

# »»» Corporate Governance Report 2022

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As a member of KfW Group, KfW IPEX-Bank GmbH (“KfW IPEX-Bank”) has committed itself to acting responsibly and transparently in an accountable manner. Both the Management Board and the Board of Supervisory Directors of KfW IPEX-Bank recognise the principles of the German Federal Government’s Public Corporate Governance Code (PCGC) as applicable to KfW IPEX-Bank. A Declaration of Compliance with the recommendations of the PCGC was issued for the first time on 23 March 2011. Since then, any instances of non-compliance have been disclosed annually and explained.

KfW IPEX-Bank has operated since 1 January 2008 as a legally independent, wholly-owned subsidiary of KfW Group. Its rules and regulations (Articles of Association, Rules of Procedure for the Board of Supervisory Directors and its Committees, and Rules of Procedure for the Members of the Management Board) contain the principles of management and control by the bank’s bodies.

## Declaration of compliance

The Management Board and the Board of Supervisory Directors of KfW IPEX-Bank hereby declare: “Since the last Declaration of Compliance submitted in March 2022, the recommendations of the Public Corporate Governance Code, as adopted by the Federal Government on 1 July 2009 and amended on 16 September 2020, have been and will continue to be fulfilled, with the exception of the following deviations.”

## D&O insurance deductible

KfW has taken out directors’ and officers’ liability insurance policies (D&O insurance) which, as group insurance, provide insurance cover for members of both the Management Board and the Board of Supervisory Directors of KfW IPEX-Bank. During the reporting period, in deviation from Clause 4.3.2 of the PCGC, these D&O insurance policies only provided for a deductible for members of the Management Board. This deductible complies with the provisions of Clause 4.3.2 of the PCGC. The reason why no deductible is stipulated for members of the Board of Supervisory Directors is that many members of the Board of Supervisory Directors waive their remuneration, therefore no deductible is agreed.

## Delegation to committees

The committees of the Board of Supervisory Directors of KfW IPEX-Bank essentially perform only preparatory work for the Board of Supervisory Directors.

The Loan Committee takes final loan decisions for financing transactions that exceed a certain predefined limit; this is contrary to Clause 6.1.7 of the PCGC. This procedure is necessary for both practical and efficiency reasons. The delegation of loan decisions to a loan committee is standard practice at banks. It serves to accelerate the decision-making process and to consolidate technical expertise within the committee. In this way, the Board of Supervisory Directors and the Management Board of KfW IPEX-Bank achieve an appropriate distribution of competencies between the Board of Supervisory Directors and the Management Board, while at the same time reacting to the expanding volume of business and growing volumes of individual commitments of KfW IPEX-Bank.

The Chair of the Executive Committee – and not the shareholder or the Board of Supervisory Directors as per Clause 5.4.4 of the PCGC – decides on sideline activities exercised by the members of the Management Board. The transfer of this authority is also for practical and efficiency reasons.

## Composition of the Board of Supervisory Directors

In deviation from Clause 6.2.1 of the PCGC, men and women are not equally represented among the two members of the Board of Supervisory Directors to be appointed by the Federal Government.

## Allocation of responsibilities

The Management Board adopted Rules of Procedure, after consulting with the Board of Supervisory Directors and with the consent of the general shareholders’ meeting, which include regulations governing cooperation among the management.

## Cooperation between the Management Board and the Board of Supervisory Directors

The Management Board and the Board of Supervisory Directors work together closely for the benefit of KfW IPEX-Bank. The Management Board, in particular the CEO, is in regular contact with the Chair of the Board of Supervisory Directors. The Management Board discusses important matters concerning corporate governance and corporate strategy with the Board of Supervisory Directors. The Chair of the Board of Supervisory Directors informs the Board of Supervisory Directors of any issues of major significance and convenes an extraordinary meeting if necessary.

During the reporting year, the Management Board informed the Board of Supervisory Directors in detail about all relevant matters regarding KfW IPEX-Bank, and particularly any matters concerning the bank's net assets, financial position and results of operations, its risk assessment, risk management, risk culture, risk controlling, compliance and remuneration systems. In addition, they discussed the bank's overall business development and strategic direction.

## Management Board

The members of the Management Board manage the activities of KfW IPEX-Bank with the appropriate due care and diligence of a prudent businessperson pursuant to the law, the Articles of Association and Rules of Procedure for the Members of the Management Board, as well as the decisions of the general shareholders' meeting and of the Board of Supervisory Directors. The allocation of responsibilities within the Management Board is governed by a schedule of responsibilities. The members of the Management Board were responsible for the following areas during the reporting year:

- Mr Klaus R. Michalak: Finance, IT, Products and Corporate Affairs including Compliance (CEO and CFO)
- Mr Andreas Ufer: Markets II, Syndication and Treasury
- Mr Markus Scheer: Markets I (until 16 March 2022)
- Dr Velibor Marjanovic: Markets I (since 1 May 2022)
- Ms Claudia Schneider: Risk

The members of the Management Board are obliged to act in the best interests of KfW IPEX-Bank, may not consider personal interests in their decisions, and are subject to a comprehensive non-competition clause during their employment with KfW IPEX-Bank. The members of the Management Board must immediately disclose any conflicts of interest to the shareholder and to the Board of Supervisory Directors. No such situation occurred during the reporting year.

With the aim of achieving equal participation of women and men in management positions, KfW IPEX-Bank has set itself a target of 40.5% for the proportion of female staff at team head level, and a target of 40% for the proportion of female staff at head of department level.

The target for the proportion of women on the Management Board is 50% and the target for the Board of Supervisory Directors is 44.4%.

As of 31 December 2022, the proportion of women on the Management Board was 25%.

As of 31 December 2022, the proportion of women at the upper management level (i.e. at the two management levels below the Management Board) was 31%.

## Board of Supervisory Directors

The company has a mandatory Board of Supervisory Directors in accordance with Section 1 (1) n° 3 of the German One-Third Participation Act (*Drittelbeteiligungsgesetz* – "*DrittelbG*"). The Board of Supervisory Directors advises and monitors the Management Board in the management of the bank.

In accordance with KfW IPEX-Bank's Articles of Association, the Board of Supervisory Directors has nine members: two representatives from KfW, two representatives from the Federal Government – one each from the Federal Ministry of Finance and the Federal Ministry for Economic Affairs and Climate Action – and two representatives from industry as well as three employee representatives. In accordance with the provisions of the German One-Third Participation Act, the three employee representatives serve to safeguard the interests of employees at Supervisory Board level.

In accordance with the Rules of Procedure for the Board of Supervisory Directors and its committees, the latter is to be chaired by a representative of KfW. This requirement is fulfilled by Ms Christiane Laibach. During the reporting year and as of 31 December 2022, the Board of Supervisory Directors included three women.

In accordance with the Rules of Procedure for the Board of Supervisory Directors and its committees, adapted to the requirements of Section 25d (3) of the German Banking Act (*Kreditwesengesetz* – “KWG”), the members of the Board of Supervisory Directors may not include anyone who is on the management board of a company and also a member of more than two companies’ administrative or supervisory bodies, or who is a member of more than four companies’ administrative or supervisory bodies. Members of the Board of Supervisory Directors should also not serve in an administrative, supervisory or consulting role for any significant competitors of the company. The members of the Board of Supervisory Directors complied with these recommendations during the reporting period. Conflicts of interest should be disclosed to the Board of Supervisory Directors. There was no case in which members of the Loan Committee abstained from voting on the approval of a loan owing to a conflict of interest. No member of the Board of Supervisory Directors participated in fewer than half of the board meetings during the reporting year.

### **Committees of the Board of Supervisory Directors**

The Board of Supervisory Directors has established the following committees to fulfil its advisory and monitoring responsibilities in a more efficient manner:

The Executive Committee is responsible for personnel-related matters and the bank’s management policies, as well as – insofar as necessary – preparation for the meetings of the Board of Supervisory Directors.

The Remuneration Control Committee is responsible for overseeing remuneration and ensuring that systems of remuneration for members of the Management Board and employees are appropriate.

The Risk Committee is responsible for risk-related issues. In particular, it advises the Board of Supervisory Directors on matters relating to risk tolerance and risk strategy.

The Loan Committee is responsible for loan-related issues. It makes final decisions on all loan-related matters for which the Management Board requires the approval of the Board of Supervisory Directors pursuant to the Articles of Association and/or Rules of Procedure for the Members of the Management Board.

The Audit Committee is responsible for matters regarding accounting and risk management, as well as preparatory work for the issuance of the audit engagement and the establishment of audit priorities as part of the annual audit of the bank’s financial statements. It discusses the quarterly reports and annual financial statements in preparation for meetings of the full Board of Supervisory Directors.

The chairs of the committees report to the Board of Supervisory Directors on a regular basis. The Board of Supervisory Directors has the right to change or rescind the competencies delegated to the committees at any time – with the exception of the competencies of the Remuneration Control Committee.

The Board of Supervisory Directors provides information about its work and that of its committees during the reporting year in its report. An overview of the members of the Board of Supervisory Directors and its committees is available on the website of KfW IPEX-Bank.

### **Shareholder**

As shareholder, KfW Beteiligungsholding GmbH owns 100% of the share capital of KfW IPEX-Bank. The general shareholders’ meeting is responsible for all matters for which another governing body does not hold sole responsibility, either by law or by the Articles of Association. It is responsible in particular for the approval of the annual financial statements, for the determination of the amount available for payment of performance-based, variable remuneration within the company, for the appointment and removal of members of the Board of Supervisory Directors who are not employee representatives and of members of the Management Board, for the formal approval of their work at the end of each financial year, and for the appointment of the auditor.

### **Supervision**

Since its spin-off, KfW IPEX-Bank has been fully subject to the provisions of the German Banking Act. With effect from 1 January 2008, BaFin granted the bank a licence to act as an IRBA (Internal Ratings-Based Approach) bank for rating corporates, banks, sovereigns and specialist financing transactions (elementary/slotting approach). The bank uses the standard approach to calculate the regulatory capital requirements associated with operational risks. Due to the special status of KfW (in accordance with Section 2 (1) n° 2 of the German Banking Act, KfW is not considered a credit institution), there is a financial holding group within the meaning of Section 10a of the German Banking

Act in conjunction with Article 11 ff. of the Capital Requirements Regulation (CRR), for which KfW IPEX-Bank is the superordinated undertaking. KfW IPEX-Bank has incorporated KfW Beteiligungsholding GmbH into the consolidated group for regulatory reporting purposes as a subordinated undertaking within the meaning of Section 10a (1) sentence 3 of the German Banking Act.

### **Protection of deposits**

KfW IPEX-Bank is a member of the Compensation Scheme of German Private Banks (*Entschädigungseinrichtung deutscher Banken – “EdB”*).

### **Transparency**

KfW IPEX-Bank provides all important information about itself and its annual financial statements on its website. The Communication department also regularly provides information regarding the latest developments at the bank. Annual Corporate Governance Reports including the Declaration of Compliance with the PCGC are always available on the website of KfW IPEX-Bank.

### **Risk management**

Risk management and risk controlling are key responsibilities within the integrated risk/return management at KfW IPEX-Bank. Using the risk strategy, the Management Board defines the framework for the bank’s business activities regarding risk appetite and risk-bearing capacity. This ensures that KfW IPEX-Bank can fulfil its particular responsibilities with an appropriate risk profile in a sustainable, long-term manner. The bank’s overall risk situation is analysed and documented comprehensively in monthly risk reports to the Management Board as well as by internal committees that meet on a regular basis, and decisions are taken on risk-related measures. The Board of Supervisory Directors is updated regularly on the bank’s risk situation; it is provided with written reports on a monthly basis and with detailed information during meetings that take place on a quarterly basis.

### **Compliance**

The success of KfW IPEX-Bank depends to a large extent on the trust of its shareholder, clients, business partners, employees and the general public in terms of its performance and, especially, its integrity. This trust is based not least on implementing and complying with the relevant legal and regulatory provisions and internal procedures, and all other applicable laws and regulations. The compliance organisation at KfW IPEX-Bank includes, in particular, measures for ensuring adherence to data protection requirements, securities compliance, regulatory compliance and compliance with financial sanctions, as well as measures for preventing money laundering, terrorist financing and other criminal activities. There are corresponding binding rules and procedures that ensure the day-to-day implementation of such values and determine the associated corporate culture and risk culture (and as part of this, the credit risk culture); these are continually updated and developed to reflect the current legal and regulatory framework as well as market requirements. Training sessions on all compliance-related issues and on KfW IPEX-Bank’s risk culture are held on a regular basis for KfW IPEX-Bank employees.

### **Accounting and annual audit**

On 21 July 2021, the general shareholders’ meeting of KfW IPEX-Bank appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft as auditor of the financial statements for the 2022 financial year. The Board of Supervisory Directors had previously issued the audit engagement to Deloitte on 8 July 2021, subject to the firm being appointed by the general shareholders’ meeting. The bank and the auditor agreed that the Chair of the Audit Committee would be informed without delay of any findings and incidents arising during the audit that could be of importance to the work of the Board of Supervisory Directors. It was furthermore agreed that the auditor would inform the Audit Committee Chair if it identified any facts during the audit that would render the Declaration of Compliance with the PCGC incorrect, and/or record this in the audit report. A declaration of auditor independence was obtained.

### **Efficiency review of the Board of Supervisory Directors**

The Board of Supervisory Directors has always regularly reviewed the efficiency of its activities. Since Section 25d (11) of the German Banking Act entered into force on 1 January 2014, the Board of Supervisory Directors has been obliged to evaluate itself and the Management Board on an annual basis. It performed its latest evaluation in the fourth quarter of 2022 on the basis of structured questionnaires. The overall outcome of the assessment was a score of 1.4. The Board of Supervisory Directors’ self-evaluation does not indicate an urgent or acute need for any measures to be taken. The evaluation of the Management Board began at the end of 2022 and will be completed in the first quarter of 2023.

## Sustainability

As a member of KfW Group, KfW IPEX-Bank pursues sustainable corporate governance in accordance with the German sustainability strategy and geared towards the Sustainable Development Goals (SDGs). In the coming years, KfW IPEX-Bank, as part of KfW Group, will set the course for a core business that measurably contributes to the UN Sustainable Development Goals and is compatible with the Paris Agreement climate targets. Its goals for the next few years are as follows:

- Successively apply the Paris-compatible sector guidelines for the financing of particularly greenhouse gas-intensive industries and set up a greenhouse gas accounting system (including greenhouse gas footprint) for the entire portfolio
- Establish an impact management system guided by the Sustainable Development Goals
- Systematically strengthen the analysis of ESG risks in risk management across the Group
- Enhance transparency by expanding sustainability reporting, for example in line with the EU Taxonomy

## Fair taxation

KfW IPEX-Bank has fully outsourced its tax function to KfW under a Service Level Agreement. As a result of this outsourcing relationship, KfW Group's tax regulations are directly applicable to KfW IPEX-Bank. Full compliance with all national and international tax laws is part of KfW Group's sustainable corporate governance. In accordance with its tax mission statement and its Code of Conduct, KfW Group undertakes to pay taxes as and when due and to present all tax positions transparently and comprehensively. In this way it operates as a responsible taxpayer that makes a fair contribution to society in accordance with national and international tax legislation. KfW Group does not develop or support any tax models aimed exclusively at achieving tax advantages or reductions. In particular, KfW Group does not create, use or support any artificial tax schemes. KfW Group fosters open, transparent and cooperative interaction with domestic and foreign tax authorities. The foundations of KfW Group's tax policy are enshrined in the tax mission statement of the Group tax guidelines, which apply to all of KfW Group in the form of a work instruction. In addition to the aforementioned tax mission statement, this also describes KfW Group's Tax Compliance Management System (TCMS). An independent auditor certified the appropriateness and effectiveness of KfW Group's TCMS in 2022. KfW Group duly complies with the provisions of the EU Directive on fairness in taxation ('DAC6') and meets its reporting obligations in accordance with the law introducing mandatory disclosure of cross-border tax arrangements.

## Diversity and equal opportunities

KfW IPEX-Bank is committed to diversity and equal opportunities: nobody may be discriminated against on grounds of nationality, ethnicity, gender, religious beliefs, world view, disability, age or sexuality. This is also reflected in KfW IPEX-Bank's mission statement: "Our behaviour is shaped by respect, esteem and integrity. The balance of work and life is important to us. We want openness and diversity, and we collectively uphold decisions that have been made." To underpin its commitment to a diverse workforce, KfW IPEX-Bank signed the Diversity Charter in 2020. Implementation of the charter is communicated within the group using posters in staff canteens or articles on the intranet for example, and externally on KfW IPEX-Bank's career pages. Activities aimed at promoting diversity and respect and the progress in implementation are published on an annual basis.

For KfW IPEX-Bank, commitment to ensuring equal opportunities for women and men – including in relation to remuneration – is a key component of its human resources policy. The bank is governed by the law on equal participation of women and men in management positions.

KfW IPEX-Bank supports the inclusion of individuals with severe disabilities as one aspect of social responsibility. It bases its approach on the UN's Convention on the Rights of People with Disabilities (CRPD), which has been in force in Germany since March 2009. In addition, virtual workshops are offered to raise awareness. The main focus here is on sensitisation and dealing openly with people with disabilities. Another focus is digital accessibility. To make sure that their interests are represented appropriately, employees with severe disabilities elect a representative body.

## Mobile working/work-life balance

Finding a balance between work and private life is an important prerequisite for the health and employability of the men and women on our staff. This approach forms the basis of KfW Group's strategic, family-friendly human resources policy. KfW IPEX-Bank enables its employees to combine their work and family lives as well as possible, each in their own unique way to fit individual roles and life styles. It offers them a wide range of options and the possibility of performing up to 40% of their work remotely.

## Remuneration

With regard to working hours, holiday entitlement and remuneration, KfW IPEX-Bank employees are subject to the regulations of the collective bargaining agreement for public banks. KfW IPEX-Bank is expressly committed to fair, transparent and non-discriminatory remuneration principles and to the same standards for the evaluation process. The remuneration systems do not draw any distinctions on grounds of gender, nationality, ethnicity or religion. Activities that fall under collective bargaining agreements are assigned in accordance with collective bargaining pay scale groups for public banks. The remuneration of staff who are not covered by a collective bargaining agreement is regulated at KfW IPEX-Bank by a works agreement. For the individual levels not covered by a collective bargaining agreement, different salary ranges are prescribed and form the basis for remuneration. Furthermore, the variable component is based on performance assessments focusing on the achievement of qualitative and quantitative targets. KfW IPEX-Bank's remuneration system is geared towards achievement of objectives that have been set out in the business and risk strategy. It is also based on the corporate values and corporate culture, especially the risk culture (risk appetite), and is consistent with the long-term interests of KfW IPEX-Bank and measures taken to avoid conflicts of interest. KfW IPEX-Bank awards appropriate (fixed and variable) remuneration and fringe benefits that are in line with the market, with a strong emphasis on fixed remuneration and fringe benefits. Variable remuneration is performance-based and rewards sustainable business success as well as the success of organisational units and the contribution of the individual staff member. Variable remuneration is only paid if the conditions set out in Section 7 of the German Remuneration Ordinance for Institutions (*Institutsvergütungsverordnung – "InstitutsVergV"*) have been met. Every year, KfW IPEX-Bank applies a structured procedure to assess its employees' performances. Employee target management and performance assessment are important instruments for corporate management, leadership and motivation. Performance management results create the basis for determining remuneration at KfW IPEX-Bank. Since 2018, all KfW IPEX-Bank employees have been able to assert their individual right to access information according to Section 10 of the German Transparency of Remuneration Act (*Entgelttransparenzgesetz*). To this end, they can learn about the criteria and procedures used to determine remuneration and make enquiries about median monthly gross remuneration and up to two salary components of a peer group of the other gender.

### Remuneration for the Management Board

The remuneration system for the Management Board of KfW IPEX-Bank is intended to remunerate the members of the Management Board appropriately according to their roles and areas of responsibility and to take account of both individual performance and the performance of the bank. Management Board contracts were drafted based on the 1992 version of the principles for the appointment of board members at German federal credit institutions (*Grundsätze für die Anstellung der Vorstandsmitglieder bei den Kreditinstituten des Bundes*) adopted by the Federal Cabinet. The contracts have since been further developed based on legal and regulatory requirements, for example, the German Remuneration Ordinance for Institutions. The contracts take PCCG requirements and further relevant legal provisions into account.

### Components of remuneration

The remuneration of the Management Board consists of a fixed, annual base salary and a variable, performance-based bonus. All contracts are in accordance with Section 25a (5) of the German Banking Act in conjunction with the German Remuneration Ordinance for Institutions. The establishment of the variable, performance-based bonus component is based on an agreement regarding targets that is concluded with the Management Board by the general shareholders' meeting – after consultation with the Board of Supervisory Directors – at the beginning of each year. This agreement includes financial, quantitative and qualitative targets for both the Group and the company, targets specific to the areas of responsibility for each member of the Management Board, and also personal targets. In the subsequent years, in line with currently applicable legal requirements, the performance-based bonus, which is calculated according to the achievement of targets, is either paid out immediately – on a pro rata basis – or deferred. Deferred remuneration components are tracked by means of a 'bonus account'. These components are paid out on a pro rata basis over a holding period that is set in accordance with currently applicable legal requirements, provided that the legal requirements in this regard have been met. Beyond this holding period, it is possible for claims for deferred remuneration components to be reduced, up to and including their complete elimination, depending upon the bank's financial performance or as a result of any misconduct.

## Summary of total remuneration paid to members of the Management Board and of the Board of Supervisory Directors

	2022	2021	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Members of the Management Board	1,778	2,029	-251
Members of the Board of Supervisory Directors	192	155	38
<b>Total</b>	<b>1,970</b>	<b>2,183</b>	<b>-213</b>

### Remuneration report

The remuneration report describes the basic structure of the remuneration system for members of the Management Board and of the Board of Supervisory Directors; it also discloses the remuneration of the individual members. The level of remuneration for the Management Board and the Board of Supervisory Directors is disclosed in the notes to the financial statements.

For the 2015 financial year and subsequent financial years, the rules for payment of performance-based bonuses have been amended in accordance with the relevant provisions of the Remuneration Ordinance for Institutions. According to these rules, 60% of the performance-based bonus is deferred and paid out over the payment period required by the Ordinance. Each 'annual tranche' of the payment (and the 40% tranche paid immediately) is divided into two components: 50% of the annual tranche is allocated to the 'cash component' and the remaining 50% to the 'sustainability component'. Unlike the cash component, the sustainability component is subject to an additional one-year 'holding period' before being paid out.

The 'value' of the sustainability component of this variable remuneration may also increase or decrease over the course of the payment period. Depending on the bank's performance, both the cash and sustainability components may be cancelled in their entirety.

The overview below shows the total remuneration paid to the individual members of the Management Board, divided into fixed and variable remuneration components and other remuneration, as well as additions to pension provisions. The members' bonus accounts containing the reserved performance-based bonus components are also shown.

### Annual remuneration paid to active members of the Management Board and additions to pension provisions during 2022 and 2021 in EUR thousands<sup>1)</sup>

	Salary		Variable remuneration <sup>2)</sup>		Other remuneration <sup>3)</sup>		Total		Bonus account <sup>4)</sup>		Additions to pension provisions	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands	
Klaus R. Michalak (CEO)	410	410	28	84	17	15	455	508	100	129	46	229
Velbor Marjanovic (since 1 May 2022)	273	-	-	-	13	-	286	-	49	-	279	-
Markus Scheer (until 16 March 2022)	86	410	29	76	6	28	122	514	54	113	-	629
Claudia Schneider	410	410	26	63	8	11	445	483	84	111	253	493
Andreas Ufer	410	410	29	76	32	38	470	524	84	113	212	492
<b>Total</b>	<b>1,588</b>	<b>1,638</b>	<b>112</b>	<b>298</b>	<b>77</b>	<b>92</b>	<b>1,778</b>	<b>2,029</b>	<b>371</b>	<b>466</b>	<b>791</b>	<b>1,843</b>

<sup>1)</sup> Rounding differences may occur in the table for computational reasons.

<sup>2)</sup> Variable remuneration relates to the payment of performance-based bonuses for work performed as a member of the Management Board and also to deferred bonus components from previous years.

<sup>3)</sup> This remuneration is presented in analogy with the figures given in the Notes in accordance with Section 285 (9) of the German Commercial Code excluding employer benefits according to the German Social Insurance Act (*Sozialversicherungsgesetz* – "SVG"). These totalled EUR 56 thousand in 2022 (previous year: EUR 56 thousand).

<sup>4)</sup> As well as individual performance-based bonuses carried forward from previous years, the bonus account also includes the provision for bonuses for financial year 2022. In this financial year bonus components due for payment and carried forward were paid out partly with a reduction due to the insufficient sustainable performance of KfW IPEX-Bank and penalties.



## **Responsibilities**

The general shareholders' meeting consults on the remuneration system for the Management Board, including its contractual elements, and reviews it regularly. It approves the remuneration system after consulting with the Board of Supervisory Directors. The most recent review of the system's appropriateness took place on 1 December 2022.

## **Contractual fringe benefits**

Other remuneration primarily includes contractual fringe benefits. The members of the Management Board of KfW IPEX-Bank are entitled to a company car for both business and private use. Costs incurred as a result of private use of a company car are borne by the members of the Management Board in accordance with currently valid tax legislation.

The members of the Management Board are insured under a group accident insurance policy. They are covered by two insurance policies for the risks associated with their activities on the bank's management bodies. The first provides liability insurance for monetary damages (D&O insurance) and the second offers supplemental legal protection for monetary damages. Both policies are group insurance policies. There is a deductible of 10% in relation to D&O insurance policies for the members of the Management Board. Members of the Management Board of KfW IPEX-Bank acting in their management capacity are also protected by a special group legal expenses insurance policy for employees that covers criminal defence, which was taken out by KfW.

Other remuneration does not include remuneration received for the exercise of corporate mandates held and sideline activities performed by a member of the Management Board outside the Group with the approval of the competent bodies of KfW IPEX-Bank. The entire amount of such remuneration is considered personal income of members of the Management Board. In 2022, the members of the Management Board did not receive remuneration for exercising Group mandates.

The members of the Management Board are entitled, as are all other members of the bank's staff, to participate in deferred compensation, a supplemental company pension plan involving deferred compensation payments deducted from salary, insofar as such a plan is generally offered.

In addition, contractual fringe benefits include the costs of security measures for residential property occupied by members of the Management Board; these costs are not reported under Other remuneration but instead under Non-personnel expense. As in the previous year, the bank did not incur any costs for security measures in the 2022 financial year.

Contractual fringe benefits also comprise employer benefits as per the German Code of Social Law (*Sozialgesetzbuch – "SGB"*); in analogy to the figures in the Notes (Section 285 Clause 9 of the German Commercial Code [*Handelsgesetzbuch – "HGB"*]), these are not reported under Other remuneration. Contractual fringe benefits that cannot be granted tax-free are subject to taxation as non-cash benefits for members of the Management Board.

There were no outstanding loans to members of the Management Board in 2022.

## **Retirement pension payments and other benefits in the case of early retirement**

According to Section 5 (1) sentence 6 of the Articles of Association of KfW IPEX-Bank, the appointment of a member of the Management Board is not to extend beyond statutory retirement age. Members of the Management Board who turn 65 years of age and/or reach statutory retirement age and whose contract for serving on the Management Board has expired are entitled to retirement pension payments. Members of the Management Board are also entitled to retirement pension payments if their employment ends due to ongoing disability.

Pension commitments for Management Board members as well as for their surviving dependants are based on the 1992 version of the principles for the appointment of board members at German federal credit institutions adopted by the Federal Cabinet. The PCGC is taken into account when contracts of employment are drawn up for members of the Management Board.

A severance payment cap has been included in the employment contracts of members of the Management Board in accordance with PCGC recommendations. This cap limits payments to a member of the Management Board following premature termination of employment without good cause as per Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch – "BGB"*) to two years' annual salary or the remuneration including fringe benefits for the remainder of the contract, whichever is lower.

In principle, the maximum retirement pension entitlement for members of the Management Board equals 49% of the most recent gross salaries paid. In one case this entitlement amounts to 55%. The retirement pension entitlement increases over an individually agreed period by a fixed percentage with every year of service completed until the maximum pension entitlement is attained.

If the employment contract of a member of the Management Board is terminated or not extended for good cause pursuant to Section 626 of the Civil Code, the retirement pension entitlements will expire according to the legal principles established for employment contracts.

Retirement pension payments to former members of the Management Board totalling EUR 584 thousand (previous year: EUR 575 thousand) were made in the 2022 financial year.

No deferred performance-based bonuses were paid to former members of the Management Board (previous year: EUR 8 thousand). The bonus account was fully utilised as of 31 December 2021.

Provisions for pension obligations for former members of the Management Board and their dependants totalled EUR 14,691 thousand as of the end of the 2022 financial year (previous year: EUR 14,658 thousand).

The overview below shows payments made to former members of the Management Board and/or to their surviving dependants:

#### Remuneration paid to former members of the Management Board and/or their surviving dependants

	Number of payees		Retirement benefits		Number of payees		Payment of deferred performance-based bonuses <sup>1)</sup>		Number of payees		Provisions for pension obligations	
			EUR in thousands				EUR in thousands				EUR in thousands	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Former members of the Management Board	3	3	584	575	0	1	0	8	3	3	14,691	14,658
Surviving dependants	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>584</b>	<b>575</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>8</b>	<b>3</b>	<b>3</b>	<b>14,691</b>	<b>14,658</b>

<sup>1)</sup> In this financial year payments were made with a deduction due to the insufficient sustainable performance of KfW IPEX-Bank.

#### Remuneration for the Board of Supervisory Directors

The members of the Board of Supervisory Directors receive annual remuneration at a level determined by the general shareholders' meeting. According to its provisions, and unchanged from the previous year, the net annual remuneration for a member of the Board of Supervisory Directors is EUR 22,000, and the net annual remuneration for the Chair is EUR 28,600.

Remuneration is earned on a pro rata basis when service is rendered for less than one year.

In addition, the members of the Board of Supervisory Directors receive a net fee of EUR 1,000 for each meeting of the Board of Supervisory Directors or of one of its committees that they attend. Members of the Board of Supervisory Directors can also claim, to a reasonable extent, reimbursement of travel and other miscellaneous expenses that they have incurred in the performance of their duties.

The representatives from KfW on the Board of Supervisory Directors of KfW IPEX-Bank have waived this remuneration and the meeting attendance fees since 1 July 2011 in accordance with a fundamental and permanent decision by the Executive Board of KfW to waive such remuneration for mandates exercised within the Group.

Details regarding the remuneration of the Board of Supervisory Directors during the 2022 and 2021 financial years are listed in the following tables; travel expenses and other miscellaneous expenses were reimbursed based upon receipts and are not included in this table.

## Remuneration of members of the Board of Supervisory Directors for 2022 in EUR

Member	Dates of service	Annual remuneration (net)	Attendance fees net <sup>1)</sup>	Total (net)
Ms Laibach <sup>2)</sup>	1 Jan. – 31 Dec.	0.00	0.00	0.00
Dr Peiß <sup>2)</sup>	1 Jan. – 31 Dec.	0.00	0.00	0.00
Dr Kukies <sup>2)</sup>	1 Jan. – 14 Feb.	0.00	0.00	0.00
Dr Pillath <sup>3)</sup>	16 Mar. – 31 Dec.	0.00	6,100.00	6,100.00
Mr Philipp <sup>2)</sup>	16 Mar. – 31 Dec.	0.00	0.00	0.00
Dr Rupp	1 Jan. – 31 Dec.	22,000.00	20,000.00	42,000.00
Ms Freitag	25 Mar. – 31 Dec.	18,334.00	13,000.00	31,334.00
Mr Rometzki	1 Jan. – 25 Mar.	5,500.00	3,000.00	8,500.00
Mr Knittel	1 Jan. – 31 Dec.	22,000.00	14,000.00	36,000.00
Mr Koch	1 Jan. – 31 Dec.	22,000.00	16,000.00	38,000.00
Ms Schneider	25 Mar. – 31 Dec.	18,334.00	12,000.00	30,334.00
<b>Total</b>		<b>108,168.00</b>	<b>84,100.00</b>	<b>192,268.00</b>

<sup>1)</sup> EUR 1,000.00 per meeting

<sup>2)</sup> These members waived their remuneration in advance.

<sup>3)</sup> Remuneration partially waived

## Remuneration paid to members of the Board of Supervisory Directors for 2021 in EUR

Member	Dates of service	Annual remuneration (net)	Attendance fees net <sup>1)</sup>	Total (net)
Dr Hengster <sup>2)</sup>	1 Jan. – 8 Jul.	0.00	0.00	0.00
Ms Laibach <sup>2)</sup>	8 Jul. – 31 Dec.	0.00	0.00	0.00
Dr Peiß <sup>2)</sup>	1 Jan. – 31 Dec.	0.00	0.00	0.00
Dr Nußbaum <sup>2)</sup>	1 Jan. – 14 Dec.	0.00	0.00	0.00
Dr Kukies <sup>2)</sup>	1 Jan. – 31 Dec.	0.00	0.00	0.00
Dr Rupp	1 Jan. – 31 Dec.	22,000.00	21,000.00	43,000.00
Ms Kollmann	1 Jan. – 24 Mar.	5,500.00	3,000.00	8,500.00
Mr Rometzki	1 Jan. – 31 Dec.	22,000.00	10,000.00	32,000.00
Mr Knittel	1 Jan. – 31 Dec.	22,000.00	14,000.00	36,000.00
Mr Koch	1 Jan. – 31 Dec.	22,000.00	13,000.00	35,000.00
<b>Total</b>		<b>93,500.00</b>	<b>61,000.00</b>	<b>154,500.00</b>

<sup>1)</sup> EUR 1,000.00 per meeting

<sup>2)</sup> These members waived their remuneration in advance.

The indicated amounts are net values and were all paid for the reporting year.

There are no pension obligations in respect of members of the Board of Supervisory Directors.

Members of the Board of Supervisory Directors did not receive any remuneration for services provided personally during the reporting year.

No direct loans were extended to members of the Board of Supervisory Directors during the reporting year. The members of the Board of Supervisory Directors are covered by two insurance policies for the risks associated with their board activities. The first provides liability insurance for monetary damages (D&O insurance) and the second offers supplemental legal protection for monetary damages. Both policies are group insurance policies of KfW. A deductible has not been agreed at present. Members of the Board of Supervisory Directors of KfW IPEX-Bank acting in their capacity as such are also protected by a special group legal expenses insurance policy for employees that covers criminal defence, which was taken out by KfW.

Frankfurt, March 2023

**Management Board**

**Board of Supervisory Directors**

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