

# »»» Report of the Board of Supervisory Directors 2019

# Looking to the future

## Report of the Board of Supervisory Directors 2019

KfW IPEX-Bank is responsible for export and project finance within KfW Group. As of the end of December 2019, nearly 800 employees worked at its headquarters in Frankfurt and ten locations outside Germany.

During the past financial year, the Board of Supervisory Directors continued to fully carry out its duties of monitoring and advising the Management Board and cooperating closely with the Management Board. It was informed by the Management Board of all significant developments at the company in a timely, proactive and comprehensive manner, and was satisfied of the due and proper conduct of business. The Board of Supervisory Directors was involved in all decisions of major importance for the company and granted its approval in relevant cases, where required, following extensive consultation and review. A focal point in 2019 was KfW IPEX-Bank's future strategic direction in the context of the current market environment and the associated possibility of the bank falling under ECB supervision.

### Meetings of the Board of Supervisory Directors

In accordance with its Rules of Procedure, the Board of Supervisory Directors again held an ordinary meeting each quarter in 2019. It was provided with regular updates from the Management Board on the bank's results, risk situation and current business development. It received relevant risk and performance reports as well as the interim financial statements and discussed these at length. In a strategy discussion at the meeting of the Board of Supervisory Directors in the first quarter, the Management Board and Board of Supervisory Directors debated in detail all aspects of the further development of the business model.

The Board of Supervisory Directors was supported in its duties by five committees, each consisting of four members of the Board of Supervisory Directors. In accordance with their respective areas of responsibility, these committees examined current issues in depth, prepared recommendations and reported accordingly to the Board of Supervisory Directors.

The **Executive Committee** is primarily responsible for personnel matters in relation to the Management Board and for the bank's management policies. It monitored compliance with the Management Board's Rules of Procedure and advised the Board of Supervisory Directors regarding the annual evaluation of the structure, size, composition and performance of the Management Board and the Board of Supervisory Directors. The committee met four times during the reporting year.

The **Remuneration Control Committee** dealt mainly with the remuneration strategy and the process for identifying risk takers. It also supported the Board of Supervisory Directors with monitoring duties to ensure that systems of remuneration for the various groups (Management Board, employees, head of the risk controlling function, head of the compliance function and risk takers) were appropriate. It examined the suitability of the remuneration system for members of the Management Board and the compatibility of this system with the corporate strategy geared towards the company's sustainable development, and made a recommendation in this regard to the Board of Supervisory Directors, also to be put to the shareholder. In addition, it assessed the impact of these remuneration systems on the company's risk, capital and liquidity situation, as required by the German Remuneration Ordinance for Institutions (*Institutsvergütungsverordnung – IVV*). The committee was able to consult with KfW IPEX-Bank's Remuneration Officer at all times when performing its supervisory duties. Five committee meetings took place during 2019.

The **Risk Committee** is responsible for advising the Board of Supervisory Directors on the current risk situation, future risk tolerance and the risk strategy, and helps it to monitor implementation of this strategy. During its meetings, risk reports and risk-specific developments in selected portfolios were discussed in detail. The committee monitored implementation of the risk culture and examined whether the incentives set within the remuneration system take sufficient account of the company's risk, capital and liquidity structure and of the probability and

due dates of income. It ensured that the strategies are commensurate with the company's specified risk appetite. The committee met four times during the reporting year.

The **Audit Committee** deals primarily with accounting matters and monitors the underlying process. Another core responsibility is to closely monitor the performance of audits by the auditor and to oversee the swift resolution of any deficiencies identified by the auditor. The committee recommended that the Board of Supervisory Directors approve the annual financial statements as of 31 December 2018 and the 2018 management report. The Audit Committee also received detailed reports on the resolution status of audit findings regarding the IT and Internal Auditing departments, both outsourced to KfW, as well as on regulatory audits performed during the current financial year. Further areas covered by the committee included monitoring the effectiveness of the risk management system, in particular the internal control system (ICS) and the Internal Auditing department. It held five meetings during 2019.

The **Loan Committee** is responsible for final approval of loans. In 2019, it took decisions on a total of 31 loan applications at the appropriate authorisation level and passed three resolutions on employee loans, two of which were anticipatory resolutions. The committee met nine times during the reporting period.

There were two instances where a member of the committee abstained from voting due to a conflict of interest.

Within the framework of their respective areas of responsibility, these committees addressed relevant issues in detail and, where appropriate, made recommendations to the Board of Supervisory Directors. The work of the committees was reported regularly and in detail in subsequent meetings of the Board of Supervisory Directors. The recommendations made by the committees during the reporting year were confirmed by the Board of Supervisory Directors without exception.

### Training courses

Apart from the strategy discussion, KfW IPEX-Bank held two additional advanced training seminars for the Board of Supervisory Directors and the Management Board in 2019, covering the topics of 'Effective Cooperation between the Board of Supervisory Directors and the Management Board' and 'IT Security & Cyber Security'.

### Changes to the Board of Supervisory Directors

There were no changes to the composition of the Board of Supervisory Directors or its committees in 2019.

### Audit of the 2019 annual financial statements

Following completion of the audit and after conducting a final review of the annual financial statements as of 31 December 2019 and of the 2019 management report, the Board of Supervisory Directors approved the audit result, the annual financial statements and the management report at its first ordinary meeting, held today, with no objections, and recommended that the general shareholders' meeting approve the annual financial statements.

Discussion centred on the audit report of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), covering the audit of the annual financial statements as of 31 December 2019 that were prepared by the Management Board as of 18 February 2020, and the management report for the 2019 financial year. EY issued an unqualified audit opinion on 3 March 2020.

The Board of Supervisory Directors would like to thank the Management Board and all employees for their commitment, hard work and achievements during the 2019 financial year.

Frankfurt, 20 March 2020

On behalf of the Board of Supervisory Directors



Prof. Dr Joachim Nagel

Chairman of the Board of Supervisory Directors