

Combined separate non-financial report of IKB 2024

1.1 Principles of Responsible Banking (PRB)

Summary Template - IKB Deutsche Industriebank 2024

Principle 1: Alignment	Principle 2: Impact & Target Setting	Principle 3: Clients & Customers
<p>IKB's business model is geared toward upper mid-sized German companies.</p> <p>Sustainability is an integral part of the business and risk strategy and a strategic goal for the entire bank. IKB supports the “green transformation” and offers sustainable finance products.</p> <p>Its strategy is based on international agreements such as the Universal Declaration of Human Rights, the ILO conventions, the Paris Climate Agreement, and the UN Global Compact.</p> <p>There were no significant changes in the reporting year.</p>	<p>IKB conducted its first impact analysis in the reporting year, using the context and identification module for institutional banking. The analysis focuses on the corporate customer portfolio in Germany.</p> <p>The bank records loan balances by risk country and sector. The German market accounts for 82.9% of the loan book. Only 2% of the loan portfolio is attributable to regions outside Germany and Western Europe. The largest sector allocations are in energy (9%), paper (6.8%) and mechanical engineering (6.1%). Based on this, “climate protection” and “adaptation to climate change” were identified as the key areas for action.</p> <p>Due to the current volatile situation with regard to regulatory requirements in the EU and Germany, IKB did not set any SMART targets for the identified impact areas in the reporting year but defined at least one “soft” target for each impact area.</p>	<p>IKB bases its cooperation with its stakeholders on the principles set out in its Code of Conduct.</p> <p>IKB supports the transition to a low-emission economy with sustainable finance and advisory services.</p> <p>In 2022, the bank developed a Green Loan Framework to create transparency in sustainability assessments. In 2023, the expansion through the Sustainable Finance Framework followed, which includes equity-financed corporate loans. Additionally, ESG advisory was introduced as a complement to the sustainable product portfolio, including regulatory consulting and awareness workshops.</p> <p>In addition, IKB has been offering project financing to its customers since April 2024. This is intended to finance transformation projects with long maturities in particular.</p>
<p>Links and references:</p> <p>Non-financial report 2024 p. 5-7, 10-11, 17-19</p> <p>Investor Relations Presentation 2024 p. 22</p>	<p>Links and references:</p> <p>Non-financial report 2024, p. 10-11, 17-19</p>	<p>Links and references:</p> <p>Non-financial report 2024 p. 10-13, 16-17, 17-19</p> <p>Sustainable Finance Framework</p> <p>Sustainability-related lending standards</p> <p>Investor Relations Presentation p. 22</p>

Principle 4: Stakeholders	Principle 5: Governance & culture	Principle 6: Transparency & Accountability
<p>IKB's sustainability communication focuses on the regular, active, and continuous involvement of stakeholders.</p> <p>The bank's key stakeholders are its customers, creditors, owners, and employees, as well as supervisory authorities, the general public, rating agencies, and media representatives.</p> <p>The bank maintains regular contact with institutional bond investors through its Investor Relations department in one-on-one meetings and investor calls. As part of its preparations for the CSRD, the bank worked with internal stakeholders during the reporting period.</p> <p>There were no significant changes in the reporting year.</p>	<p>IKB pursues a strategic, regulatory, and product-driven agenda in the ESG context. An ESG Steering Committee, with the participation and under the responsibility of the entire Board of Managing Directors, steers these issues and supports management in implementing targets and monitoring measures.</p> <p>The ESG culture is promoted through knowledge transfer and training. IKB is committed to diversity and inclusion, as demonstrated by its signing of the Diversity Charter and the Principles for Responsible Banking.</p> <p>Employees are informed about activities relating to environmental protection and sustainability through various channels. Experts in sustainable finance are trained and needs-based training on ESG topics is offered. The members of the Management Board and Supervisory Board have received internal and external training on ESG issues.</p> <p>There were no significant changes in the reporting year.</p>	<p>The sustainability information contained in this Communication on Progress has not been externally verified.</p>
Links and references: Non-financial report 2024, p. 10	Links and references: Non-financial report 2024 pp. 11-13, 16-17, 27-38 Code of Conduct p.12	

Supplements Template - IKB Deutsche Industriebank 2024

Principle 1: Alignment

IKB will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main business lines, customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, business areas or by disclosing the number of customers and clients served.

References:

Non-financial report 2024 p. 5-7, 10-11, 17-19

Investor Relations Presentation 2024 p. 22

Description of the business model:

The business model of IKB Deutsche Industriebank AG is geared toward the upper segment of German mid-cap sector. These include companies with annual revenues of more than €100 million that generally have a solid equity base and liquidity position and particularly low default rates.

As of December 31, 2024, IKB employed approximately 592 full-time employees. With an integrated approach combining regional sales, sector and product groups, IKB ensures that its customers receive needs-based and solution-oriented support. Personal support on site is provided by a sales network with six locations in various regions.

IKB's customer business focuses on lending, credit advisory and structuring advisory, including capital market products. As a specialist, IKB offers its customers access to public loan programs. In addition, IKB has been offering project financing to its customers since April 2024. This is intended to finance transformation projects with long maturities in particular. A total of 55% of the loan portfolio consists of promotional loans, 87% of which are promotional programs of the KfW banking group (KfW). IKB has a market share of 17.05% (December 31, 2024) in relevant KfW public programme loans. IKB's many years of expertise in public programme loans plays a central role in its ESG strategy.

Strategy alignment

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and other international frameworks such as the Kunming-Montreal Global Biodiversity Framework (GBF), the United Nations Guiding Principles on Business and Human Right (UNGPs), the forthcoming instrument on plastic pollution etc.

Include any other national and/or regional frameworks that your bank has a strategy to align with where relevant.

References:

Non-financial report 2024 p. 10-11

Investor Relations Presentation 2024 p. 22

IKB's business model is geared toward achieving sustainable positive results. In this way, the bank creates value for its stakeholders, in particular its customers, investors, employees, and their families. Furthermore, sustainability is an integral part of the business and risk strategy in accordance with MaRisk and a strategic goal for the entire bank.

IKB considers it an essential part of its corporate identity to make a relevant contribution to protecting the environment and society and promoting a sustainable economy. For this reason, sustainable action is an integral part of the company's strategy. IKB therefore implements targeted measures at both the corporate level and in its core business to achieve its economic, environmental, and social goals. IKB thus pursues the goal of playing an active role in the "green transformation" and continuously expanding its range of sustainable products and services. In doing so, IKB is guided by international agreements and guidelines such as the Universal Declaration of Human Rights, the conventions of the International Labor Organization (ILO), the Paris Climate Agreement, and the United Nations Global Compact.

Principle 2:
Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Impact analysis

Show how your Banks has identified, prioritised and measured the key impacts of its portfolio (both positive and negative). Specify the focus areas for target setting. Provide details on the following: Scope, portfolio composition, context and performance measurement.

The impact assessment should include an assessment of the relevance of the four priorities set out in Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector as part of the initial or ongoing impact assessment.

References:

Non-financial report 2024, p. 17 - 19

Scope:

IKB has conducted its first impact analysis using the UNEP FI Portfolio Impact Analysis Tool for banks. The context and identification module for institutional banking was used to analyze the loan portfolio as part of the analysis.

The impact analysis covered IKB's corporate customer portfolio in Germany. The analysis of the German business covered a significant portion of the bank's overall activities, around 83% of the total loan book.

The findings form the basis for identifying the key areas of influence of the loan book.

Composition of the portfolio:

For the impact analysis, outstanding loan balances were recorded by risk country and sector.

As a bank focused on German SMEs, IKB operates primarily in Germany. The share of other countries is very low. Accordingly, 82.9% of the loan book is attributable to the German market. Only 2% of the loan portfolio is attributable to regions outside Germany and Western Europe.

The largest sector allocations in the portfolio are in the energy (9%), paper (6.8%) and mechanical engineering (6.1%) industries.

In order to assess the scope of its loan book, IKB has integrated the NACE code industry classification into its identification module. Using the UNEP FI Impact Radar, the bank was able to identify areas in which IKB can reinforce positive impacts or minimize potential negative impacts.

Context:

IKB's portfolio composition focuses on Germany. Environmental aspects – particularly with regard to climate change – are therefore a top priority. Social and governance factors generally meet the high standards in Germany.

Regulatory authorities such as the ECB have set out clear expectations for the sustainable transformation of the financial sector, including in the ECB's guidance on climate and environmental risks. Banks, and IKB in particular with its long-standing expertise in promotional lending, play a key role in financing sustainable investments.

The focus of the promotional programs is on infrastructure financing with an emphasis on energy and resource efficiency, decarbonization, and resource-saving measures. IKB accounts for 17.05% of KfW's total new business volume in programs relevant to IKB. In addition, IKB also uses its own funds to finance investments, particularly in energy infrastructure, green buildings, and the energy-efficient renovation of buildings. This financing contributes in particular to the achievement of Sustainable Development Goals 7 "Affordable and clean energy" and 13 "Climate action."

Identification of the impact areas:

IKB is aware that the most significant impacts of its business activities are determined by the emissions it finances.

Therefore, after conducting an impact analysis in accordance with UN guidelines and taking into account its own analyses and other initiatives, IKB has identified the following key impact areas and central fields of action:

1. Climate change and
2. Adaptation to climate change

Performance Measurement:

IKB has decided to measure its performance in line with applicable regulatory requirements. This includes, in particular, disclosing the bank's carbon footprint at portfolio level in accordance with the PCAF standard and developing climate pathways for selected industries.

IKB is closely monitoring political and regulatory developments and will adapt its measures accordingly to meet its commitments.

Targets, Target Implementation, and Action Plans/Transition plans

Show that your bank has set and published a minimum of two SMART targets which address at least two different areas of most significant impact that your bank identified in its impact analysis. Once targets are set, explain the actions taken and progress made. Include details regarding: Alignment, Baselines, Targets, Target Implementation & Monitoring (and KPIs), Action Plans/ Transition plans and Milestones.

Banks are encouraged to disclose information on actions they are taking in the four priorities set out in "Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector (2024)".

References:

Non-financial report 2024, p. 10 - 11

The Bank's ESG approach is based on several key frameworks. In addition to the Paris Agreement and the Sustainable Development Goals (SDGs), it is guided in particular by applicable regulatory requirements, such as CSRD, the PCAF methodology for determining the carbon footprint, the EU taxonomy, and the creation of climate pathways for specific sectors. The requirements and expectations of the European Central Bank (ECB), the European Banking Authority (EBA), and the German Federal Financial Supervisory Authority (BaFin) are also taken into account.

At least one “soft” target has been defined for each of the two impact areas mentioned above. Due to the current uncertainties regarding regulatory requirements in the EU and Germany, IKB is not in a position at this time to establish a robust baseline on the basis of which the bank can define specific, measurable, achievable, realistic, and time-bound SMART targets.

Climate change:

- Mobilization of €3 billion to €4 billion in sustainable new business volume by the end of 2025 (new business volume as defined by the IKB Sustainable Finance Framework)
- Further development of reporting on financed emissions in accordance with the PCAF standard, depending on regulatory developments

Adaptation to climate change:

- Further development of the consideration of physical risks in lending

Principle 3:
Clients & Customers

We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for present and future generations.

Client and Customer engagement

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on the client engagement strategy including but not limited to the impact areas identified/ targets set, awareness raising activities with clients and customers, relevant policies and processes, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

References:

Non-financial report 2024, p. 10-13, 16-17
Sustainable Finance Framework
Sustainability-related lending standards

IKB sees ESG as an opportunity to deepen its customer relationships and promote sustainable growth. Responsible business is ensured by complying with all applicable laws and internal guidelines, supported by an effective compliance system. This approach ensures that IKB acts in the public interest, prevents criminal activity, and makes a positive contribution beyond its core business.

To support customers in their transition to a low-emission and green economy, the bank offers a needs-based range of sustainable finance and advisory services. The ESG-based lending process is based on three core elements: sustainability-related lending standards, ESG scoring, and the Sustainable Finance Framework.

For the purpose of sustainability-oriented management of new lending business, IKB has developed sustainability criteria for lending, published them in 2024, and integrated them into its risk management system. The sustainability-related lending standards comprise both general environmental and social standards to be observed in the lending business and specific standards for individual sectors. The general environmental standards make it clear that financing or participating in activities, transactions, or projects that expose the environment to significant and lasting damage (e.g., destruction of rainforests, pollution of land, air, or water) is not in line with the bank's corporate strategy. The specific standards apply to the sectors "energy," "wood, pulp, and paper," "mining," "agriculture and forestry," and "fishing and aquaculture." The standards are binding and thus contribute to increasing the Bank's positive contributions to sustainable transformation and reducing its negative contributions. Their publication makes it clear and transparent to all of the Bank's stakeholders for which financing purposes the Bank is generally available.

When making individual lending decisions, relevant sustainability information is evaluated using a sustainability checklist or an ESG scoring tool, and ESG aspects are systematically taken into account. The ESG scoring tool, which assesses ESG risks from both a risk and an impact perspective, was introduced in 2024. The scoring of all IKB's corporate and real estate customers (with the exception of customers with MaRisk status "resolution" or whose group business volume does not exceed €750 thousand) will be completed in the 2025 financial year, replacing the sustainability checklist for these exposures.

IKB developed a green loan framework at the beginning of 2022. This has enabled it to position itself in the area of sustainable finance and provide its customers with transparency regarding its own assessment criteria and understanding of sustainability. To strengthen its commitment to supporting its customers in their transition to a more environmentally and/or socially sustainable future, IKB has expanded its existing Green Loan Framework to include corporate loans financed from its own funds with the Sustainable Finance Framework, thereby creating a holistic view of IKB's sustainable product positioning. The IKB Sustainable Finance Framework takes into account both the United Nations Sustainable Development Goals (SDGs) and the European EU Taxonomy Regulation for sustainable activities. IKB's Sustainable Finance Framework is based on various guidelines in the context of ESG products of the Loan Market Association (LMA). In particular, the Green Loan Principles (GLP) and the Sustainability-Linked Loan Principles (SLLP) were used as the basis for this document. The framework has been reviewed and certified by the internationally renowned ESG certifier ISS ESG.

Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how your bank has developed these in the reporting period. Provide information on sustainability-related products and services and frameworks in place that support the transition needs of clients, size of the sustainable finance portfolio in USD or local currency and/or as a % of your bank's portfolio,* and which SDGs or impact areas your bank is striving to make a positive impact on (e.g. green mortgages—climate, social, sustainability bonds—financial inclusion, etc.).

* Provide information on the sustainable finance frameworks/standards/taxonomies used to label sustainable finance volumes

References:

Non-financial report p. 17-19

Investor relations presentation p. 22

Sustainability is already firmly anchored in IKB's product range. In 2023, the IKB Sustainable Finance Framework was established, which provides a holistic view of IKB's sustainable product positioning. As a further lever for the transformation of the industry, ESG Advisory was introduced as an additional product to complement the existing sustainable product portfolio. This includes supporting customers in meeting regulatory requirements and offering awareness workshops. In combination with IKB's public programme loans advisory services, this promotes awareness of sustainable finance.

In fiscal year 2024, IKB introduced project financing as an additional financing instrument for transformation projects. Project financing is of central importance for promoting sustainability, as it enables the financing of large-volume, long-term projects. These include, in particular, transformation projects such as the construction of renewable energy plants, investments in the circular economy, and environmentally friendly infrastructure measures. These projects make a significant contribution to reducing greenhouse gas emissions and protecting natural resources. The importance of project financing for the green transformation is also evident in its close links with government support programs.

In 2024, sustainable finance products were financed in accordance with the IKB Sustainable Finance Framework with a total volume of ~€0.7 billion and mobilized a total of ~€1.7 billion.

Principle 4:
Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Stakeholder identification and consultation

Describe which stakeholders (or groups/types of stakeholders) your bank has identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of the bank's engagement strategy following criteria for effective engagement and advocacy, how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

References

Non-financial report 2024, p. 10

IKB's sustainability communication focuses on the regular, active, and continuous involvement of stakeholders. The bank's key stakeholders are its customers, creditors, owners, and employees, as well as supervisory authorities, the general public, rating agencies, and media representatives. The bank maintains regular contact with institutional bond investors through its Investor Relations department in one-on-one meetings and investor calls. As part of its preparations for the CSRD, the bank worked with internal stakeholders during the reporting period.

Principle 5:
Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Governance Structure for Implementation of the Principles

Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts (including accountability at the executive leadership level, clearly defined roles and responsibilities for sustainability matters in internal processes, etc.) and support the effective implementation of the Principles.

References:

Non-financial report 2024, p. 11-13, 27-38

Code of Conduct p.12

The bank pursues a three-pillar approach comprising strategy, regulatory compliance, and products, from which courses of action and individual measures have been derived. A specially convened ESG steering committee, with the participation and responsibility of the entire Board of Management, oversees the implementation of the initiatives. The further development of the ESG culture within IKB is promoted through measures such as systematic knowledge transfer. Due to the interdisciplinary nature of ESG, large parts of IKB are affected by this topic.

If there are indications of violations of legal and regulatory requirements, internal business and risk strategy guidelines, written rules, or the Code of Conduct, employees can always talk to their manager. If the employee does not consider this to be appropriate or sufficient, a report can be submitted via the whistleblowing system set up by the "Central Office." Whistleblowers are subject to special protection. At their request, their identity will be treated confidentially by the bank in accordance with legal requirements. It is also possible to report violations anonymously.

Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, learning & development, sustainability training for relevant teams, inclusion in remuneration structures and performance management and leadership communication, amongst others).

References:

Non-financial report 2024, p. 27-38

Code of Conduct p.12

IKB is committed to diversity and inclusion. This commitment is framed by the signing of the Diversity Charter, German laws such as the General Equal Treatment Act, and IKB's Code of Conduct. IKB informs its employees about its activities relating to environmental protection and sustainability through various channels. This is done, for example, via the intranet or the bank's ESG podcast.

In addition, experts in sustainable finance are trained and basic training courses on a wide range of ESG topics are offered as needed. The members of the Management Board and Supervisory Board have received internal and external training on ESG.

IKB's transformation toward sustainability is an ongoing and holistic process that is constantly being adapted to new circumstances. Sustainable human resources management therefore also stands for a cultural change that the bank is supporting. This is essential for the bank's success and survival, which is why the sustainable orientation of human resources work is a key strategic issue. IKB's human resources development strategy is derived from the corporate strategy. IKB's goal is for employees to identify with IKB, its values, and its strategic orientation.

<p>Risk and due diligence processes and policies</p> <p>Describe what processes your bank has installed to identify and manage environmental and social risks associated with your bank’s portfolio. This can include aspects such as identification of significant/salient risks, due diligence processes, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures your bank has in place to oversee these risks.</p>
<p>References:</p> <p>Non-financial report 2024, p. 11-13, 16-17</p>
<p>In order to prevent any negative impact of the Bank's business activities on the environment and society and to avoid or reduce any risks that may arise from this, approaches have been developed for identification (ESG risk driver analysis), assessment (quantitative and qualitative assessment of materiality, stress tests) and reporting (integration of sustainability risks into existing risk reports). As part of individual credit decisions, relevant sustainability information is evaluated using a sustainability checklist or an ESG scoring tool, and ESG aspects are systematically taken into account. The ESG scoring tool, which assesses ESG risks from both a risk and an impact perspective, was introduced in 2024. The scoring of all IKB corporate and real estate customers (with the exception of customers with MaRisk status “resolution” or whose group business volume does not exceed €750 thousand) will be achieved during the 2025 financial year, replacing the sustainability checklist for these exposures.</p>

<p>Principle 6:</p> <p>Transparency & Accountability</p>
<p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.</p>
<p>The information provided in the Responsible Banking Progress Statement is sufficient. If third-party assurance has been undertaken, provide details on the scope of assurance and the reference/link to the Independent (Limited) Assurance Report</p>
<p>IKB has dealt extensively with the UNPRB requirements in connection with the signing. It intensified this work further in the reporting year and is continuously integrating the findings into its strategic initiatives and processes. The information on sustainability contained in this statement of progress has not been externally verified.</p>