

Combined Separate Non-Financial Report 2022

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1. Introduction

1.1. Business model

The business model of IKB Deutsche Industriebank AG (IKB is used as a synonym for the Group and IKB AG for the individual company) is focused on the German upper midmarket, mainly comprising companies with annual revenues of more than €100 million. IKB has access to approximately 2,400 focus customers including 450 existing customers. German corporate customers in the upper midmarket are among IKB's preferred target groups due to 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 pronounced understanding of the concerns of mid-cap companies. As it has the structures of a small to medium-sized enterprise itself, IKB is familiar with its customers' needs to a particular degree. Competence and mutual trust are fundamental values underpinning customer relations. The corporate values – “professional”, “committed” and “reliable” – are the values by which IKB measures itself.

IKB concentrates on its strengths, adopting lean structures at an early stage and has reduced its costs since 2015, driven its digital transformation forward and clearly defined its business segments. The Public Programme Loans segment includes income and expenses from public programme loans granted to mid-cap customers 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.

Since it was founded in 1924, IKB has been an independent private bank with close relationships to German companies and entrepreneurs, specialising primarily in long-term corporate and project finance. As of 31 December 2022, IKB employed 551 employees (full time equivalents) and, with six locations, has a sales network covering all regions of Germany. Its integrated business approach comprising regional sales, industry 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. Every corporate customer advisor has the knowledge needed to provide professional advice to companies in the upper midmarket concerning appropriate public programme loan solutions, supported by a highly specialised development loan product team.

As part of its liquidity management, the Bank invests in securities with good credit ratings on the capital market. Standard derivatives that are mostly transacted with central counterparties are used to manage the risk to which this portfolio is exposed.

As of 31 December 2022, IKB had a share of 2.7% in the market for long-term corporate loans in Germany. 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 13.4%. IKB's competitors are large universal banks as well as a number of larger institutions from the public banking sector.

IKB is an institution with a solid Tier 1 capital base. It is able to draw on a stable and diversified deposit base for funding its operations. Private investors (via pure online banking) and corporate customers are offered investment opportunities that contribute to the financing of Germany's mid-cap sector. This is supplemented by the use of public loan programmes for mid-cap companies, which do not require any further funding on the part of IKB. Exposure to the capital market is low. As part of a joint venture with Hypoport SE, IKB acquired a 30% share of FUNDINGPORT GmbH and

established its own IKB sales platform called IKB Finanzierungsmarktplatz. Since 1 January 2022, this platform has been arranging finance projects mostly between customers with annual revenues of between €10 million and €100 million and banks via the FUNDINGPORT GmbH platform.

IKB is subject to supervision by the German regulatory authorities, i.e. the German Federal Financial Supervisory Authority (BaFin) and the German Bundesbank. IKB is currently not classified as a systemically relevant institution.

Regulatory law gives rise to a framework that can also influence the business model. One burden arises from the continuously changing conditions for integrated performance and risk management that have evolved and will continue to do so as a result of the various regulatory requirements and interpretations. These regulatory requirements now touch upon almost all areas and processes and are woven into the entire organisational and operational structure. For this reason, a high level of cost discipline, particularly also in the implementation of regulatory requirements, close management of risk-weighted assets and anticipation of possible future regulatory requirements remain highly relevant for the business model. In addition, IT security together with the need to establish an IT architecture that efficiently ensures flexible and timely reporting is growing in importance. In addition, IKB is investing in its further development and has initiated a corresponding project portfolio for the coming years. In addition to implementing regulatory requirements, this also serves the purpose of steadily modernising the core bank systems for the digitalisation of business processes and further strategic developments. IKB intends to publish the non-financial Group report for the 2022 financial year pursuant to section 340i (5) of the German Commercial Code (HGB) in conjunction with section 315b HGB, which is combined with the parent company's non-financial report pursuant to section 340a (1a) HGB in conjunction with section 289 HGB on its website at <https://www.ikb.de/en/investor-relations/reports-and-presentations> at the end of April 2023.

1.2. Importance of sustainability for IKB

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, investors and employees and their families. IKB has the trust of its customers and business partners and the public in particular because IKB is solution- and results-driven and because all IKB's employees conduct themselves responsibly and in compliance with regulations. This trust is of great importance for the Bank's reputation.

The values of "professional", "committed" and "reliable" shape the way IKB acts in all internal and external business activities and towards regulatory authorities. IKB's Code of Conduct serves to raise employees' awareness of this requirement and the associated ethical and moral values and principles of conduct. The Code of Conduct forms the binding guidance framework for IKB's corporate and risk culture and is the basis of the rules in the business and risk strategy and IKB's written rules.

Sustainability at IKB is based on the three ESG pillars of environmental, social and governance aspects. ESG impacts large parts of IKB. An appropriate organisational structure was created to implement the diverse tasks: IKB pursues a strategic, regulatory and product-driven agenda here. The development of these three strands of action is monitored and managed by an ESG steering committee under the responsibility of the entire Board of Managing Directors.

IKB is implementing ESG and sustainability measures step by step at all levels of the Bank and has firmly entrenched its ambitions in its business strategy. It is seeking to become one of the relevant, sustainable providers of finance for mid-cap companies in Germany. Reflecting this, IKB developed a Green Loan Framework at the beginning of 2022, thus initially positioning itself in the area of sustainable finance and offering its customers transparency with respect to its own valuation benchmarks and its understanding of sustainability. IKB is expanding the existing Green Loan Framework to include internally financed loans with the IKB Sustainable Finance Framework presented in March 2023 at the "Green

FINANCE” conference, a digital conference for green financing, thus defining its sustainable product positioning. Sales staff and customers therefore have a convincing and transparent method for evaluating sustainability in the lending process. New, sustainable products are also being offered to this end. IKB is aiming for a new business volume of sustainable credit products of €3 to €4 billion by the end of 2025. The IKB Sustainable Finance Framework has been reviewed by the internationally renowned ESG certifier ISS ESG. The results of this review were documented in a second party opinion and published on IKB’s website (<https://www.ikb.de/esg>).

IKB’s many years of expertise in public programme loans plays a key role in the ESG strategy. Already today, just under 50% of IKB’s loan portfolio is based on KfW public programme loans. IKB is active in KfW Group’s pass-through business and has a high level of expertise in various complex public programme loans that also aim to reduce carbon dioxide emissions.

IKB is a member of the United Nations Environmental Programme Finance Initiative (UNEP FI). The aim of the UNEP FI is to integrate environmental aspects into the services of the financial sector. Building on this, IKB committed to the United Nations Principles for Responsible Banking (UNPRBs) in December 2022. The UNPRBs provide signatory financial services providers with a framework for aligning banking strategies and business practices with the vision of a society in line with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement (2015). As a signatory to the UNPRBs and with the associated membership of UNEP FI, IKB is clearly committed to climate protection and sustainable action.

In 2021, IKB also committed to and signed the German Diversity Charter, a corporate initiative to promote diversity in companies and institutions. The Bank is convinced that diverse teams and mixed management levels lead to better decisions in the long term. Different ideas and perspectives help drive innovations, manage risks and keep the business model running successfully over the long term. Signing the Diversity Charter is a commitment to diversity by IKB.

Corporate climate and environmental protection

With regard to environmental and climate protection, IKB takes into account the responsible, sustainable and careful treatment of the environment in its business activities. The Bank is therefore committed to the targets of the UN’s Paris Climate Agreement (2015). IKB is also a member of the Association for Environmental Management and Sustainability in Financial Institutions (*Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. – VfU*). By using the internationally recognised VfU indicator tool, the Bank is applying an established standard for the accounting of operational environmental indicators and its own operational environmental footprint. This is based on international environmental and climate reporting requirements, such as the Greenhouse Gas (GHG) Protocol.

IKB has calculated its operational emissions for 2019 to 2021 in accordance with the VfU standard and has reported them for the first time here. These three years were impacted by the pandemic but also by restructurings and reductions in floor space at the Düsseldorf head office and the branches. In the last few years, IKB has gradually implemented an open office strategy at its branches and is convinced that a variable and open floor space strategy will make communication culture and collaboration in the Bank more transparent and flexible. Both the change in the office strategy and also the Covid-19 pandemic, when the employer side massively expanded the option of working from home, were key drivers in reducing rented floor space by around 40% in 2019 to 2021. Moreover, in the field of building ecology, IKB replaced conventional lighting with LEDs during this period.

IKB sees additional operational emissions savings potential in buildings’ energy consumption, the operation of IT and business mobility. IKB has therefore taken various steps in these areas in particular and was thus able to reduce its CO₂ emissions to 1,590 t of CO₂ equivalents in 2021. This is equivalent to an approximately 38% reduction from 2019 to 2021. When the carbon footprint was surveyed and analysed for the first time, however, IKB also identified emission reduction measures that should allow emissions to be reduced by a further 15% to 25% by the end of 2025.

IKB is the tenant and not the owner of its branches. The majority of the branches already use electricity from renewable sources. In the next few years, this is to be further expanded both for the rented space and for purchased external services (Scope 3).

Greenhouse gas emissions (in t of CO₂ equivalents)

	2021	2020	2019
CO ₂ e emissions (Scope 1-3), total	1,590	1,768	2,568
of which direct CO ₂ emissions (Scope 1)	565	722	1,230
of which indirect CO ₂ emissions (Scope 2) – market-based	187	167	166
of which other indirect CO ₂ emissions (Scope 3)	838	878	1,172

The table shows IKB's CO₂ emissions in accordance with the categories of the Greenhouse Gas (GHG) Protocol. Scope 1 refers to directly caused emissions, for example through the consumption of fossil fuels. Scope 2 comprises the indirect emissions as a result of purchased energy used, such as electricity or district heating. Scope 3 covers other indirect emissions in the upstream and downstream value chain. At IKB, this includes paper and water consumption but also business travel. Furthermore, electricity consumption by the central external IT service provider was included.

The evaluation covers all of the Bank's six locations and thus 100% of the office space used. Extrapolations or estimates were only used as approximations to a very low degree where actual data was not available for the Bank as a tenant of the spaces.

1.3. Process for determining material topics

The responsible representatives of the divisions/staff departments of Finance, Compliance and Legal, Human Resources, & Pricing, Strategy/ESG & Organisation, Risk Controlling, Investor Relations were consulted to determine IKB's material sustainability topics. 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 "Chapter 2. Topics included in reporting"). The key points for determining materiality include the materiality of these topics in terms of IKB's business activities and their impact on the sustainability aspects. 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 mitigate climate change and makes a relevant contribution to supporting the transition to a lower-CO₂ 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 corporate loans are granted.

In line with the BaFin guidance notice on dealing with sustainability risks, IKB does not classify sustainability risks as a separate risk type but as a risk driver for the established risk types. In a risk driver analysis, the Bank analysed in detail the extent to which various risk drivers from the environmental, social and governance dimensions (may) impact the counterparty-default, market-price and liquidity risks and the Bank’s operational and strategic risks. Its business model means that IKB is primarily affected by sustainability risks in the lending business. This is primarily a matter of being indirectly affected both by physical and by transitory risk drivers through the Bank’s 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 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 currently only excludes products and borrowers that are not justifiable for moral reasons or that may damage IKB’s reputation (e.g. narcotics, arms dealing, prostitution etc.). It currently deliberately refrains from a general exclusion of industries that goes beyond this (e.g. so-called brown industries). Instead, the Bank takes a best-in-class approach and focuses on an industry’s economically healthy potential borrowers with a sustainable and future-oriented strategic alignment. Environmental, climate, social and governance aspects are particularly taken into account in the sector analyses and for the purpose of specific lending decisions in the development loan business. The result is that new business is only very selectively undertaken in individual sectors strongly affected by the structural change.

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. Sustainability risks are currently being fully integrated into the risk management cycle at IKB as part of a project. This includes introducing 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 with an alignment to ESG. As a lender with comprehensive advisory services and tailored financing concepts, IKB contributes to safeguarding the future of Germany's mid-cap companies. In addition, 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 in discussions with customers.

Due to the climate protection ambitions of the EU and the German government and strengthened by the volatile energy markets, the focus is in particular on loan programmes with an emphasis on energy efficiency, resource efficiency and decarbonisation. Topics such as carbon footprint and sustainability are playing an increasingly important role at management level for IKB's customers. Many manufacturing companies are now looking to supply part of their own energy needs themselves with renewable energies and are looking into investments in wind farms or solar parks. Public funding programmes are already on offer for a number of these topics. The EU and the current German government are expected to add further programmes here. Despite an economically challenging overall situation, IKB expects stable demand in view of this.

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. IKB put approximately 230 green loan certificates with a volume of €2.6 billion on the market by the end of 2022. The Green Loan Framework was expanded by the IKB Sustainable Finance Framework in March 2023. This framework was assessed by the ESG certifier ISS ESG and the results of this review were documented in a second party opinion. On this basis, IKB is able to declare not only public programme loans but also equity financing sustainable. This is an important step to be able to meet the increasing demand for sustainable financing solutions and make a measurable contribution to the transformation of the German economy.

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 agreed 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. In the public programme loan consultation, the available funding options are examined at an early stage in the investment planning process and financing concepts are developed on this basis. The financing solution must offer benefits to the customer and be sustainably economically viable for IKB.

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, which is regularly assessed by the sales management.

By taking this approach to business, IKB makes a considerable contribution to reaching climate targets, with a special focus on the established midmarket. With its good position in public programme loans, IKB was able to continue support of its customers with the special KfW loan programmes. In 2022, new business volume was valued at €2.7 billion (previous year: €3.0 billion). It was impacted by very selective lending in connection with high economic uncertainties and the greater focus on good credit standings. The proportion of internally funded new business stood at 62% (previous year: 66%). Already today, just under 50% of IKB's loan portfolio is based on KfW public programme loans. IKB is active in KfW's pass-through business and holds significant market shares in various complex public programme loans that also aim to reduce carbon dioxide emissions. In 2022, its share in total KfW new business stood at 13.4% in the programmes relevant to it. This pronounced expertise in public programme loans is to play a material role in the Bank's ESG strategy.

2.2. Professional qualification – employee aspects

IKB hired 72 new employees in the financial year 2022. 50 of them are professionals and 22 are junior employees (students on dual study courses, trainees, interns and working students). The search for qualified managers and specialists on the competitive employment markets remains challenging due to the skills shortage. This makes it all the more important for IKB to continuously identify high-potential employees and successfully develop them further.

IKB's headcount KPIs

	31 December 2022	31 December 2021
Employees (FTE)		
Employees total ¹⁾	551	548
of which female	195	191
of which male	356	357
of which full-time employees	474	473
of which part-time employees	77	75
of which female	63	63
of which male	14	12
Apprentices (including dual students) ²⁾	21	18
Fixed-term employees (number of cases)	2	1
Age		
Average age (years)	47.0	46.8
Structure (amount)		
Over 60 years of age	27	21
Between 51 and 60 years of age	214	201
Between 31 and 50 years of age	295	317
Under 30 years of age	53	47
Others		
Average job tenure (years)	14.5	14.6
Staff turnover rate (employee-initiated) in %	6.0	3.7
Sickness rate	3.3	1.7

1) of which trainees: 9 as of 31 December 2022 and 9 as of 31 December 2021

2) for information: not included in the total headcount

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 engages in open dialogue. The managers are regularly informed about new developments in the Bank and exchange views annually at a management conference.

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 Bank, 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 binding 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 determining the Bank's actions externally with regard to customers.

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 including gender equality and direct and indirect discrimination, for example with respect to female part-time employees.

Additionally, already 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 2022, IKB therefore launched a Female Talents Programme, which promotes the development of the Bank's female employees with high potential. In addition, all managers and employees receive training on the subject of unconscious bias. In addition, the Bank is involved in the Women into Leadership e.V. initiative and the ICF Equal Opportunities for Women Initiative (*ICF Initiative Chancengleichheit für Frauen*).

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 stands out due to already meeting the social components of the ESG criteria to a high degree. The Bank's activities that contribute to the respective sustainability components are collected in a separate "ESG" menu item on <https://www.ikb.de/esg>. 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. These are identified and individually defined in annual development reviews. The available training is concentrated around needs-oriented professional seminars. Methodological and behavioural training, job shadowing, mentoring programmes, foreign language courses and management seminars are also offered, for example. Since the coronavirus crisis, a large number of training measures have been switched to digital or hybrid formats. In the financial year 2022, there were approximately 300 qualification measures with a total of 6,150 participants.

The working environment at IKB is increasingly characterised by new challenges and rising demands. 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 this reason, enterprising specialists who think entrepreneurially, act quickly and flexibly and create efficient, innovative solutions work in all areas of IKB. IKB thus offers employees varied and self-dependent work and gives them great freedom to shape the way they work.

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 six new dual students in the financial year 2022. 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 and interns on a needs-oriented basis. From 2023, the initial training at FOM University of Applied Sciences for Economics and Management, the trainee programme and the intern programme will be expanded even further. This included introducing two new dual study courses (business administration and management & digitalisation). The expansion of the IKB junior employee programme is a necessary tool for the Bank in light of the need to secure the future and for a balanced age structure. This creates a trained and qualified pool of potential that IKB can call on when needed. The aim is to retain junior talent at the Bank in the long term.

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. In 2022, IKB held another health day at the Düsseldorf head office and supplemented it with a selected online offering. 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. Through the work-life service's information consultations and qualified agency services – for example a nursing and care agency and a

family service with holiday and emergency care for children – IKB employees can obtain 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", already 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. To the extent operating needs allow, the choice of work location within Germany is flexible. In addition, every IKB full-time employee can work from home at least two days a week. 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 also participates in the German Federal Ministry for Family Affairs, Senior Systems, Women and Youth's Compatibility Progress Index.

IKB actively embraces its social responsibility and concentrates on initiatives that support people in difficult life circumstances and help them manage their daily challenges. This includes Düsseldorf initiatives in the area of education, social injustices and human rights. In significant current events, such as the Ahr floods or the Ukraine war, the Bank helps locally with donations. Employees donate the last cents, euros or also one-off amounts from their net salary for charitable causes with the "Rest-Cent campaign", which is part of social engagement by the employees and the Bank. IKB doubles the total amount at the end of each financial year, and it is then donated to social and cultural initiatives and environmental projects across Germany.

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 Compliance & Legal department. The central office supports and advises company 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 is 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 on a monthly basis. 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 and external parties to report potentially criminal acts.

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). 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 criminal acts. Group Audit then performs a subsequent process-independent audit of the propriety and economic efficiency of the principles, tools and procedures.

In the reporting period, there were no cases of corruption.

3. Disclosures required under the EU Taxonomy Regulation

In accordance with Article 8 of the EU Taxonomy Regulation (EU/2020/852), companies must disclose their environmentally sustainable economic activities. An economic activity is to be classified as taxonomy-eligible if it is listed in the technical screening criteria. An economic activity is to be classified as environmentally sustainable or taxonomy-aligned if it additionally meets the requirements in the technical screening criteria.

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The reporting obligations are specified in the Delegated Regulation on Article 8 of the EU Taxonomy Regulation (EU/2021/2178). For the 2021 and 2022 financial years, seven key figures are initially to be reported for banks, including on taxonomy eligibility. Reporting on the taxonomy-aligned economic activities within the framework of the Green Asset Ratio is planned for the 2023 financial year.

IKB's assets were therefore analysed and reviewed with regard to their taxonomy-eligibility. For the 2022 financial year, the following quantitative values were determined on the basis of gross carrying amounts pursuant to the FinRep report (harmonised financial reporting requirements):

Key performance indicator	Description of the key performance indicator	Revenue-based as of 31 December 2022	Capex-based as of 31 December 2022	31 December 2021
1	Share of taxonomy-eligible assets in total assets	2.12%	2.43%	3.59%
2	Share of taxonomy-non-eligible assets in total assets	11.52%	11.21%	21.52%
3	Share of central governments, central banks and supranational issuers in total assets	20.00%		17.11%
4	Share of derivatives in total assets	0%		0%
5	Share of companies not subject to the NFRD in total assets	62.86%		51.81%
6	Share of the trading portfolio in total assets	0%		0%
7	Share of current interbank loans in total assets	1.89%		4.44%

Key performance indicators 1 and 2 only contain receivables from counterparties subject to the NFRD (Non-Financial Reporting Directive), which are classified as taxonomy-eligible or non-taxonomy-eligible on the basis of their intended purpose and the counterparties' published key figures. Assets from non-central governments (local and regional authorities) are also included in key performance indicators 1 and 2. In addition, IKB holds a significant share of 62.86% (previous year: 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 according to EU Directive 2013/34, Article 19(a) and Article 29(a) (e.g. capital market-oriented, revenues of at least €40 million, total assets of at least €20 million or total headcount of at least 500) and are therefore classified as taxonomy-non-eligible.

The denominator of the Green Asset Ratio to be reported from the next financial year does not include all assets, but excludes the risk exposures towards central government, central banks and supranational issuers and the trading portfolio. Based on this denominator, IKB's share of taxonomy-eligible assets is 2.65% (revenue-based) and 3.04% (capex-based).

With respect to key performance indicator 1, taxonomy eligibility for public programme loans and bonds is determined on the basis of the intended purpose of the asset (public loan programmes or green bond programmes) on the basis of the technical screening criteria (EU/2021/2139) and the addition of economic activities in the nuclear energy and fossil gas areas to the technical screening criteria (EU/2022/1214).

All further assets were classified on the basis of the key figures regarding their taxonomy eligibility that were published by the counterparties as of 31 December 2021. These were taken into account by IKB as follows:

- For non-financial companies as counterparties: gross carrying amount of the asset multiplied by the taxonomy-eligible revenue share of the company (taken into account in the revenue-based share of the taxonomy-eligible assets) or multiplied by the taxonomy-eligible capex share of the company (taken into account in the capex-based share of the taxonomy-eligible assets).
- For banks as counterparties: gross carrying amount of the asset multiplied by the taxonomy-eligible share of the bank's assets (taken into account both in the revenue-based and in the capex-based share taxonomy-eligible assets).

The remaining share of assets is taken into account in key performance indicator 2.

The key performance indicators refer solely to environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation).

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.

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The disclosure of the reporting forms on the economic activities in the nuclear energy and fossil gas areas (EU/2022/1214) will be made for the first time in the non-financial report for the 2023 financial year on the basis of the transitional provisions pursuant to Article 10 (3) of the Delegated Regulation on Article 8 of the EU Taxonomy Regulation (EU/2021/2178). Moreover, IKB's counterparties have not yet reported their economic activities, and therefore disclosure for the 2022 financial year is not possible.

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