

»»» Report of the Board of Supervisory Directors 2020

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KfW IPEX-Bank is responsible for export and project finance within KfW Group. As of the end of December 2020, more than 800 employees worked at the bank's headquarters in Frankfurt and ten locations outside Germany.

In many respects, 2020 was an exceptional year. COVID-19 reached Germany as early as February, and our bank, like all others, suddenly found itself in crisis mode because of the coronavirus pandemic. Due to mandatory legal restrictions on travel and contact, as well as the nationwide lockdown, digitalisation came even more to the fore across all areas of life. The options have been expanded so that, in light of the situation, employees can increasingly work flexibly from home, in order to keep the risk of infection as low as possible and to do equal justice to family and work. Even meetings of the Board of Supervisory Directors – previously held without exception as face-to-face events – were organised virtually.

In 2020, the Board of Supervisory Directors continued to comprehensively carry out its duties of monitoring and advising the Management Board and cooperating closely with the same. It was informed by the Management Board of all significant developments at the bank in a timely, proactive and comprehensive manner, and was involved, in line with its supervisory function, in all decisions of major importance for the bank. In addition, the Chairs of the Supervisory Board and the Audit Committee, as well as the Management Board discussed important topics and pending decisions in regular meetings.

Meetings of the Board of Supervisory Directors

In accordance with its Rules of Procedure, the Board of Supervisory Directors continued in 2020 to hold an ordinary meeting each quarter, and also took part in an extraordinary conference call convened by the Management Board. It was provided with regular updates from the Management Board on the bank's current state in terms of results, the risk situation and business development. It received relevant risk and performance reports, as well as interim financial statements, and discussed these at length. Two investigations opened by the public prosecutor's office were also discussed in detail during the meetings. With the start of the pandemic, in addition to the regular reports the Board of Supervisory Directors also received regular overviews of the effects of the lockdown on the current business situation, as well as ad hoc information. Where required, the Board of Supervisory Directors granted its approval in relevant cases, following extensive consultation and review.

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 in particular 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 systems for members of the Management Board and for employees and the compatibility of these systems with the corporate strategy, which is geared towards the company's sustainable development, and made a recommendation

in this regard to the Board of Supervisory Directors, which will 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. Four committee meetings took place during 2020.

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 by senior management. During its meetings, risk reports and risk-specific developments in selected portfolios were discussed in detail. It ensured that the strategies of KfW IPEX-Bank are commensurate with the company's specified risk appetite. In addition, 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.. 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 findings identified by the auditor. The committee recommended that the Board of Supervisory Directors approve the annual financial statements as of 31 December 2019 and the 2019 management report. The Audit Committee also received detailed reports on the resolution status of audit findings and current supervisory assessments. In this connection the Audit Committee also dealt with the further development of the organisational structure of the Internal Auditing department. 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 as well as the compliance report. It held five meetings during 2020.

The **Loan Committee** is responsible for final loan approval. In 2020, it took decisions on a total of four loan applications at the appropriate authorisation level and passed an anticipatory resolution on employee loans for the 2021 calendar year. The committee met four times during the reporting period.

No conflict of interest was disclosed in any loan decision by a member of the committee.

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

In 2020, KfW IPEX-Bank offered the Board of Supervisory Directors and the Management Board two training sessions, one on the topic of bank supervisory law and one workshop on the subject of IT.

Changes to the Board of Supervisory Directors

There were two changes to the composition of the Board of Supervisory Directors and its committees in 2020: Dr Ingrid Hengster was appointed as a member of the Board of Supervisory Directors in place of resigned chair Dr Joachim Nagel and was elected as the new chair by the remaining members on 1 November. Furthermore, on 1 October Timm Rometzki, as a substitute member elected by employees as employee representative, took over the mandate of Norbert Gasten, who retired and consequently resigned from the Board of Supervisory Directors.

Audit of the 2020 annual financial statements

Following completion of the audit and after conducting a final review of the annual financial statements as of 31 December 2020 and of the 2020 management report, the Board of Supervisory Directors approved the audit result, the annual financial statements and the management report at its first ordinary meeting of 2021, 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 2020 that were prepared by the Management Board as of 16 February 2021, and the management report for the 2020 financial year. EY issued an unqualified audit opinion on 2 March 2021.

The Board of Supervisory Directors would like to expressly thank the Management Board and all employees for their hard work during the 2020 financial year in an exceptionally challenging environment. The COVID-19 pandemic and the measures adopted to contain it have taken a toll on all employees, and this situation continues unabated. Many have switched to working from home on short notice or have worked on-site while taking high precautions. Many have had to master new challenges in their private lives in addition to their professional challenges. In light of this entire situation especially, the commitment and the achievements that our staff showed and made are particularly commendable! We would like to express our heartfelt thanks to all our employees.

They jointly proved themselves capable – even in what was, for everyone, an unusual year with extreme operating conditions – of fully fulfilling KfW IPEX-Bank's mission of supporting German and European export companies on the world's markets.

Frankfurt am Main, March 2021

On behalf of the Board of Supervisory Directors



Dr Ingrid Hengster
Chair of the Board of Supervisory Directors