The sustainability guidelines of KfW Bankengruppe consist of three interdependent elements:

- **The sustainability mission statement** defines the guiding framework for joint action and work.
- **The sustainability principles** provide specifics on the sustainability mission statement regarding financings, human resource policy, bank operations, corporate citizenship and communication of KfW Bankengruppe with its stakeholders.
- **The sustainability management system** establishes the functions, responsibilities and procedures which ensure that the sustainability principles are achieved.

The sustainability guidelines apply to all business areas of KfW and to DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (“DEG”) and KfW IPEX-Bank GmbH (“KfW IPEX-Bank”).

**I. Sustainability mission statement**

KfW Bankengruppe is one of the leading promotional banks in the world and is fully committed to the concept of sustainable development. For us, entrepreneurial activities and social responsibility go hand in hand. Through its financing activities KfW Bankengruppe supports the improvement of economic, ecological and social living conditions at the local, national, European and global level with a view to contributing to sustainable development. Particularly for us sustainability also means the establishment of viable, self-sustaining economic structures.

These aspects are addressed and further developed in the sustainability principles and the sustainability management system of KfW Bankengruppe.

We support the sustainability goals set by the Federal Republic of Germany, the European Union and the international community. In particular the sustainability strategy of the German Federal Government and the Law concerning KfW provide us with orientation.

We nurture the exchange with other internationally active commercial banks that are greatly committed to sustainability. KfW Bankengruppe cooperates closely with other promotional banks, for example through our membership and active participation in the Finance Initiative of the UN Environment Programme (UNEP FI) and the International Development Finance Club (IDFC), the Association of European Development Finance Institutions (EDFI) and the Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands, VÖB) as well as through KfW IPEX-Bank in the Equator Principles Association.
II. Sustainability principles

1. Financings

(a) Financings for sustainable development

Based on the key challenges of our time, KfW Bankengruppe focuses its financings on three priority topics:

- Climate change and environment
- Globalisation and technical progress
- Demographic development

Due to the prominent importance of climate change and the environment, this key area in future will account for about one third of the group's overall new commitment volume.

Beyond the three megatrends of our time KfW Bankengruppe is significantly involved in other important promotional topics. These include among others the priority areas of poverty reduction, general corporate finance (particularly SMEs) and start-ups.

(b) Protecting against risks to the environment and social concerns

Before introducing programmes or taking a financing decision for individual projects, KfW Bankengruppe assesses the opportunities and risks to the environment and society, particularly where weaknesses in the system to protect the environment or social concerns are apparent. The different business areas have special sustainability guidelines that govern the responsibilities, procedures and standards of the environmental and social impact assessment based on their respective mission and the distinct framework conditions (see III.).

We support our partners in finding suitable solutions to avoid, reduce and if needed offset harm to the environment and society. Moreover, we also pursue the objective of actively supporting the implementation of international human rights with the instruments at our disposal to do so. In this regard KfW Bankengruppe has issued a "Declaration on respect for human rights in its business operations".

For us, the minimum requirement is compliance with national law. To maintain appropriate environmental and social standards we orient ourselves on internationally recognised standards such as, for example, those of the EU, the World Bank Group (Safeguard Policies for public sector financing, IFC Performance Standards for private sector financing) and the International Labour Organisation (ILO).

For financings KfW Bankengruppe ensures that the local population is informed and involved in the context of the approval procedure, in particular in order to also maintain the special rights of indigenous peoples. We do not support projects that are likely to cause unacceptable environmental or social harm.

When cooperating with or financing financial sector enterprises in non-OECD countries it is important to us that they also develop and implement environmental and social management systems in line with our sustainability approach, insofar as relevant projects are to receive financing.
2. Human resource policy

The corporate culture of KfW Bankengruppe aims to ensure that its staff address all the challenges facing KfW Bankengruppe by working together in a collegial fashion and thereby delivering a high level of performance. We are committed to achieving a healthy balance between performance and social responsibility, and place high value on equal opportunities across the group. Being an attractive employer and our high level of employee satisfaction are core values we wish to develop further.

Our objectives management system and transparent remuneration system guarantee that the achievement of objectives as well as personal performance are recognised. In the process negative incentives are consistently avoided.

As an attractive employer we offer basic and advanced training geared towards future needs and promote and develop the competencies of our employees. When changes take place affected employees are directly involved in a professional change management process to help shape the common future.

Our targeted and needs-based human resources development system combined with modern suitability diagnostics for identifying potential are the prerequisites for active succession management. New managers are responsibly selected using state-of-the-art methods and prepared for their tasks while also receiving trainings and competent support to perform their daily management functions.

Our goal is to establish a gender-sensitive culture of management and cooperation throughout the group that is self-evident. Within the KfW parent company we are drawing up a Gender Balance Concept together with the equal opportunities officer. The KfW subsidiaries KfW IPEX-Bank and DEG are involved to help develop and implement the concept, taking into account their special roles. At the same time the Equal Opportunities Plan of the KfW parent company is aimed primarily at promoting equal opportunity and increasing the proportion of female managers and division heads. The goal is to ensure that women are appointed to a third of all management positions by mid-2015. The Gender Balance Concept is our first step in recognising our increasing responsibility for diversity and for which we will pursue associated topics over the medium-term.

We view achieving a work-family balance for all employees as a social mission. A regular audit reinforces our long-term commitment in this area.

Our social responsibility also includes employing severely disabled employees, whom we make every effort to hire - above and beyond the statutory quota.

Promoting the occupational health of its employees is a traditional concern of KfW Bankengruppe. The occupational health management scheme is being further systematised and expanded in order to promote the health of all employees over the long term.
3. Bank operations

(a) Corporate governance and compliance

The bases of corporate governance at KfW Bankengruppe – in particular, the tasks, duties and powers of its decision-making bodies, their appointment and interaction – are established in the KfW Law and By-Laws and in the rules of procedures of the decision-making bodies or the corresponding statutes of DEG and KfW IPEX-Bank.

In carrying out our tasks, we comply with the provisions of the Law and respective By-Laws and rules of procedure of KfW Bankengruppe and with current legislation. To the extent that it is feasible and appropriate for KfW Bankengruppe we also enforce standards that go beyond those provisions (e.g. Public Corporate Governance Code).

The internal management systems deal with the prevention of money laundering, financing of terrorism, corruption and fraud as well as violations of data protection laws, insider trading regulations and embargo provisions. We regularly develop these systems in accordance with the legal framework and market requirements. KfW Bankengruppe contributes to Transparency International (TI) and is represented by DEG - a supporting member of the Extractive Industries Transparency Initiative (EITI). Both of these serve to fight corruption globally.

The members of KfW’s Executive Board and the management of DEG and KfW IPEX-Bank have each agreed on respective codes of conduct, which among others provide binding rules regarding the acceptance of gifts, honorary positions, secondary employment and the publication of remuneration information.

(b) In-house environmental protection

In-house environmental protection comprises all relevant areas of KfW Bankengruppe. A sustainability guideline for in-house environmental protection that applies across the KfW Bankengruppe provides specifics on responsibilities, procedures and standards. DEG and KfW IPEX-Bank manage their own in-house environmental protection activities themselves within the framework of this sustainability guideline.

In our own technical operations we ensure that all statutory requirements are responsibly observed. Furthermore, we seek to achieve emission levels below applicable limits and to exceed current standards. Resource protection is an integral part of the In-house environmental protection of KfW Bankengruppe: We limit the consumption of energy, water and consumables and the output of waste to the extent this is compatible with our functions and procedures. In the process we involve our staff members in implementing our reduction objectives, among others by regularly providing information and inviting employees to suggest improvements as part of an ongoing award competition.

One prominent goal of our in-house environmental protection is to avoid greenhouse gas emissions as far as possible. This is achieved primarily through consistent energy savings, the use of renewable energies and certified green power, modern building technology, as well as broader use of video conferences in order to replace business trips. Our office buildings are among the most energy-efficient in the world. Through consistent action KfW Bankengruppe reduced its CO\textsubscript{2} emissions between 2006 and 2011 by more than half. Since 2006 the remaining unavoidable climate-relevant emissions from operative business (business trips) and business operations (energy and paper consumption) have been offset through the purchase and retirement of high-value emission reduction certificates from developing and emerging countries.
(c) Procurement

A group-wide sustainability guideline for responsible procurement applies to all procurements made by KfW Bankengruppe. Procurements by KfW and KfW IPEX-Bank are processed through the KfW sourcing unit; DEG manages and coordinates its own procurement processes. Special rules for procurement processes apply at KfW Entwicklungsbank.

Of particular importance in terms of responsible and sustainable procurement at KfW Bankengruppe is compliance with the basic values of human rights, labour standards, environmental protection and corruption prevention. These requirements for suppliers and service providers are reflected in the General Conditions of Purchase of KfW Bankengruppe in accordance with the legal framework.

Legal regulations and rules derived from the sustainability guidelines on responsible procurement ensure that sustainability is systematically considered in the procurement process for selecting products and service providers (as part of the procurement of materials and contract awards), while complying with the respective valid and applicable procurement law.

An important instrument for evaluating the sustainability of products and manufacturers are recognised certification systems or labels in terms of environmental and social aspects (e.g. Blue Angel, Forest Stewardship Council seal, Energy Star, Fair Trade) and international standards such as the core labour standards of the International Labour Organisation (ILO). Non-compliance with the previously presented basic values and international standards or the lack of evidence of the required certification systems can prompt us to exclude a supplier or service provider to KfW Bankengruppe, insofar as such an exclusion conforms with the respective applicable public procurement laws.

(d) Treasury and capital market business

KfW refines by issuing bonds on the capital market. Our promotional policies and internal organisation are directed towards sustainable action. Accordingly, buying KfW bonds means investing in sustainability. Along with the good credit rating of our own bonds, a good sustainability rating is also important to us as it represents an external quality label. In its respective peer group, KfW strives to be one of the three leading banks for the most important German sustainability ratings.

KfW's own investment practices are directed towards sustainability as well. The bank has been a signatory of the UN Principles for Responsible Investment (PRI) since 2006. Sustainability criteria are incorporated by KfW in the investment decisions of securities management. Issuers with investments in enterprises with untenable business activities according to our exclusion criteria are entirely excluded from the investment universe. The issuers in the investment universe of KfW are regularly informed of their sustainability ranking.

For KfW it is important to further develop its own sustainability approach in securities management, to also convince other market participants of the relevance of responsible investing and to contribute to developing pertinent solutions.
4. Corporate Citizenship

KfW Bankengruppe is fully committed to its corporate social commitment. Traditionally we have recognised our global, national and local responsibility through selected partnerships in order to help strengthen a pluralistic and critical civil society. Thus, we expressly support and honour the social commitment of our staff in order to encourage replication. In this regard it is important to use concrete projects to encourage staff to take responsibility while demonstrating the simplest means to do so. Therefore we have been supporting diverse projects for many years in the areas of

- environment and climate
- responsible entrepreneurship
- social commitment and
- art and culture.

In 2012 KfW Bankengruppe founded the KfW Foundation with the understanding that corporate activities and social responsibility go hand in hand and are motivated by the desire to continue and expand our commitment in terms of sustainability.

5. Communication

Efficiency, professionalism and customer orientation are self-evident for us. This is founded on an open dialogue with our stakeholders regarding sustainability aspects of our business activities and our organisation.

KfW Bankengruppe presents stakeholders with information on its activities in a transparent manner and maintains open channels for feedback. We make every effort to systematically collect and evaluate the diverse expectations of customers, employees, sales partners, state organisations and social groups. They can provide valuable suggestions for improving our sustainability management, realising business opportunities and avoiding risks.

We regularly identify and prioritise important themes for KfW Bankengruppe and our stakeholders, also working in collaboration with experts from the scientific community and consulting firms. These themes form the basis for our sustainability approach and are implemented in the respective business areas and organisational units.

We report regularly to KfW’s Board of Supervisory Directors and the supervisory boards of DEG and KfW IPEX-Bank on our sustainability activities and also inform the public using various information channels, among others the Internet and in the context of our Annual Report, Financial Report and Sustainability Report.
III. Sustainability management system

The sustainability management system of KfW Bankengruppe defines the functions, responsibilities and procedures to ensure that the described sustainability principles are put directly into practice.

The Chief Executive Officer of KfW Bankengruppe bears overall responsibility for strategy and communication regarding sustainability issues. The Executive Board member of KfW in charge of environmental issues is responsible for the overall coordination and further development of in-house environmental protection. He is supported by the group officer for environment and sustainability, the officer for in-house environmental protection, the sustainability officers of organisational units with related topics and the local environmental officers at the Frankfurt, Berlin, Bonn and Cologne locations.

The Executive Board members in charge of sustainability or environment and the respective members of the Board of Management of DEG and the Management Board of KfW IPEX-Bank are responsible for the implementation, compliance and further development of the individual sustainability principles. Suggestions for further elaborating the sustainability principles in response to new or changing challenges is the responsibility of the sustainability officers of the respective organisational units in cooperation with the group officer for environment and sustainability.

A group-level environment and climate steering committee chaired by the KfW Executive Board member in charge of environmental issues manages the internal exchange and development of new impulses for group-wide activities in the key area of environmental and climate protection. The sustainability officers and those with conceptual and operational responsibility in all topically relevant business areas, organisational units and subsidiaries of KfW Bankengruppe are represented in the committee.

If needed, the individual business areas, organisational units and subsidiaries draft their own rules ("Sustainability guidelines") according to their respective specific characteristics and regulatory setting. Along with governing content, the sustainability rules comprise further specifications on the responsibilities, procedures and standards; they are regularly reviewed for necessary updates.

IV. Entry into force

The sustainability guidelines of KfW Bankengruppe replace the environmental and social principles of KfW Bankengruppe and are subject to a regular review and update. The first review will take place at the end of 2014.

They were adopted on 2 October 2012 by the Executive Board of KfW Bankengruppe and enter into force on 2 October 2012.