoting a family-friendly policy. The Bank has an ongoing commitment to promoting a family-friendly human resources policy. For this reason, IKB was re-audited in another dialogue process with berufundfamilie Service GmbH in June 2020 and passed successfully.

IKB's social responsibility for the community is centred on direct financial support for local aid organisations. The Bank therefore made donations primarily to charitable initiatives in Düsseldorf, to victims of the flood in the Ahr Valley (Aktion Deutschland Hilft) and to the DKMS in Germany, an international charitable organisation that is dedicated to the fight against blood cancer. In March 2022, IKB supported aid in Ukraine with a donation as part of Aktion Deutschland Hilft.

### **2.3. Combating corruption and bribery**

Ensuring that business partners, customers, the banking supervisory authorities and the public have confidence in the responsible and legally compliant behaviour of all IKB employees is extremely important to the Bank's reputation. Preventing corruption and bribery is one of IKB's key compliance goals and applies on a Group-wide basis. In accordance with section 25h of the German Banking Act (KWG), responsibility for combating criminal acts is assigned to a central office within the Governance & Compliance staff department. The central office supports and advises compa-

ny management with regard to compliance with statutory regulations and provisions on combating corruption and bribery.

IKB has compiled a Code of Conduct and documented the binding conduct requirements and process guidelines for employees in writing in its regulations. The Code of Conduct sets out binding values and principles of conduct for all activities by all employees at all locations of the Group.

A system of instructions serves to define the various employee conduct requirements arising from the Code of Conduct in greater detail. These requirements are documented either in organisational instructions or in process management. The system of instructions contains clear rules on handling gratuities such as gifts, invitations, donations and hospitality. This includes descriptions of the value limits and approval procedures for the acceptance and granting of gratuities. The rules also describe the procedure for reporting gratuities to the central office as soon as they reach a defined threshold. Certain types of gratuity, for example invitations to holders of public office or the acceptance or granting of monetary benefits, are fundamentally prohibited.

There are clear rules for procurement measures, for example commissioning external consultants, particularly with regard to the involvement of Group procurement, obtaining comparative offers and conducting tenders.

There are also unequivocal and transparent rules for the reporting and approval of employees' ancillary activities in order to prevent conflicts of interest.

The risks arising in connection with corruption and bribery are analysed as required, and in any case at least once a year as part of the Group-wide risk analysis by the central office. Safeguards such as controls and awareness measures are derived and implemented in order to reduce risk. The annual report by the central office describes the key events, the findings of the audit measures conducted and the measures taken as a result. The risk analysis and the annual report are approved by the entire Board of Managing Directors. The Bank primarily pursues a preventive approach in which the risk of corruption and bribery is minimised through adequate employee awareness.

Task fulfilment by the central office is regularly reviewed by Internal Audit and the auditor of the annual financial statements.

In addition to regular risk analysis and reporting and employee awareness, IKB controls the gratuities granted and received by employees. Breaches of instructions are clearly identified and responded to appropriately. If criminal breaches are identified, these are systematically investigated, pursued and punished with measures under employment law and, where applicable, the filing of criminal charges.

To this end, IKB has established a whistle-blower system that is made available to employees to give notice of potentially criminal acts. The employees can use this system to notify the central office while maintaining confidentiality regarding their identity.

Employees can turn to the central office in person, by telephone or in writing in order to report breaches of statutory, supervisory or other legal requirements. If requested by the employee, all such notifications are treated in confidence to the extent permitted by law. Notifications may also be submitted entirely anonymously. No notifications were received in the period under review.

Existing business relations with suppliers and service providers are checked against lists of sanctions and politically exposed persons (PeP). For the financial year 2021, this has not given rise to any findings. In addition, the central office is included in the service provider management and risk analysis of material outsourced activities.

Regular mandatory training is carried out so that employees are fully aware of the requirements and regulatory developments. If necessary, training in certain topics is offered on an ad hoc basis. Digital training courses contain final assessments that must be successfully completed by the employees.

The money laundering officer and the central office report to the Board of Managing Directors and indirectly to the Chairman of the Supervisory Board at least once yearly and as required. This reporting also addresses the topics of bribery and corruption in connection with the prevention of other criminal acts. Group Audit then performs a subsequent process-independent audit of the propriety and economic efficiency of the principles, tools and procedures. The Bank-specific risk situation has been identified and the safeguards taken by the Bank to protect against fraud and prevent losses are appropriate and effective.

There were no cases of corruption for IKB in the period under review.

No fines were imposed on IKB or its employees in connection with money laundering, the financing of terrorism, other criminal acts or financial sanctions.

### 3. Disclosures required under the EU Taxonomy Regulation

#### 3.1. Obligatory reporting pursuant to Article 8 of the EU taxonomy regulation

The following tables and information describe in greater detail the fulfilment of requirements with regard to taxonomy eligibility in accordance with Article 8 of the EU Taxonomy Regulation (EU 2020/852). The EU taxonomy regulation is supplemented by Delegated Regulation (EU) 2021/2178. The FAQs published by the EU Commission on 20 December 2021 and 2 February 2022 were taken into account, which is why disclosures are divided into obligatory and voluntary information on the EU taxonomy regulation. The assets of the IKB Group were analysed and assessed with regard to their taxonomy-eligibility. For the 2021 reporting period, the following quantitative values were determined on the basis of gross carrying amounts pursuant to FINREP :

Key performance indicator	Description of the key performance indicator	Share of total assets
1	Share of taxonomy-eligible assets in total assets	3.59%
2	Share of taxonomy-non-eligible assets in total assets	21.52%
3	Share of governments, central banks and supranational issuers in total assets	17.11%
4	Share of derivatives in total assets	0%
5	Share of total non-NFRD-reportable companies in total assets	51.81%
6	Share of trading portfolio in total assets	0%
7	Share of current interbank loans in total assets	4.44%

Key performance indicators 1 and 2 only contain receivables from eligible counterparties reportable under the NFRD (Non-Financial Reporting Directive), which are classified as taxonomy-eligible or non-taxonomy-eligible on the basis of their intended purpose. In addition, IKB holds a significant share of 51.81% of assets from counterparties not subject to the NFRD (key performance indicator 5) which are not included in key performance indicators 1 and 2. These are primarily smaller companies in the SME sector that do not meet the qualitative or quantitative requirements for

classification as NFRD-reportable (e.g. revenues of at least €40 million, total assets of at least €20 million or total employees of at least 500) and are therefore classified as taxonomy-non-eligible.

With respect to key performance indicator 1, taxonomy eligibility for public programme loans and bonds from counterparties subject to the NFRD is determined on the basis of the intended purpose of the asset (public programme loans or green bond programmes; pursuant to the delegated regulation for Article 10 and 11/EU Taxonomy Compass). All other assets whose intended purpose is not known are classified as taxonomy-non-eligible. Assets from non-central governments (local and regional authorities) are included in key performance indicators 1 and 2.

In this context, it should be noted that the key performance indicators refer solely to environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation), as the reporting obligations for taxonomy eligibility must be implemented with regard to environmental objectives 1 and 2.

Key performance indicator 3 presents the share of central governments, central banks and supranational issuers in total assets.

As per the EU taxonomy regulation, banks that prepare their annual financial statements in accordance with the German Commercial Code (HGB) must report a zero for key performance indicator 4, as the derivatives held in the banking book are off-balance-sheet positions that do not have to be reported within the framework of the EU taxonomy regulation.

Key performance indicator 6 presents the share of the trading portfolio in total assets. Finally, key performance indicator 7 presents the share of current interbank loans in total assets.

### **3.2. Voluntary reporting pursuant to Article 8 of the EU taxonomy regulation**

In addition to the obligatory disclosures, IKB also reports on taxonomy-eligible assets as part of voluntary reporting. The NACE (*Nomenclature statistique des activités économiques dans la Communauté européenne* – statistical classification of economic activities in the European Community) code of the counterparty is used as an estimator for determining the taxonomy eligibility companies subject to the NFRD in the case of other assets whose intended use is not known or if the companies in question have not yet reported any information with regard to their taxonomy-eligible assets. Voluntary reporting is based on the same data as the obligatory reporting.

In the 2021 reporting period, the full presentation of the key figures in accordance with the EU taxonomy regulation (Regulation [EU] 2020/852) including obligatory and combined disclosures (obligatory and voluntary disclosures) is as follows:

Key performance indicator	Description of the key performance indicator	Share of total assets	Combined disclosures
1	Share of taxonomy-eligible assets in total assets	3.59%	7.03%
2	Share of taxonomy-non-eligible assets in total assets	21.52%	18.08%
3	Share of governments, central banks and supranational issuers in total assets	17.11%	17.11%
4	Share of derivatives in total assets	0%	0%
5	Share of companies not subject to the NFRD in total assets	51.81%	51.81%
6	Share of trading portfolio in total assets	0%	0%
7	Share of current interbank loans in total assets	4.44%	4.44%

In future, further assets may be conclusively classified as taxonomy-eligible on the basis of additional publicly available company data, resulting in an increase in taxonomy-eligible totals.

Düsseldorf, 29 April 2022

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