



Promoting perspectives –
empowering people

GRI Report 2017 including
non-financial statement

Report profile

The KfW Sustainability Report 2017 is released exclusively online for the first time and is integrated into the → [corporate website](#). It has two parts in order to address the various readers in a targeted manner: [The first part consists of a fact- and data-based GRI report which also contains the consolidated non-financial statement of both KfW as a group and KfW without subsidiaries in accordance with the German CSR Directive Implementation Act (CSR-RUG) and sections 315b and 289b as well as section 315c in conjunction with sections 289c to 289e of the German Commercial Code (HGB).] ✓ It addresses expert readers, analysts and investors and is available on the corporate website for download in PDF format. The second part of the sustainability reporting is an → [online magazine](#) directed at interested members of the public with a focus on human rights.

[This GRI report applies to the entire KfW Group, which is composed of KfW, KfW IPEX-Bank GmbH and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH. Content that pertains only to individual parts of the group is marked accordingly. Statements that apply exclusively to the parent company KfW are identified by the expression ‘KfW without subsidiaries’. Where statements refer to KfW Group as a whole, the name ‘KfW Group’ is always mentioned once at the beginning of a contiguous text and subsequently abbreviated to ‘KfW’ for easier reading.] ✓

The GRI report was prepared in accordance with the Global Reporting Initiative (GRI) Standards: Comprehensive option. In order to determine the relevant contents of the report, KfW’s Central Sustainability Management conducted a materiality analysis with relevant in-house experts and the sustainability consulting firm akzente (see p. 12).

Qualitative information in the report relates mainly to financial year 2017, while the key figures presented typically cover five years. The deadline for the collection of quantitative data was 31 December 2017.

As no material organisational changes occurred during the reporting period, all data are comparable with the previous Sustainability Report. Individual deviations from the last report are explained in each case. The editorial deadline was 22 March 2018.

The auditing firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was commissioned to audit the information marked with the symbol [...] ✓ (in the running text) and with the symbol ✓ (for tables) in the PDF version of the KfW Sustainability Report 2017 to obtain limited assurance. The audit covered only the information for the 2017 reporting year; prior-year information was not part of the audit.

As part of its mandatory CSR reporting, KfW has decided to switch from a three-year reporting cycle to annual reporting from now on. The previous Sustainability Report was published in 2015 and a supplementary Facts and Figures Update was issued in 2016 and 2017. Based on its reporting, KfW also issues a declaration of conformity with the German Sustainability Code (DNK).

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Interview

with Dr Günther Bräunig, Chief Executive Officer of KfW Group



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Dr Bräunig, KfW Group calls itself a ‘bank committed to responsibility’. How do the concepts of ‘responsibility’ and ‘sustainability’ relate to each other, and what is KfW doing to live up to its claim?

When we take responsibility for future generations, for the economic, ecological and social consequences of our actions, we act sustainably. The link here is a very clear one. When you act responsibly, you act sustainably. I think it’s fair to say that sustainability is ‘part of KfW’s DNA’. One look at the Law Concerning KfW and our functions – and our promotional history – is enough to see this. As a bank committed to responsibility we want to be sustainable in a holistic way: in our business, in our in-house operations and as an employer.

Today we are one of the world’s largest financiers of environmental and climate action measures, and we have been active in the areas of education, healthcare and poverty alleviation for decades. With our operations we contribute to realising the United Nations’ Sustainable Development Goals. Among other things, this includes diverse promotional approaches to implement human rights. Incidentally, human rights are the main theme of our current Sustainability Report, coupled with the highly current theme of digitalisation.

Sustainability also means that – as an employer and in our bank operation – we hold ourselves to the same standards that we apply to our financing operations. Operating a bank also provides a variety of pathways to sustainability. We purchase 100% certified green electricity and set great store by

the energy efficiency of our buildings. As a result, KfW's West Arcade building is one of the world's most energy-efficient office buildings. Incidentally, KfW's business operations have been made largely climate-neutral since 2006.

We also take care to ensure that we are a responsible and attractive employer. We do a lot for our employees – from continuing professional development to inclusion to family-friendly policies. Our equal opportunities plan is also moving down the right path. In 2017 we were able to further increase the share of women in management positions to more than 31%.

Is KfW adequately equipped to tackle these large tasks?

Surely KfW cannot meet these challenges by itself. Many of the projects we finance therefore involve German and international partners, and often also representatives of civil society who are familiar with local conditions.

Besides, KfW is a learning organisation. We grow with our tasks. Recently we have enhanced our procedures and standards for environmental and social impact assessments of international financing operations and are in the process of significantly reinforcing our internal team of experts once again. Our capital market presence also follows the principle of sustainability. Among other things, we have worked very hard to advance the development of the green bond market. In line with this, we have been mandated by the Federal Ministry for the Environment to increase our green bond purchase programme to EUR 2 billion for five to seven years. If we look at the development of the market in the past years, we have to admit that KfW is both a pioneer and trendsetter.

What are the focal areas of the current Sustainability Report?

First, it is important to point out that the current Sustainability Report is subject to the new legal requirements of the CSR Directive Implementation Act for the first time. The report therefore covers areas referred to as non-financial aspects, such as environmental concerns, social themes and human rights. The report also addresses the risks that exist in these areas. Not least, we present the strategies and management approaches KfW has adopted to address these themes.

From now on, the → [KfW Sustainability Report](#) will be published annually, and exclusively online. We want to reach two target groups, which is why the report is made up of two parts: a 'technical' part with facts and figures for sustainability experts, and an online magazine for the general public.

Human rights are the central theme this year. We believe it is very important to understand that protecting and promoting human rights is a fundamental precondition for sustainable development. That is why we seek to interact closely with other stakeholders on this topic in particular – specifically in the context of a comprehensive stakeholder dialogue. As part of the reporting process, we have therefore held frank discussions with representatives of the political arena, business and society about how to protect and promote human rights. We take the participants' recommendations into account in the further development of our commitment to sustainability. Only if we work together can we achieve the desired targets. Needless to say, the two parts of the report cover more ground than I have outlined here. Among other things, they provide detailed information about our sustainability man-

agement system, employee themes, topics such as sustainable investment, in-house environmental protection and our Sustainability Programme for this year. I'm convinced that we have produced an informative Sustainability Report 2017 that is worth reading.

I have added the topic of sustainability to my agenda as Chief Executive Officer of KfW. This also reflects our aspiration to continue improving our sustainability performance.

KfW in figures

EUR 76.5 billion
commitment volume in 2017

43%

of the commitment volume for climate action and environmental protection

EUR 3.7 billion
was the issue volume of KfW Green Bonds in 2017

20

employees are responsible for assessing the environmental and social impacts of KfW financing

6,286

staff were employed at KfW Group in 2017

31.4%

of management positions in KfW Group are filled by women

100%

of KfW Group's own and rented office buildings use certified green electricity

Top ranks

from leading sustainability rating agencies: Sustainalytics (rank 1), imug (rank 2) oekom research (one of top 8)

»»» Strategy

Think strategically. Act responsibly.

At the core of KfW Group's strategy is the goal of sustainable development – in our domestic operations and in our international activities. We continuously expand the sustainability strategy and its main thematic areas in regular dialogue with stakeholders. A comprehensive annual Sustainability Programme helps to implement the goals in our operations.



12 internal and external participants discussed the topic of human rights at the KfW Stakeholder Round Table 2017



KfW's materiality analysis identified **15 relevant aspects**



The Sustainability Programme 2018 comprises some **80 measures**

Since it was founded in 1948, KfW Group has been committed to achieving sustainable development and lasting improvements to people's living conditions on behalf and as a partner of the Federal Republic and the Federal States. Promotion is KfW Group's primary mandate. In addition to the principle of subsidiarity, it pursues the goal of sustainable development. KfW's business and sustainability strategy are therefore closely linked. Sustainability Guiding Principles for both the group and individual business sectors and subsidiaries constitute the orientation framework for the responsible design of financing operations and business processes (cf. chapter 'Corporate governance').

In Germany KfW Group has offices in Frankfurt am Main, Berlin, Bonn and Cologne. Its global network comprises some 80 offices and representations.

KfW exercises a steering function for the state. It is required to perform the tasks set forth in the Law Concerning KfW, which was enacted in 1948 and has since been frequently amended to account for current needs, most recently in 2013.

In addition to KfW, the group's main operating subsidiaries are KfW IPEX-Bank GmbH (KfW IPEX-Bank), which provides project and export financing, and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), which promotes the private sector in developing countries and emerging economies. Both are 100 per cent subsidiaries of KfW.

Finanzierungs- und Beratungsgesellschaft mbH (FuB) performs special tasks for the Federal Government, while Technologie-Beteiligungs-Gesellschaft mbH (tbG) handles old equity finance business. Both are also 100 per cent subsidiaries of KfW. KfW holds strategic participations of 26% and 25% respectively in the German Energy Agency GmbH (dena) and the Berlin Energy Agency GmbH (BEA). It holds further strategic participations in the following enterprises: True Sale International GmbH (TSI, 7.7%), European Investment Fund (EIF, 2.3%), GZBV Verwaltungs-GmbH (100%) and GZBV mbH & Co. KG (84.3%).

KfW regularly consults with international banks, works closely with other development banks and supports governments of other countries in establishing promotional banks, for example in Greece and Portugal.

It also holds shares in the former state-owned enterprises Deutsche Post AG (20.7%) and Deutsche Telekom AG (17.4%) under holding arrangements mandated by the Federal Government. Through assignment by the Federal Government KfW also indirectly holds 11.1% of the voting rights in Airbus Group. Since 2013 it has consolidated its social engagement in the legally independent and operationally active foundation KfW Stiftung.



Sustainability
as a mandate

The main products and services provided by KfW Group

Mittelstandsbank (SME finance)	<ul style="list-style-type: none"> – Promotion of SMEs – Financing of industrial pollution control and efficiency measures – Financing of renewable energy – Financing of innovation and digitalisation – Start-up finance – Venture capital financing for technology start-ups
Kommunalbank and Privatkundenbank/ Kreditinstitute (Municipal and Private Client Bank/Credit Institutions)	<ul style="list-style-type: none"> – Financing for housing construction and modernisation – Education financing – Infrastructure and social finance – Global funding of promotional institutions of the German Federal States (Landesförderinstitute) – Individual financing of banks – Transactions on behalf of the Federal Government
Export and project finance (KfW IPEX-Bank)	<ul style="list-style-type: none"> – Financing for German and European exports – Financing for projects and investments in German and European interests
Promotion of developing countries and emerging economies	<ul style="list-style-type: none"> – Promotion of developing countries and emerging economies with federal budget funds and with complementary market funds raised by KfW (KfW Development Bank) – Financing provided by DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (private sector promotion)

Promotion of sustainable development

KfW Group's financing business contributes to achieving the Sustainable Development Goals (SDGs) of the United Nations – the internationally recognised reference framework for sustainable development. It does so by financing key areas of promotion: climate action and environmental protection, innovation, small and medium-sized enterprises and start-ups, infrastructure investments by municipalities, communities and municipally owned enterprises, student and educational loans, export and project finance as well as the promotion of developing countries and emerging economies.

KfW aligned its promotional activities in 2017 in particular with the socially and economically important megatrends of 'climate change and the environment', 'globalisation and technological progress', and 'demographic change'. KfW also addresses promotional issues that play an important role for sustainable development but are not specific to any of the three megatrends, such as alleviating poverty in developing countries and general corporate finance (cf. chapter 'Business').

A strategically important theme for the group is that the projects it co-finances must respect high environmental and social standards, especially human rights, in order to be sustainable. KfW's Sustainability Guiding Principles are the key frame of reference across all business sectors and subsidiaries. The transparent presentation of the underlying decision-making and assessment processes is also of great importance and involves, among other things, regular exchange with stakeholders.

Equally important is full compliance with legal obligations and the group's internal requirements for the prevention of fraud, corruption and money-laundering. For us as a bank, the green bond purchase programme commissioned by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMUB), the steering of the liquidity portfolio to sustainability criteria and the issuance of KfW Green Bonds are of particular importance. KfW Group's employee policies are primarily focused on gender equality and balancing work and private life.

Sustainability approach and key areas of activity

KfW Group		
Declaration of KfW Group on respect for human rights in its business operations		
KfW's Sustainability Guiding Principles		
Lending business (megatrends)	Sustainable banking	Governance and social responsibility
Demographic and social change	In-house environmental protection	Public Corporate Governance Code
Climate change and the environment	Responsible procurement	Comprehensive sustainability management
Globalisation and technological progress	Staff members	Preventing corruption/money laundering
Non-trend-related promotional issues	Sustainable portfolio management	KfW Stiftung



Around 80 measures
in the Sustainability
Programme 2018

Stakeholder dialogue

KfW seeks dialogue with experts and initiators from its stakeholder environment to develop its sustainability strategy further. The bank maintains a constructive and open exchange with them – in individual conversations and discussion forums and at conferences, networking meetings and own events. KfW benefits from the knowledge and experience of its stakeholders, informs them about its actions and is faced with important questions. Stakeholders were also involved in the preparation of this Sustainability Report with a focus on the topic of human rights (see → [online magazine](#)).

KfW Group is a globally active promotional bank established as a public law institution and therefore interacts with a wide range of international stakeholder groups from all areas of society. Stakeholders that are important for KfW come from organisations or the general public who are influenced by the activities of KfW Group or who themselves can influence the group's activities. Key stakeholders include:

- Shareholders, public sector clients and strategic partners in politics and business
- Final costumers and borrowers from the promotional programmes, export and project finance
- Representatives of the media, the research community and non-governmental organisations (NGOs)
- Analysts, investors and issuers
- Suppliers
- Local residents near KfW locations
- Staff members
- The general public

Association forums and memberships

Forums for dialogue with stakeholders also include the various associations and initiatives in which representatives of KfW Group actively participate or hold honorary positions or mandates. These are, among others:

- German Federal Institute for Geosciences and Natural Resources (BGR)
- CDU Parliamentary Committee on Economic Cooperation and Development Cooperation and Human Rights
- Indo-German Consultative Group (DIGB)
- Fixed Income Advisory Committee (UN-PRI)
- Women's Career Index (FKI)
- Cologne Institute for Economic Research (IW)
- German Near and Middle East Association
- Intergovernmental Committee of Experts on Sustainable Development Financing

KfW Group also supports a number of external initiatives whose orientation, guiding principles and programming it upholds. Further memberships of associations and initiatives dedicated to sustainability include:

- Association of European Development Finance Institutions (EDFI)
- Bundesverband Öffentlicher Banken Deutschlands (VÖB)
- Climate Action in Financial Institutions
- Conservation Finance Alliance (CFA)
- Equator Principles Association (through KfW IPEX-Bank)
- Extractive Industries Transparency Initiative (EITI)
- Green Finance Cluster Frankfurt (GFCF)
- International Development Finance Club (IDFC)
- Principles for Responsible Investment (PRI)
- Reproductive Health Supplies Coalition
- Transparency International Deutschland
- United Nations Environment Programme Finance Initiative (UNEP-FI)

KfW representatives sit on the supervisory boards of various organisations including DEG, KfW IPEX-Bank, Deutsche Energie-Agentur GmbH (dena) and Berliner Energieagentur GmbH (BEA), in which it holds participations.

Dialogue on human rights

In October 2017, a stakeholder roundtable in Berlin provided the opportunity for selected stakeholder representatives to direct questions, criticisms and recommendations to KfW Group. The persons responsible for sustainability management at KfW extended an invitation to an open exchange on the topic of human rights. The results were subsequently presented to KfW's Executive Board and are being fed into the further development of sustainability management. Among other things, various participants expressed the desire for more transparency in order to be better able to assess in what ways KfW considers human rights. Further information on this discussion event can be found in the online magazine that forms part of the → [Sustainability Report 2017](#).

Materiality analysis

In 2017 KfW's Central Sustainability Management conducted a materiality analysis with relevant in-house experts and the sustainability consulting firm akzente. A stakeholder expert panel was also involved in the analysis. [The purpose was to define the material aspects pertaining to the implementation of the CSR Directive Implementation Act (known as CSR-RUG for its German abbreviation)] ✓ and to identify the relevant themes to be reported against in conformity with the Global Reporting Initiative (GRI) (see also 'Report profile', p. 2).

Determining the sustainability context

[The total number of aspects to be analysed was determined on the basis of the themes selected for the materiality analysis previously performed for the Sustainability Report 2015] ✓ (→ [KfW Sustainability Report 2015](#), p. 26) [and the current Sustainability Guiding Principles of KfW Group. These themes were compared with industry-relevant external sustainability standards and frameworks and checked for completeness. All themes that are potentially relevant for KfW were subsequently amalgamated and combined into 17 aspects (see table on p. 14–15). This selection was subdivided into two categories: aspects that affect banking business and aspects that apply to KfW Group's bank operation.] ✓

Analysis from three perspectives

[The next step involved assessing the significance of the selected sustainability aspects for KfW. The assessment had to be performed against the various materiality criteria of the CSR-RUG and the GRI. Aspects that were defined as material in the meaning of the CSR-RUG were those that are relevant for understanding the business development, results and situation of KfW and KfW Group and in which the business activity of KfW and KfW Group also has significant impacts on sustainability aspects (environmental concerns, employee needs, prevention of corruption and bribery, respect for human rights and social concerns).] ✓ These impacts are also decisive in the materiality definition of the GRI. According to the GRI, the significance of the aspects for the stakeholders is also an important dimension. All three assessment criteria were applied in defining material topics for the report.



Stakeholder roundtable on the topic of human rights held with selected representatives from politics, business and society

Impacts

[Significant impacts are defined as both positive and negative effects which KfW and KfW Group have on sustainability outcomes. For KfW as a globally active promotional bank, the assessment of impacts should ensure that global developments and goals are sufficiently taken into account. The Sustainable Development Goals (SDGs) therefore served as an assessment grid. The first step was to conduct an analysis of the 17 sustainability aspects for their impacts on the SDGs to identify where and to what extent KfW contributes to their achievement. Different scopes were applied for sustainability themes of banking business on the one hand and bank operation on the other. Aspects that affect KfW's business were assessed for their global impact on the SDGs. For matters that are of relevance to bank operation, a narrower regional perspective was applied, with the assessment focusing on the impacts of KfW's bank operation at the Frankfurt location as Germany's most important financial hub.

The assessment of the impacts was validated as part of an internal materiality workshop held in September 2017. Representatives of Group Strategy, Risk Management and the Central Sustainability Management were invited to participate. The workshop participants also assessed what potentially adverse impacts could result from KfW's and KfW Group's business activity if KfW or KfW Group were not active in the relevant area. The workshop also addressed the question whether KfW has not just direct but also indirect impacts by potentially acting as a role model.

Business relevance

Another objective of the materiality workshop was to apply the second materiality criterion in the meaning of the CSR-RUG by analysing the relevance of the aspects for KfW's business. Here it was necessary to take into account KfW's specific role as an institution with an official promotional mandate. Within KfW Group, only KfW IPEX-Bank works to turn a profit. Accordingly, the workshop participants considered an indication for strong business relevance to be given when, for example, goals and/or (sub-)strategies for steering an aspect existed or were in planning which, in turn, contributed to KfW's business strategy.] ✓

Stakeholder relevance

Finally, in order to meet the materiality definition of the GRI, the 17 aspects were also assessed for their relevance for the stakeholders of KfW Group. Eleven external experts from the fields of finance, development cooperation and sustainability categorised the themes using a standardised questionnaire from their respective viewpoint as a representative of one or more of KfW's stakeholder groups. Themes that had high or medium relevance for the stakeholders were defined as material within the meaning of the GRI.

Material aspects

Aspects	Stakeholder relevance	Positive impact	Adverse impact	Business relevance	Materiality for GRI: Assignment to the GRI aspects	Materiality for GRI-RUG: Assignment to the NFS aspects 
Business						
Financing: Climate action and environmental protection	high	high	high	Yes	material (Economic performance, indirect economic impacts, product portfolio, biodiversity)	material (Environmental concerns)
Financing: Poverty alleviation	medium	high	high	Yes	material (Economic performance, indirect economic impacts, product portfolio)	material (Social concerns, respect for human rights)
Financing: SMEs and start-ups in Germany	medium	low	medium	Yes	material (Economic performance, indirect economic impacts, product portfolio)	material (Social concerns)
Financing: Globalisation and technological progress	low	medium	medium	Yes	material (Economic performance, indirect economic impacts, product portfolio)	material (Social concerns)
Financing: Demographic and social change	low	medium	medium	Yes	material (Economic performance, indirect economic impacts, product portfolio)	material (Social concerns)
Responsible financing	high	medium	high	Yes	material (Product portfolio, audit, rights of indigenous peoples, assessment of human rights performance)	material (Respect for human rights, social and environmental concerns)
Sustainable investment and green bond issuance	medium	low	low	No	material (Active ownership approach, product portfolio)	not material
Green bond purchase programme	medium	medium	medium	Yes	material (Active ownership approach, product portfolio)	material (Environmental concerns)

Material aspects

Aspects	Stakeholder relevance	Positive impact	Adverse impact	Business relevance	Materiality for GRI: Assignment to the GRI aspects	Materiality for GRI-RUG: Assignment to the NFS aspects 
Bank operation						
Transparency and stakeholder communication	medium	low	low	Yes	material (Politics, protection of customers' privacy, marketing and labelling)	not material
Responsible procurement	medium	low	low	Yes	material (Procurement, assessment of suppliers with regard to ecological and social aspects)	not material
In-house environmental protection	medium	negligible	low	Yes	material (Materials, energy, water, emissions, waste and wastewater, environmental compliance)	not material
Compliance	high	low	medium	Yes	material (Fight against corruption, anti-competitive behaviour, socio-economic compliance, environmental compliance)	material (Fight against corruption and bribery)
Responsible and attractive employment	medium	negligible	negligible	Yes	material (Employment, employer-employee relationship, right to freedom of association and collective bargaining agreements)	not material
Diversity and equal opportunity	medium	low	medium	Yes	material (Market presence, diversity and equal opportunity, gender equality)	material (Employee interests)
Training and education	low	negligible	negligible	No	not material	not material
Occupational health and safety	medium	negligible	negligible	No	material (Occupational health and safety)	not material
Social commitment	low	negligible	negligible	No	not material	not material

The table shows that 15 of 17 aspects have been defined as material in the meaning of the GRI. In addition to all business aspects, many aspects of bank operation are important for GRI reporting because the interviewed stakeholders attributed significant relevance to these aspects. Only the aspects 'training and education' and 'social commitment' were regarded as non-material but are nevertheless included in the present report because they are of relevance for specific stakeholders of KfW.

[For the summarised non-financial statement (NFS) on implementation of the CSR-RUG, however, only some aspects – nine altogether – are material. Aspects that have both significant impacts and significant business relevance are particularly those that are clearly related to KfW's and the KfW Group's core business and address important areas of promotion such as the financing of climate action and environmental protection. It is here that KfW and KfW Group have a particularly strong influence on sustainable development. In the context of KfW Group's banking operations, these criteria apply solely to the aspects 'compliance' and 'diversity and equal opportunities'. Other internal aspects such as 'responsible and attractive employment' or 'in-house environmental protection' have business relevance, although their impacts on the SDGs are not significant given the relatively small workforce and low number of office buildings in comparison with retail banks.

The non-financial statement on the financing aspects ('climate action and environmental protection', 'poverty alleviation', globalisation and technological progress', 'demographic and social change' and 'responsible finance') can be found in condensed form in the 'Business' chapter from p. 30. Information on the aspect 'green bond purchase programme' is reported in the chapter 'KfW in the capital market' from p. 82. We report on 'compliance' aspects in the chapter entitled 'business management' from p. 21 and on 'diversity and equal opportunity' in the chapter 'employees' from p. 52.

Risk assessment

As a starting point for the risk assessment to be conducted in the meaning of the CSR-RUG, the materiality workshop performed an analysis of the potential adverse impacts of KfW's and KfW Group's actions. The CSR-RUG requires risks to be reported that are very likely to have serious adverse impacts on non-financial matters if they materialise. Accordingly, the risk analysis examined potentially serious adverse impacts of KfW and KfW Group on non-financial matters (gross risks). In addition, the Central Sustainability Management estimated the likelihood of occurrence of potentially serious adverse impacts in a separate process. No significant non-financial risks with a high probability of occurrence were identified.] ✓



We identified
15 material aspects

KfW Sustainability Programme

Under its Sustainability Programme 2018, KfW Group has set itself goals with deadlines that are designed to further improve its sustainability performance. At the same time, by opting to report annually it has reset the Sustainability Programme to cover a one-year observation period. However, the scheduling of certain measures is not pegged to the year 2018, such as those that extend over two or more years. A selection of the key issues and measures is presented below.

The complete programme is available on the KfW Sustainability Portal at → www.kfw.de/nachhaltigkeit.

The measures and objectives of the previous Sustainability Programme 2015–2017 have been largely achieved. Actions not yet completed are continuing. The current status can also be viewed at → www.kfw.de/nachhaltigkeit.

Topic	Measures	Target date
Sustainability strategy		
Enhancing sustainability management	Achieve top sustainability ratings compared to peer group in evaluations of KfW Group by sustainability rating agencies	continuous
	Internal 'Roadmap for Sustainable Finance' project to assess how sustainability themes are incorporated into processes and products	2018
	Update the Sustainability Guiding Principles of KfW Group	2018
	Revise the Sustainability Guidelines for Domestic Business	2018
	Revise the 'In-house Environmental Protection Guidelines' of KfW Group	2018
	Enhance the concept for communication on sustainability	2018
	Continue to operationalise the standard process for preparing the Sustainability Report	2018
	Review the environmental and social standards for banks and insurance companies (DEG)	2018
Fighting corruption and offences	Build expertise in the area of governance and compliance through the timely implementation of a Guidance on Competition Law (KfW IPEX-Bank)	2018
	Conduct training sessions (KfW IPEX-Bank)	continuous
	Review the complaints mechanism in the area of Financial Cooperation (FC) at KfW Development Bank	2018

Topic	Measures	Target date
Business Strengthening and expanding sustainable financings	Improve transparency in recording greenhouse gas reductions achieved by FC projects and programmes, study the feasibility of carbon footprinting (greenhouse gas emissions) at project level and its link to climate impact assessment (KfW Development Bank)	2018
	Develop and introduce a concept for enhancing the transparency on environmental, social and climate impacts of projects and programmes of Financial Cooperation (KfW Development Bank)	2018–2019
	Better harmonise reporting on climate commitments, mitigation impacts and private investments mobilised with other international financial intermediaries (KfW Development Bank)	2018
	Continue high financing volumes in the areas of environmental protection, innovation, corporate finance and start-ups (Mittelstandsbank)	2018
	Expand the circle of eligible applicants for start-up finance known as ‘Gründerkredit Startgeld’ to better address the topic of social entrepreneurship (Mittelstandsbank)	2018
	Support the Federal Ministry for Economic Affairs and Energy in implementing the promotional strategy for energy efficiency and heat from renewable energy (Mittelstandsbank) (SME finance), (KfW Kommunal- und Privatkundenbank/Kreditinstitute) (municipal and private loans/credit institutions)	2018–2019
Further developing environmental and social impact assessment procedures and standards for projects and programmes co-financed by KfW	Revise the standard tender documents in order to take better account of environmental and social impact aspects in FC-financed projects and programmes (KfW Development Bank)	2018
Supporting a sustainable investment approach	Issue green bonds and possibly further ESG-targeted bonds	2018
	Increase the treasury portfolio and issue new assets within the Asset Management framework exclusively with sustainable investments	2018
	Develop a green bond portfolio (target volume EUR 2 billion over 3–5 years) and participate in capital market initiatives for further development of the green bond market	2018

Topic	Measures	Target date
In-house environmental protection		
Reduction of operational consumption	Conversion of heating and cooling systems at the Frankfurt location	2016–2019
	Introduce bike sharing system ‘Call a bike’ across Germany for the daily commute and for use on business trips	2018
	Reduce the solar heat gain at the Bonn location with the aim of reducing the cooling load	2016–2019
	Introduce an expanded energy management system at the Bonn location	2018
Enhancing sustainable procurement	Survey main suppliers, i.a. on sustainability criteria	continuous
	Revise the group guidelines on responsible procurement at KfW Group, taking into account corporate policy directives and EU public procurement law	continuous
	Implement KfW’s internal sustainability directives into the procurement processes	continuous
Employees		
	Strategy and measures for complying with the German Temporary Agency Work Act	2017–2018
	Measures under the follow-on employee survey project	2018
	New pension scheme	2018
	Expand corporate health management services	2018–2020
Optimisation of gender and diversity policies	Implement the Act to Promote the Transparency of Pay Structures	2018
	Project and measures for establishing inclusion, including the recruitment of employees with severe disabilities, their integration into the organisation and managing inclusion as part of corporate culture; increase the share of employees with severe disabilities (KfW IPEX-Bank)	2019
	Increase the percentage of women in management positions to 35% of team leaders, 26% of heads of department and 17% of directors	2019
	Develop a strategy for promoting cross-generational knowledge transfer and interacting with older employees	2018–2019
Optimisation of work-life balance	Project on flexible work with a focus on managing existing working arrangements and measures for creating a balance between business imperatives and employees’ needs	2018
	Increasingly promote opportunities to work from home	2018
	Work and family audit (KfW IPEX-Bank)	2018–2020
	Work and family re-audit (DEG)	2018

Topic	Measures	Target date
Assuring the quality of continuing education and management development	Continuously evaluate training measures through regular surveys of participants and feedback meetings with trainers	continuous
	Enhance change management	2018
	Redesign and implement potential identification procedures for directors and heads of department	2018
	'Year of Feedback' project to strengthen the active feedback culture with a particular focus on development aspects	2018
	Enhance KfW's succession management and high-potential programme	2018
	Establish and expand the digital academy	2018
	Develop experiences and methodological competence in agile working methods (scrum, design thinking)	2018

»»» Corporate governance

Sustainable action. Future-oriented promotion.

An integral part of KfW Group's mandate is to work in an economically, ecologically and socially sustainable manner. It is therefore logical that we integrate this responsibility into our corporate governance practices. We want to promote awareness of good corporate governance and perform our functions at a higher quality level and with greater sustainability by holding the management and supervision of our business to exacting principles and standards.



At least **once a year**, KfW reports to the Board of Supervisory Directors explicitly about its sustainability commitment



The **Sustainability Guiding Principles** have constituted the **basic frame of reference** for implementing responsible financing and business processes **since 2012**



KfW is refining its digital strategy in its newly created '**Digital Office**' and '**InnovationLab**'

Sustainability organisation

Through its promotional measures, KfW helps to improve economic, ecological and social living conditions to bring about sustainable development – at local, national, European and global level. For KfW, sustainability also means, in particular, putting in place viable, self-sustaining economic structures.

National and international initiatives

KfW Group's business and sustainability strategies are closely connected through its mandate. This commitment is demonstrated by internal principles and the visible support for relevant initiatives. With its 'Statement on environmental protection and sustainable development' to the German Bundestag, KfW committed itself already in 2003 to work towards sustainable development as defined in the German Federal Government's sustainability strategy in all environment-related decisions. Building on that statement, KfW introduced group-wide environmental and social principles in 2006, expanding these into Sustainability Guiding Principles in 2012. These constitute the basic frame of reference for implementing responsible financing and business processes across all business sectors and subsidiaries. The Sustainability Guiding Principles are refined at regular intervals to reflect new challenges. They are scheduled to undergo an in-depth revision in 2018.

KfW Group also aligns itself with international sustainability initiatives. As early as in 1995, KfW Group signed up to the United Nations Environment Programme (UNEP) Statement of Commitment by Financial Institutions (FI) on Sustainable Development. The bank also became a signatory in 2008 to the → [human rights declaration](#) launched by the Business & human rights declaration Centre. As a major financier of climate protection and development projects, KfW is a mem-

ber of the International Development Finance Club (IDFC) and the Association of European Development Finance Institutions (EDFI). KfW IPEX-Bank is also a member of the Equator Principles Association (see p. 11).

Sustainability in our core business

KfW's Sustainability Guiding Principles include, for example, the requirement to focus about a third (35%) of total new commitment volume on the key area of climate action and environmental protection. This target rate is part of KfW Group's strategic objectives, which define the medium-term target positioning of the bank, and is obligatory for the strategic direction of all business sectors. These principles also define selected top-level objectives (primary objectives) for the bank as a whole.

KfW's Sustainability Guiding Principles also provide a target quota to achieve equal opportunities for women to occupy management positions. The Sustainability Guiding Principles form the basis for thematically focused sustainability guidelines, for example for group-wide in-house environmental protection (see p. 72) and responsible procurement (see p. 81).

The subsidiaries' sustainability guidelines are subordinated to the group Sustainability Guiding Principles and specify their directives as they relate to the specific business sectors. This applies equally to the sustainability guidelines of KfW Development Bank and KfW IPEX-Bank and to the environmental and social guidelines of DEG, as well as to the joint sustainability guidelines of Mittelstandsbank (SME finance) and Kommunal- und Privatkundenbank/Kreditinstitute (Municipal and private loans/credit institutions), which has been in effect since 2009.

In its 'Declaration of KfW Group on respect for human rights in its business operations', KfW has committed to respecting and protecting human rights in its sphere of influence since 2008

Responsibility and organisation

The Sustainability Guiding Principles of KfW Group are adopted by the Executive Board, which reports any changes to the Board of Supervisory Directors. The Group Environment and Sustainability Officer and the sustainability officers of organisational units cooperate in developing proposals for Executive Board decisions. In addition, the formulation and implementation of KfW's Sustainability Programme generates new policies and measures for specific themes from the two thematic areas 'sustainable finance' and 'sustainable bank operation'. Depending on their area of activity, they are decided in part by the persons responsible for the respective market areas or central units and in part by the Executive Board. The Sustainability Report is also released by KfW's Executive Board and presented to the Board of Supervisory Directors for information.

The Sustainability Guiding Principles are implemented via a management system that defines responsibilities and procedures. Overall responsibility for KfW's sustainability strategy and communication lies with the Chief Executive Officer, who also exercises the function of Chief Environmental Officer. Together with the respective Executive Board members and the management boards of DEG and KfW IPEX-Bank, he thereby also ensures operational implementation of the sustainability-related aspects with a view to sustainable financing transactions and sustainable bank operation.

He is assisted by the Group Environment and Sustainability Officer, the In-House Environmental Protection Officer and 15 sustainability officers from the relevant organisational units. The Group Environment and Climate Steering Committee (KUK) facilitates group-wide exchange on financing activities in the area of climate action and environmental protection, and provides impetus for the further development of procedures and standards for environmental and social

impact assessments. Its members include, among others, the Group Environment and Sustainability Officer and the sustainability officers from the individual business sectors and subsidiaries as well as the responsible operational managers from all market segments of the bank. The Group officer and the four local officers for in-house environmental protection coordinate relevant in-house environmental protection matters in the task force on business ecology. This task force also directs the further development of the Sustainability Programme as it relates to in-house environmental protection (see p. 19).

Corporate governance

KfW's five-member Executive Board, which has been headed by Dr Günther Bräunig since 1 January 2018, is responsible for managing business in accordance with the Law Concerning KfW, the KfW Bylaws and the procedural rules. A schedule of responsibilities stipulates the business responsibilities. Significant changes require the approval of the Presidial and Nomination Committee. As a public-law institution, KfW adheres to the principles of the Public Corporate Governance Code of the German Federal Government (PCGC). KfW explains how it fulfils these principles in its annual declaration of compliance in the Annual Report. For majority shareholdings, KfW assesses whether shareholder resolutions are consistent with the bank's Sustainability Guiding Principles.

KfW regularly offers its Executive Board members training, for example when they are inducted to their new position. This is also done on the basis of an existing policy of informing the Executive Board about relevant legal (regulatory) requirements and obligations.



KfW's sustainability management is supported by 15 sustainability officers from different business units

Remuneration

Based on the remuneration system of KfW Group, the Executive Board members – one of whom is a woman – are appropriately compensated in accordance with their duties and responsibilities. Only the Chief Executive Officer received variable compensation in the financial year 2017. This is tied to a set of targets which the Chief Executive Officer agrees with the Chair of the Presidial Committee and their deputy and which includes the promotional – and thus sustainability-related – targets. The members of the Board of Supervisory Directors are paid a remuneration, the amount of which is determined by the authority exercising legal supervision in accordance with Article 7 (10) of the KfW Bylaws. Further details on remuneration are contained in the Financial Report 2017, p. 183–186.

The Remuneration Committee of the Board of Supervisory Directors deals with remuneration matters, also in the interest of the shareholders as important stakeholders. In particular, it deals with the appropriate structure of the compensation systems for the KfW Executive Board and employees and advises the Presidial and Nomination Committee on remuneration of the Executive Board members.

Supervisory bodies

Several institutions are involved in supervising KfW Group. The supreme governing body is the Board of Supervisory Directors. According to the Law Concerning KfW, it is composed of 37 members, including six women at present (16.2%). It is chaired in alternating years by the Federal Minister of Finance and the Federal Minister for Economic Affairs and Energy. The KfW Executive Board consults with them on key questions regarding corporate governance and strategy. The Board of Supervisory Directors meets at least three times a year. The Executive Board informs the Board of Supervisory Directors about all relevant aspects of planning,

business development, risk position and management as well as the financial situation. Once a year it also informs explicitly about sustainability topics. With the exception of the Federal Ministers, the members of the Board of Supervisory Directors are appointed for three years; every year one third of the members are replaced. To avoid conflicts of interest, they may not have any business or personal relationships with KfW or its Executive Board.

The Board of Supervisory Directors maintains four committees which make their work more efficient: the Presidial and Nomination Committee, the Remuneration Committee, the Risk and Credit Committee, and the Audit Committee (for the individual duties please see p. 24 of the Financial Report). The Presidial and Nomination Committee evaluate the performance of the Board of Supervisory Directors and the Executive Board annually (pursuant to section 25d (11) of the German Banking Act). To expand their knowledge with regard to their role or regulatory matters, KfW offers the members of the Board of Supervisory Directors quarterly training courses by external experts. It also provides a budget for their participation in external events.

The SME Advisory Council (Mittelstandsrat) specifies the state mandate of KfW for the support of small and medium-sized enterprises. The Executive Board apprises the Council at least once a year about programmes that are underway or planned for the medium term, and submits alternative proposals on request. The SME Advisory Council is composed of eleven representatives or appointed members of the German Federal Government and is chaired by the Federal Minister for Economic Affairs and Energy. The Supreme Audit Institution (Bundesrechnungshof) and the Federal Financial Supervisory Authority (BaFin) also exercise further oversight functions. KfW is also subject in parts to the regulatory standards of the German Banking Act (KWG).



The Board of Supervisory Directors is the supreme governing body of KfW Group. It is regularly informed about the bank's sustainability commitment

Risk management

The Executive Board is responsible for central decisions regarding risk policy. Consistent with the business strategy, a risk strategy is determined annually and thereby defines the framework for business activity with regard to risk tolerance and risk-bearing capacity. Adherence to the risk strategy is monitored continuously. The bank's overall risk situation is comprehensively analysed in monthly risk reports to the Executive Board. The Board of Supervisory Directors is informed at least quarterly. Risk management within the group is exercised by closely interlinked decision-making bodies. Below the Executive Board, three risk committees prepare the Executive Board decisions and make independent decisions within their remits.

- The Credit Risk Committee makes weekly credit decisions and prepares these for the Executive Board or the Risk and Credit Committee. In quarterly extended sessions it decides about any changes in the methods for assessing credit risk. It also monitors industry- and country-related risks.
- The Market Price Risk Committee, which convenes monthly, makes decisions on, among other things, the assumption of market price risks, changes in risk measurement methods and the valuation of securities. It also prepares decisions for Executive Board decisions on interest rate risk positions, transfer pricing and funding strategy.
- The Operational Risk Committee is responsible for managing and monitoring operational risks (OpRisk) and reputational risks, crisis-prevention measures and monitoring emergency planning. Actual and potential OpRisk damage is discussed quarterly. The Committee also decides on risk guidelines, methods and instruments within its remits.

Sustainability risks

KfW Group also considers the risks its business decisions have for its ecological and social environment. This is the case when it introduces new promotional programmes, credit lines or facilities, when it undertakes initiatives in conjunction with third parties, and when it decides on financing individual projects. It assesses potential risks with a view to the environmental and social sustainability of the financed projects and its reputation.

In order to prevent potentially negative impacts or risks to human health and the environment and to mitigate or offset them with suitable measures, KfW Group's standard practice is to undertake environmental and social impact assessments (ESIA) of planned promotion and financing operations in emerging and developing countries as well as export and project finance transactions (see p. 41–43).

Reputational risks play an important role in the context of sustainability. They are categorised within the group as a separate, significant risk type and thus subject to the risk management cycle. KfW identifies potential reputational risks each year at group level and has them internally evaluated by experts for individual stakeholder groups. According to the guidelines on risk reporting, the group risk report addresses significant new reputational risks or trigger events. This report is presented to the Board of Supervisory Directors, the Federal Ministry of Finance (BMF), the Federal Ministry for Economic Affairs and Energy (BMWi) and the Financial Supervisory Authority. Particularly critical issues are addressed in the form of ad-hoc reports to the Executive Board.



KfW Group's standard practice is to analyse the risks its business decisions have for its ecological and social environment

Compliance

[KfW Group defines clear expectations for the actions of its employees as well as its business partners and suppliers. Integrity is the basis for the trust that business partners, customers, shareholders and the public have in KfW Group. It presupposes compliance with all relevant statutory and regulatory provisions and with all internal requirements. This explicitly includes compliance with statutory regulations and provisions that apply to corruption, the environment, social and economic matters and other offences.

In addition to the pertinent statutory and supervisory bases,] ✓
→ [KfW's mission statement](#) [forms the basis for ethical corporate conduct. It describes the values which our employees are committed to: responsibility, fairness, professionalism, initiative, and transparency. The mission statement makes reference to other initiatives that shape KfW's corporate culture, including the Code of Conduct. The Group Compliance Guidelines describe how all corresponding integrity and compliance guidelines are to be implemented.

KfW Group has incorporated the fight against corruption and other offences into its Sustainability Programme as a continuous objective. Continuing education measures are in place to enhance expertise in the area of governance and compliance.

Organisation and functions

The Executive Board is responsible for compliance within KfW Group. The Compliance unit ensures group-wide operational implementation. It operates independently of other divisions and aligns the existing compliance management system with changing laws and market trends. In accordance with the Minimum Requirements for Risk Management (MaRisk), the Compliance unit is the central area responsible for recognising legally relevant developments early on, preparing decisions by the responsible bodies and ensuring via monitoring that all legal requirements are met. Implementation lies with, among others, a Compliance Board and a Compliance Management Board, which are composed of representatives of the parent companies and subsidiaries.

With respect to content, the KfW Compliance unit focuses on the prevention of fraud and corruption, money laundering and the financing of terrorism, compliance with financial sanctions and embargoes, securities compliance, document organisation as well as data protection, information security, physical security, digital forensics and regulatory compliance.

Fight against corruption and fraud

KfW has explicitly incorporated the preventive fight against corruption, fraud and other offences in its mission statement and Code of Conduct, and it takes a zero-tolerance approach. A Fraud and Corruption Prevention Officer who reports to the Chief Executive Officer conducts annual risk analyses for every business sector and assesses the risks associated with individual costumers/business partners, products, processes, transactions and countries. The analysis of country risks also takes into account the Corruption Perceptions Index published each year by the non-governmental organisation Transparency International.

Corruption risks typically exist in the approval of loans or subsidies, in procurement and in the award of contracts. No confirmed case of corruption was recorded in the reporting year.

The work of the Fraud and Corruption Prevention Officer undergoes an annual compliance audit by the internal auditing department, as well as other reviews.

At organisational level, KfW Group is committed to the fight against corruption as a corporate member of Transparency International. Furthermore, DEG is a sponsoring member of the Extractive Industries Transparency Initiative (EITI) on behalf of KfW Group. KfW cooperates with the Federal Ministry for Economic Cooperation and Development (BMZ) in implementing the strategy on anti-corruption and integrity in German development policy.

Code of conduct and training

The guideline for legal and ethical conduct at KfW Group is the Code of Conduct. It applies group-wide and is binding for all employees as well as the Executive Board, comprising succinct and understandable key rules of conduct as well as the employees' duty to cooperate. A link to the intranet points to more detailed information on each topic. It provides specific work instructions, for example on the prevention of offences and on the acceptance of gifts and invitations, as well as practical examples and conduct rules.

A revised Code of Conduct applies additionally for members of the KfW Executive Board. It regulates the handling of conflicts of interest, acceptance of gifts, invitations to events, performance of ancillary activities and the acceptance of honorary posts.

However, KfW raises awareness of compliance risks and lawful conduct in many ways. Risk-based online and face-to-face training courses on the bank's fraud and corruption prevention policy are mandatory for all employees. Courses are held every year or every two years and as needed through specific information letters. In 2017 as well, the bank held in-house events to raise awareness of major aspects of corporate culture such as acting with integrity, among other aspects. KfW informs its business partners about compliance risks using product data sheets, information sheets and other contract components. It also informs the members of the Board of Supervisory Directors periodically about measures currently being undertaken to fight fraud and corruption.



Zero tolerance
of corruption, fraud
and other offences

In cases of suspected offences or misconduct, employees may contact their line manager and/or the Compliance unit itself via a hotline or email – confidentially if they wish or via an external ombudsperson. The contact details for all contact persons can be found in the Code of Conduct and other resources. A regular process is in place that allows KfW to rigorously investigate all suspected compliance violations.

Suspected compliance violations received by KfW's Complaints Management are forwarded to the Compliance unit, where they are investigated further. The Executive Board is notified of these suspected violations and all other suspected compliance violations. It receives an aggregated quarterly report about all suspected violations. The Executive Board also receives ad-hoc reports in the event of prominent cases of suspected violations depending on factors such as amount of loss or employee involvement.

Our understanding of ethical conduct also includes the aspect of political donations. According to its donation guidelines, KfW does not provide financial support or other allowances to political parties including organisations that are affiliated with parties.] ✓

Money laundering prevention and data protection

An in-house Anti-Money Laundering Officer coordinates preventive measures against money laundering and terrorism financing. Among other things, the officer is responsible for organisational instructions, conducting risk analyses, implementing risk-based prevention measures and the regular checking of the business-partner database and transactions against the currently relevant sanction lists. KfW immediately reports all suspicious transactions or situations to the responsible investigating authorities. The Anti-Money Laundering Officer reports directly to the Executive Board.

Giving due consideration to banking secrecy, KfW complies with statutory technical and organisational data-protection requirements. Group-wide regulations ensure the security of personal data.

Internal Auditing

KfW's Internal Auditing (IA) department ensures that risks are recognised, assessed, managed and monitored. It is part of internal controlling procedures and reports directly to the Chief Executive Officer (CEO). Increasing external regulation is leading to changing business processes. It is therefore essential that IA takes measures to keep up with these changes, for instance, by hiring additional personnel. Within the course of an audit, IA also monitored the process of preparing KfW's non-financial statement and ensuring legally compliant implementation.

Digitalisation at KfW

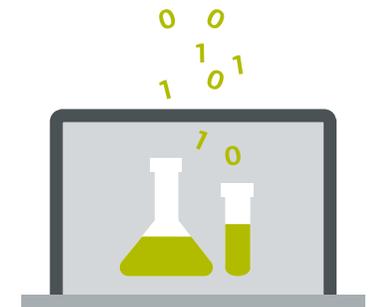
Digitalisation is one of the large megatrends of our time. Particularly as a tool for developing innovative services, it has links to sustainability that are also reflected in the work of KfW Group. Thus, KfW sees the technological trends and applications that make up digitalisation as an opportunity for improving its promotional services. KfW Group therefore supports digitalisation in Germany and abroad, and it is also pushing ahead with the digital transformation of KfW itself.

The growing digital management of promotional processes not only reduces costs and paper consumption; it also supports customers in Germany – many of whom are SMEs – on their own digitalisation roadmap. It thus promotes growth, productivity, competitiveness, innovative start-ups and new business models in Germany in a targeted manner. Digital technologies can speed up and make social and economic development processes more efficient in international cooperation as well, and they can steer them in an ecologically more sustainable direction. Technological advances can overcome centralised structures in recipient countries and close development gaps more quickly (more on this topic in the [→ online magazine](#)).

Internal challenges

Digitalisation is also playing an increasingly important role in KfW's own bank operations, for example in human resources development and change management. This primarily involves the changes in cooperation, management and communication which digitalisation generates in the long term. Digitalisation is also becoming more relevant in facility management, for example by enabling modern and energy-efficient building control systems.

A newly created 'Digital Office' and an 'InnovationLab' are developing KfW's digital strategy internally and externally to allow all business sectors to benefit from it systematically. The InnovationLab, for example, aims to promote innovation and agile cooperation in an attractive and flexible working environment. It makes intensive use of methods known as design thinking.



A newly created
'Digital Office' and an
'InnovationLab' are
developing KfW's digital
strategy internally
and externally

Business

Financing with vision. Systematic evaluation.

KfW Group is committed on behalf of the state to improving economic, social and environmental conditions in Germany, Europe and the world. The financing it provides contributes to solving global challenges such as climate and demographic change and globalisation. In future, it will also become more active in the area of digitalisation. A consistent focus is on promoting forward-looking projects that effectively advance sustainable development.



EUR 76.5 billion
commitment volume 2017



43% of the commitment volume for
climate action and environmental protection



17% of the commitment volume for
globalisation and technical progress

Business activity of KfW

[KfW Group has set itself the target of delivering sustainable improvement to economic, social and environmental conditions around the world. As a promotional bank, KfW supports change and advances forward-looking ideas in Germany, Europe and the world. The institutional framework for KfW's promotional mandate is defined in the Law Concerning KfW (KfW Law).

The promotional and financing activities of KfW Group are divided into domestic and international business. The business sectors Mittelstandsbank (SME Bank) and Kommunal- und Privatkundenbank/Kreditinstitute (Municipal and Private Client Bank/Credit Institutions) are active in domestic business. In organisational terms, they are part of KfW without subsidiaries, just like the capital markets business sector and KfW Development Bank. Together with KfW subsidiary DEG, the latter makes up the business sector Promotion of developing countries and emerging economies. KfW subsidiary KfW IPEX-Bank is responsible for the Export and project finance business sector. KfW Development Bank and both KfW subsidiaries DEG and KfW IPEX-Bank are active internationally.

Domestic business

Domestic KfW Group promotion is divided into two business sectors:

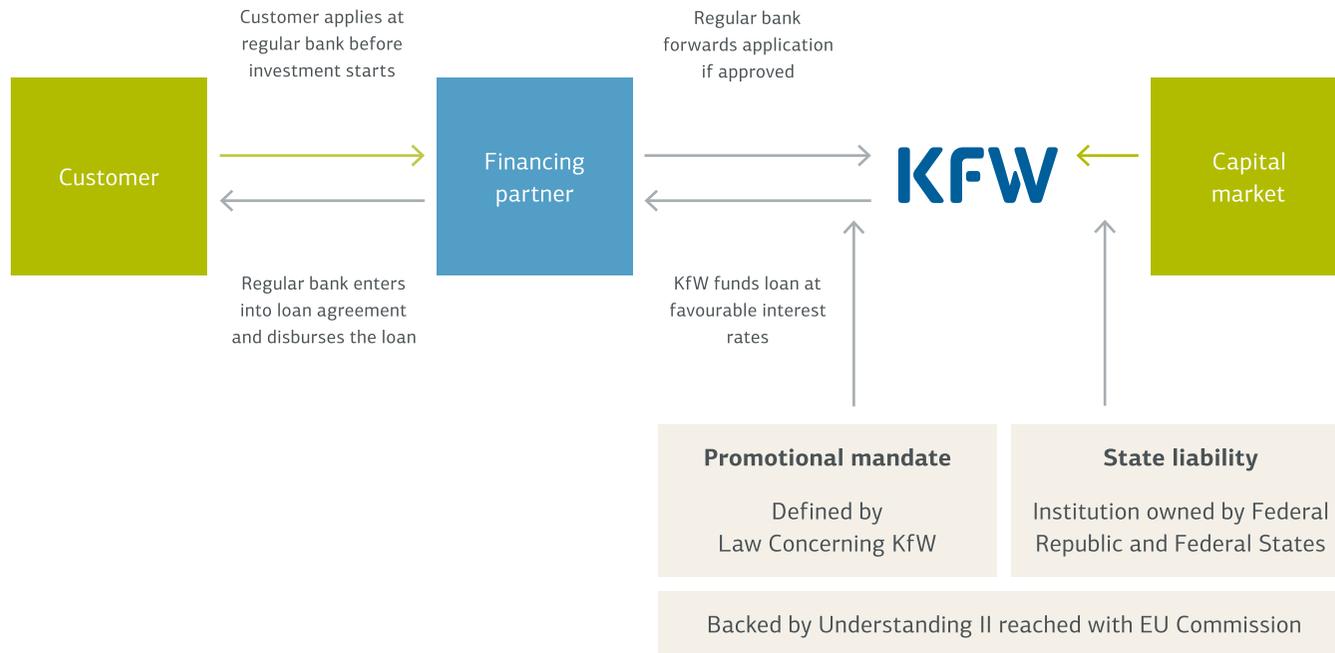
- Mittelstandsbank supports small and mid-sized companies, business founders and start-ups with promotional loans, equity capital and programmes to strengthen equity capital. All of the SME Bank's active equity business will be transferred to an investment subsidiary in 2018. This wholly owned KfW subsidiary will specialise in equity business, working primarily on investments in venture capital funds and venture debt funds.
- In the Kommunal- und Privatkundenbank/Kreditinstitute business sector, KfW promotes private investors and municipalities. KfW funds promotional and commercial banks in Germany and Europe via programme-based or earmarked global loans and structured products. Promotional programmes for private investors focus on new living space and building refurbishment under the aspects of energy efficiency, age-appropriateness and anti-burglary protection. A further priority area is promotional programmes for vocational and continuing education opportunities.

Domestic promotional programmes are usually characterised by the on-lending principle, in which KfW extends loans to commercial banks, which, in turn, lend the funds to the ultimate borrowers at favourable rates. This approach eliminates any need for KfW to have its own network of branch offices. The commercial bank evaluates the customer's application and passes it on to KfW if approved. Exceptions to this on-lending principle for example include public-sector borrowers and grants for private individuals and companies.



As a promotional bank, KfW supports sustainable change and advances forward-thinking ideas

Domestic promotional lending business at KfW



International business

The subsidiary KfW IPEX-Bank is responsible for the Export and project finance business sector. Financing from KfW IPEX-Bank serves to maintain and strengthen the competitiveness and internationalisation of German and European export companies. Furthermore, it finances economic and public infrastructure in Europe. KfW IPEX-Bank contributes to securing raw materials and supports realisation of environmental and climate protection projects at a global level.

The business sector for Promotion of developing countries and emerging economies includes KfW Development Bank and DEG. KfW Development Bank finances and supports programmes and projects that mainly involve public-sector players in developing and emerging economies on behalf of the German Federal Government and other customers, like the European Union. The objective is to support partner countries in combating poverty, securing peace, protecting the environment and the climate, and ensuring fair globalisation. Here, KfW also uses its own funds which it raised on the capital

market. KfW thus supports the Federal Government in meeting its international targets and obligations in alleviating poverty and protecting the climate and environment.

The wholly owned subsidiary DEG, Deutsche Investitions- und Entwicklungsgesellschaft mbH, is also active in the business sector Promotion of developing countries and emerging economies. It finances and organises investments for private companies in developing countries and emerging economies to foster sustainable economic development, ensure local value creation and promote expansion of the private sector.

KfW's key promotional priorities

The primary objective for all KfW Group business sectors is promotion. As a public promotional bank, KfW abides by two promotional principles: subsidiarity and sustainability. Sustainability in this context means that KfW promotion focuses on long-term success. KfW observes the highest ecological and social standards when providing financing. Subsidiarity means that KfW is active in markets that require promotion. In this context, it supports commercial banks in financing projects that would otherwise not be implemented. As a result, KfW's primary areas of growth are fields that exhibit market weaknesses. KfW's own economic growth is not a primary target. Both of these promotional principles are explicit elements of KfW Group's strategic system of targets.

KfW's set of strategic objectives define the company's projected medium-term positioning. This framework encompasses selected top-level targets at overall bank level and serves as a central, binding reference for the strategic orientation of all business sectors with a five-year horizon. This set of targets has existed since 2012 and has been subject to annual review ever since. Corporate Strategy is responsible

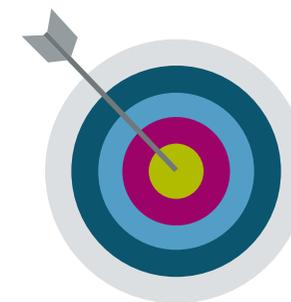
for the strategic objectives which serve as a starting point for the respectively upcoming group business area planning. The strategic targets are incorporated into operational group business area planning so that the objectives defined within the strategic objectives can be achieved over the medium to long term.

Three reporting formats are used to control and steer the strategic target variables over the course of the year. Monthly reports are submitted to the Executive Board, and quarterly reports are submitted to the Board of Supervisory Directors.

- Strategic performance report (primary target promotion, Strategic Controlling is responsible for the report)
- Risk report (secondary target risk and liquidity, Risk Controlling is responsible for the report)
- Financial controlling report (secondary target profitability and efficiency, Financial and Promotional Business Controlling is responsible for the report)

KfW Group focused its promotional activities in 2017 on what it considers to be the socially and economically important megatrends of "climate change and the environment", "globalisation and technological progress", and "demographic and social change", which are anchored in its set of targets. KfW Group is also engaged in other areas of non-trend-related promotion. In order to reduce global poverty, KfW Development Bank has been supporting the German Federal Government in financing and implementing development projects. Another priority area for KfW is the promotion of SMEs and business founders in Germany.

To address the special importance of the "climate change and the environment" megatrend, KfW has set an environmental commitment ratio of around 35% of its total promotional business volume. In fiscal year 2017, the Group environmental commitment ratio was exceeded considerably at 43%.



KfW focused its promotional activities on the megatrends anchored in its strategic targets

The following table demonstrates how the commitments in KfW's business sectors during 2017 are distributed among the megatrends anchored in the strategic objectives. Matters defined as being essential to KfW's business activity within the framework of the materiality analysis and their effects on

the aspects subject to reporting are also reflected in the table. The commitment volume for the essential aspects is distributed among the megatrends listed in the table on p. 35 as follows.

Assignment of key sustainability issues to the megatrends anchored in the strategic targets



Key issues 2017	2017 megatrends
Financing: climate action and environmental protection	Climate change and the environment
Financing: alleviating poverty	Non-trend-related promotional issues, poverty alleviation (KfW Development Bank)
Financing: SMEs and business founders in Germany	Climate change and the environment, globalisation and technological progress, demographic and social change, non-trend-related promotional issues
Financing: globalisation and technological progress	Globalisation and technological progress
Financing: demographic and social change	Demographic and social change

43%
of the commitment
volume for climate action
and environmental
protection

The product range for domestic promotional business mainly consists of promotional programmes focused on specific topics. The table on p. 36 shows the particularly high-volume promotional products for domestic promotional business and lists the respective megatrends to which they are assigned based on the promotion approach.

At KfW IPEX-Bank, KfW Development Bank and DEG, the key products are defined by their financing characteristics; financing decisions are made at individual project level.

For KfW Development Bank, all co-financed projects directed towards climate action and environmental protection are assigned to this megatrend; all other financing is assigned to the priority area of "alleviating poverty", which counts among the trend-independent promotional issues. By analogy financing from DEG and KfW IPEX-Bank not assigned to the "climate change and environment" megatrend is essentially assigned to the "globalisation" megatrend.] ✓

KfW Group commitment volume according to business sectors and 2017 megatrends¹ in EUR billion



	Business sector Mittelstandsbank	Business sector Kom- munal- und Privatkun- denbank/Kreditinsti- tute	Business sector Export and project finance	Business sector Promotion of developing countries and emerging economies		Total commitment volume
				KfW Development Bank	DEG	
Total commitments	21.9	29.9	13.8	8.2	1.6	76.5 ²
Including climate change and the environment (environmental commitment ratio) ³	10.2 (47%)	15.9 (53%)	2.0 (15%)	4.5 (55%)	0.6 (36%)	33.2 (43%)
Including globalisation and technical progress	2.0	0.3	9.9	n.a.	1.0	13.2
Including demographic and social change	1.3	7.4	n.a.	n.a.	n.a.	8.7
Including non-trend- related promotional issues	8.4 (primarily start-ups and general corporate finance)	6.4 (e.g. infrastructure finance)	1.8 (primarily bank refinancing)	3.7 (alleviating poverty)	n.a.	21.4

¹ Deviations in the sums are due to rounding differences

² Also includes commitments in the capital market business sector in the amount of EUR 1.5 billion, of which EUR 0.3 billion are attributable to climate change and the environment and EUR 1.2 billion to non-trend-related promotional issues. Adjusted for commitments in Export and project finance from KfW programme loans

³ Percentage of total commitments for the business sector or area



Megatrend	Mittelstandsbank (SME Bank)	Kommunal- und Privatkundenbank/ Kreditinstitute (Municipal and Private Client Bank/ Credit Institutions)
Climate change and the environment	Renewable Energy programmes (3.9); KfW Energy Efficiency programmes (5.7)	Energy-efficient Construction and Refurbishment programmes (14.2)
Globalisation and technological progress	ERP Digitalisation and Innovation Loan (1.5)	n.a.
Demographic and social change	ERP start-up loan (proportion of company successions: 1.3)	KfW Home Ownership Programme (4.2); Federal Education and Training Assistance government loan (1.0)
Non-trend-related promotional issues	KfW Entrepreneur Loan (5.1); ERP start-up loan (proportion: 2.4)	Investment loans for municipal and social enterprises (proportion: 1.0), global funding of the promotional institutions of the Federal States (3.9)

¹ Promotional programmes with total commitments in amounts of EUR 1.0 billion or more in fiscal year 2017 are listed

Promotional development of business sectors and areas

Mittelstandsbank (SME Bank)

The volume of new business in the Mittelstandsbank (SME Bank) business sector last year amounted to EUR 21.9 billion (2016: EUR 21.4 billion). This result mainly reflects the high demand for investment loans in the areas of energy efficiency, digitalisation and innovation.

The priority area of general corporate finance fell slightly short of the previous year's level with commitments of EUR 6.0 billion (2016: EUR 6.4 billion). At EUR 3.8 billion, start-up financing once again surpassed the previous year's result (2016: EUR 3.6 billion) despite a general downturn in start-up activities.

Innovation financing was well above the previous year's figure (2016: EUR 0.6 billion) with commitments of EUR 2.0 billion. In July 2017, KfW expanded this priority area to include the priority area of digitalisation and launched the new ERP Innovation and Digitalisation Programme, which provides even better support for SMEs investing in this area. The commitment volume here was around EUR 1.5 billion in 2017.

By further developing its ERP Venture Capital Fund investments and subscribing to its participation in High-Tech-Gründerfonds III (HTGF III), KfW took the first steps towards realigning equity financing in 2017. In future, the financing

offering in the venture capital segment will be pooled and substantially expanded in a separate subsidiary. A total of around EUR 2 billion is to be made available over the next ten years via venture capital funds for growth-oriented high-tech companies.

The environment priority area delivered a promotional business volume of EUR 10.2 billion in 2017 (2016: EUR 10.7 billion), of which EUR 5.7 billion went toward promotional programmes for energy efficiency projects for commercial companies (2016: EUR 5.2 billion). This priority area was strengthened in 2017 by the introduction of a programme to promote corporate investment in the avoidance or utilisation of waste heat. The commitments in the KfW Renewable Energy programme, on the other hand, fell short of the record figure of the previous year (2016: EUR 4.7 billion), but still reached a positive level of close to EUR 3.9 billion.



Expanding start-up infrastructure

The German Federal Ministry for Economic Affairs and Energy (BMWi) and KfW Group are breaking new ground in the expansion of start-up infrastructure in Germany, working with their partner BusinessPilot to launch a pilot phase for a new digital platform for entrepreneurs.

From March 2018, the website www.gruenderplattform.de (“Start-up Platform” in English) will provide aspiring entrepreneurs with tailored support – from the idea, business model and business plan to the selection of suitable promotion and financing. At the same time, the platform also incorporates major players in start-up consultancy and financing from across Germany. The Federal Ministry for Economic Affairs and Energy, and KfW – whose legal mandate includes the promotion of start-ups and consultancy services – thus provide tailored support for all potential entrepreneurs through this start-up platform. Another objective is to eliminate the obstacles during the process of starting a business, encouraging more people to venture into working for themselves and thus helping to stimulate the start-up scene in Germany.

EUR **1.5** million
commitment volume
for the ERP Innovation
and Digitalisation
Programme

Kommunal- und Privatkundenbank/Kreditinstitute (Municipal and Private Client Bank/Credit Institutions)

In the business sector Kommunal- und Privatkundenbank/ Kreditinstitute, the commitment volume of EUR 29.9 billion was again at a very high level (2016: EUR 33.7 billion).

With a commitment volume of EUR 18.9 billion (EUR 2016: EUR 20.8 billion), the priority area of housing once again made the most significant contribution in 2017. In particular the grant programmes for energy-efficient construction and refurbishment and age-appropriate conversion experienced a considerable surge in demand in this area. This accounted for around 59% of the housing commitments (2016: 49%). The simple online application via the new KfW grant portal played a key role in this development.

With a promotional business volume of EUR 3.9 billion (2016: EUR 4.1 billion), infrastructure financing made a stable contribution. A decline in volume due to the special facility "Refugee Accomodation", which had already expired in 2016, was almost fully offset by increased demand in promotion for municipal environmental protection and climate change mitigation.

The priority area of education and social development reached a commitment volume of EUR 2.2 billion (2016: EUR 2.3 billion). The number of promotional commitments rose to 100,291 (2016: 97,830), with a particular increase in demand for the promotional programme Assistance for Professional Advancement.



KfW Construction Award for sustainable construction

As one of the largest promoters of home ownership in Germany, KfW Group introduced the KfW Construction Award in 2003. The aim of the competition is to motivate sustainable private construction and highlight forward-looking trends. The focus in doing so is primarily on promoting energy efficiency, accessibility and living comfort.

On 22 May 2017, the KfW Construction Award was presented in Berlin for the 15th time. Ten winners were awarded a prize fund totalling EUR 30,000. Private developers and building associations who have expanded, converted or modernised a building in the last five years and thus created or modernised living space were invited to apply for the award.

The Kaulsdorfer Kastanienhof complex won the KfW Award in 2017. The Vierseithof historical farm combines rural living in the city, protection of a historical monument, energy efficiency, barrier-free living and community. The construction work on the Kastanienhof complex was financed using funds to promote existing property in the Energy-efficient Refurbishment programme and thus achieved the KfW Efficiency House Monument standard.

100,291
promotional commitments in the area of education and social development

Export and project finance

In the Export and project finance business sector, for which KfW IPEX-Bank is responsible, new business added up to EUR 13.8 billion (2016: EUR 16.1 billion) in 2017 in a highly competitive market environment. These commitments were often concluded in consortia with other banks. The largest commitments in the industry sector came from the Power, Renewables and Water sector department with EUR 2.6 billion, of which a significant portion was accounted for by on- and offshore wind farms. This underscores KfW IPEX-Bank's efforts to make a significant contribution to environmental protection and climate change mitigation.



Deutsche Bucht offshore wind farm

KfW IPEX-Bank participates in the financing of the Deutsche Bucht ("DeBu") offshore wind farm. Together with nine other international commercial banks, the specialist financier is providing the project with about EUR 988 million in debt capital. Northland Power Inc., a listed corporation from Toronto, Canada, owns the 252 MW project in the German part of the North Sea. The total investment volume for DeBu is approximately EUR 1.3 billion. After its completion, DeBu is expected to provide over 178,000 households with green energy.

Financial Cooperation (KfW Development Bank)

KfW Development Bank again increased its commitments substantially. Last year, around EUR 8.2 billion in financing was provided to developing countries and emerging economies on behalf of the German Federal Government (2016: EUR 7.3 billion). Around 55% of financing was earmarked for climate change mitigation and environmental protection projects. Development projects in Africa and the Middle East are financed with nearly 40% of all new commitments; 65% of the federal budget is channelled to this region.

KfW Development Bank currently supports 117 ongoing projects relating to refugees in 28 different countries with an overall volume of EUR 3 billion. A total of EUR 1.2 billion of new commitments was granted for refugee-related projects in 2017. The regional focus of involvement is the Middle East.

Moreover, KfW Development Bank contributes to maintaining global biodiversity with measures that include forest conservation, in particular. Together with partner countries, KfW establishes protection zones, increases measures for fire prevention and monitoring illegal logging, and promotes clarification of land tenure and municipal forest management.

Larger infrastructure projects in particular can have negative effects on and risks for biodiversity. KfW specialists for environmental and social impact assessment are brought in during both the appraisal stage and the execution processes for projects with particularly high risks for the environment and social factors. If necessary, measures for protecting biodiversity are defined and must be implemented by the financed enterprises. Aim: avoiding unwanted risks, and minimising and offsetting remaining effects.

EUR **988**
million for financing
the Deutsche Bucht
offshore wind farm



KfW Development Bank 2017 example projects

Higher education loans in seven Latin American countries

Over 5,000 school children and students have already benefited from the Higher Education Finance Fund (HEFF), which works with microfinance institutions to issue higher education loans in seven Latin American countries.

Working on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), KfW is the fund's largest shareholder, with the fund forming a pilot initiative within the development bank's portfolio. An external evaluation has now concluded that this tool is successful and also suited to other regions.

KfW founded the HEFF in 2011 to provide young people in Latin America with access to vocational training or higher education. The fund's main goal is to help talented young people from lower-income population groups to receive a higher education. The reasoning for this is that Latin America is a continent where the distribution of educational opportunities is particularly unequal, due in part to the comparatively high number of private schools and universities – an obstacle that is very difficult for children from poorer families to overcome.

HEFF's aim is to tackle this trend by issuing educational and student loans, similar to the services offered by KfW in Germany. To help achieve this goal, KfW has invested a total of EUR 9.3 million in the fund, which is also supported by other donors, such as CAF, a Latin American development bank. The fund itself also works closely with

almost a dozen different microfinance institutions (MFIs) in Bolivia, Costa Rica, the Dominican Republic, Guatemala, Honduras, Paraguay and Peru. The MFIs then issue loans worth an average of USD 3,000 to young people keen to continue their education.

Health centres and schools for northern Afghanistan

After many years of involvement, KfW Development Bank is moving forwards with its commitment to stabilising northern Afghanistan: five projects improving social and medical conditions for the population have now been concluded and handed over to the responsible government agencies in Baghlan Province. A total of 16,000 people are now benefiting from a new health station, a training centre for medical staff and three schools.

Around 12,000 people are benefiting from the new health station in the Khinjan District. The station can treat up to 60 women, men and children per day. Medical staff can now receive training in a new training centre. Professional development training can be provided to around 1,000 nurses, carers and medical assistants there.

Three new schools have been built to improve access to education, particularly for girls. Out of the 3,400 pupils, there are 3,265 girls and 135 boys. The schools are equipped with modern facilities: as well as classrooms, toilets and wells, they also have their own computers and labs.

EUR **8.2** billion
for financing in developing
countries and
emerging economies

Environmental and Social Impact Assessment (ESIA)

DEG

In 2017, KfW subsidiary DEG pledged about EUR 1.6 billion to finance investments by private companies in developing and emerging countries, and thus continued the previous year's positive figure (2016: EUR 1.6 billion). Financing for small and medium-sized enterprises was once again a priority in 2017 with EUR 830 million. Financing for German companies increased significantly to EUR 436 million.



DEG promotes vocational training in the Ethiopian textile industry

An increasing number of clothing manufacturers are being drawn to Ethiopia. Thanks to increasing investments, the Ethiopian textile and clothing sector can quickly make up ground when it comes to technical machinery. But so far, there is a lack of qualified experts and industry-wide awareness of social and environmental standards. The Belgian textile company Van der Erve operates two modern production plants in Ethiopia and is now building a vocational training centre for experts. The project is promoted by DEG, which contributes funds from the German Federal Ministry for Economic Cooperation and Development's *develoPPP.de* programme. The vocational students receive theoretical and practical training in three-month long intensive courses. In addition to skills in printing and labelling of clothing, they also learn about environmental and social standards.

[In order to fulfil the promotional mandate of KfW Group and simultaneously minimise potential negative effects on or risks to people and the environment, KfW subjects all planned projects in developing countries and emerging economies, as well as export and project financing, to an environmental and social impact assessment (ESIA). This commitment is set out in the corresponding KfW sustainability guidelines.

Specific implementation of requirements in the sustainability guidelines is the responsibility of KfW subsidiaries DEG, KfW IPEX-Bank and KfW Development Bank, and is anchored in corresponding work instructions. Amongst other things, these instructions prescribe that experts in environmental and social matters are involved in the assessment and the implementation of new projects with high or significant risks to environmental and social factors.

When focusing on developing countries and emerging economies, as well as on export and project financing the ESIA gauges risks or negative impacts that a project to be financed may have on environmental and social factors and defines measures that prevent, avoid, minimise or compensate for these unwanted effects with the project partner or financed enterprise. The ESIA is a fixed part of assessing projects at KfW Group and is performed according to similar processes and standards in the three above-mentioned organisational units. The ESIA procedure is divided into a screening in which the categories for environmental and social risks are determined, and the assessment itself. If the assessment reveals that the existing environmental and social management plan is inadequate or does not exist at all, additional or new measures are defined and are usually part of an action plan. Its implementation, as well as regular reporting and evaluation of the measures' execution are recorded in the loan agreement. Overall there are currently 20 experts

responsible for ESIA's at KfW Group. They are supported by over 60 technical experts from the sectors. If necessary, specific environmental and social issues are thoroughly addressed during the project appraisal through the assignment of qualified consultants on site together with the project-executing agency or the financed enterprise.

According to the sustainability guidelines of DEG, KfW IPEX-Bank and KfW Development Bank, compliance with both relevant national laws and KfW's assessment criteria contained in the sustainability guidelines are prerequisites for financial commitments. Here, ecological and social standards are applied that are based on internationally recognised standards, including those issued by the EU, the World Bank Group and the International Labour Organization (ILO). Concerns about the protection of human rights also form an integral part of the ESIA.

Training courses about ESIA procedures and standards are regularly offered for project and contract managers and for new KfW Development Bank, KfW IPEX-Bank and DEG staff members and trainees. Follow-up training courses are provided if significant changes are made.] ✓

ESIA process

The first step is the screening, during which KfW Development Bank, DEG or KfW IPEX-Bank categorises a project according to possible environmental and social impacts and risks. Projects are assigned to categories A, B or C according to international standards set out by the World Bank/International Finance Corporation (IFC). The results are reviewed internally by units independent of the respective front-office department. The categorisation determines the content and extent of the assessment.

Project categorisation of potential environmental and social risks of newly committed financing in 2017

	Risk category A (high)	Risk category B (medium)	Risk category C (low)
KfW IPEX-Bank	13	51	182
KfW Development Bank ¹	13	87 ²	210
DEG			
Non-financial sector	9	42 ³	0
Financial intermediaries	164	37	7

¹ An additional 25 projects fall into the category of financial intermediary.

² 10 of these projects are in the B+ category (medium to high risk in some instances)

³ 40 of these projects are in the B+ category (medium to high risk in some instances)

20
employees are
responsible for assessing
the environmental
and social impacts of
KfW financing

The assessment is based on environmental and social impact studies, any requisite sector studies (for example, on resettlement requirements or biodiversity conservation), and documentation of national approvals including stakeholder participation, particularly of those affected by the project. These documents are to be provided by the borrower. To assess social factors and the protection of human rights, it is essential that public information, participation of the locally affected people (local participation) and the handling of critical objections to projects meet international standards and are documented. Projects that are likely to have an unacceptable environmental or social impact that cannot be prevented or mitigated by suitable measures are not eligible for funding.

Measures are usually defined in an environmental and social management plan as a result of the assessment. These are then to be implemented by the project partner or the financed enterprise to protect the environment and people, to prevent unwanted impacts, mitigate them to an acceptable level, or compensate for them. If livelihoods are lost or people must be resettled, a Resettlement Action Plan (RAP) must be devised for those affected based on the results of the participation process. At the very least, it must ensure that the livelihoods of these people are restored. The project partners or financed enterprises are required by KfW to regularly provide detailed reports about the implementation of the agreed measures.

Since 2011, KfW Development Bank has subjected relevant projects to a systematic climate assessment in addition to the ESIA. On the one hand, this concerns development policy risks for the project resulting from climate change as well as a project's potential to contribute to adjustment to climate change. On the other hand, the project's risks and potential concerning climate change mitigation are analysed. An assessment is carried out as to whether greenhouse gases are emitted in significant amounts, how high the levels of emissions are and the mitigation measures that will be necessary to reduce

emissions. One of the development bank's priority areas is also promoting projects with an explicit aim to adjust to climate change or reduce emissions of greenhouse gases.

Complaint mechanisms

[KfW uses incoming complaints as a vital customer-feedback tool to optimise processes and services. They are evaluated quarterly and reported in the form of key findings to the Executive Board. Stakeholders can address questions and complaints on sustainability-related issues to KfW Group via the central e-mail address nachhaltigkeit@kfw.de. All difficult cases, particularly those concerning criminal activities and KfW employee infractions, can also be addressed anonymously to the external ombudsman.

KfW IPEX-Bank introduced its complaint management website in 2016. This provides an opportunity to file complaints regarding environmental and social issues, for example, and can be found at] ✓ → [KfW IPEX-Bank website](#) [as well as the whistleblower system available for incidences of criminal activity. DEG has had an independent complaint mechanism since 2014. An external committee of three international experts assesses the situation and decides whether arbitration proceedings are initiated in warranted cases or the complaint is examined. DEG drew up this mechanism together with the Dutch development bank FMO.

For those who feel negatively affected by Financial Cooperation projects, KfW Development Bank provides an] ✓ → [Online complaints form](#) [in which complaints can be presented in detail. The form serves to document the case, resolve the conflict and help everyone involved develop solutions. As an alternative, those affected in developing countries can directly contact the local office or a German embassy. In addition, all complaints the bank receives through other channels (via e-mail or ombudsman, for example) are also accepted.] ✓

Human rights and indigenous populations

Special attention is given to complaints concerning human rights and indigenous populations. KfW Development Bank processed two such cases in 2017, although one of the submitted cases was not considered an official complaint. The kinds of measures that can be triggered in a particular case become clear when we look at the handling of the only complaint registered through the complaint mechanism. In mid-2015, Amnesty International turned to the general public with a report about forced displacement in the course of preparations for a road construction project in Mombasa, Kenya. At the time, the project was in the preparation phase for support through KfW Development Bank, the African Development Bank (AfDB) and the European Investment Bank (EIB). The subject of the report was the illegality of the displacement without prior detailed information and without compensation for those affected. EIB and KfW determined that forced displacement was, in fact, occurring. This constituted a violation of both banks' standards. And so both banks thus insisted on creating what is known as a Forced Eviction Audit as the basis for the resulting Corrective Action Plan (CAP). In a letter in April 2017, a group of non-governmental organisations (NGOs), including Amnesty International, responded to the shortcomings of the CAP's implementation, the situation surrounding the publication/accessibility of the CAP, and calculation of the compensation payments in a non-transparent manner, as perceived by the NGOs. KfW and EIB are closely monitoring these complaints and are in contact with the project-executing agency Kenya National Highways Authority and with the NGOs. Overall it can be assumed that, if the complaints/shortcomings are confirmed, they can be addressed with targeted measures.

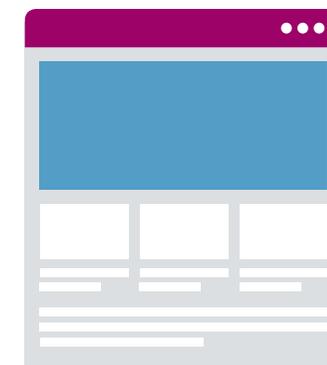
Since 2007, KfW Development Bank has published information about the projects it finances at country and sector levels. Since 1 January 2013, it has provided an online database for research and analysis of promotional projects for development financing with its KfW transparency portal. Current information with a short description of the project is thus

publicly available, clearly presented, easily accessible and can be used for individual evaluation. Since January 2015, DEG has published investment-related information about new financing commitments on its website.

Project evaluation

[KfW (without subsidiaries) has selected promotional programmes for domestic promotional business regularly evaluated by external independent research institutes to determine their promotional effectiveness. Federal programmes and programmes with the greatest relevance due to volume and substantive scope are usually selected for evaluation. The aim of the evaluations is to determine the promotional effects and effectiveness of the respective programmes. The evaluation results are given to the responsible federal ministries and published on the KfW website. They constitute an important basis for quality assurance and further development of the promotional programmes. The method used for evaluation studies is developed for each specific programme and the promotional effects to be measured. This often includes comprehensive empirical surveys.

Financial Cooperation (FC) projects are evaluated with a separate evaluation department in KfW Development Bank as an integral part of the project cycle. It operates independently of the operative FC departments and reports directly to the KfW Executive Board as an administrative unit. The framework for the actual evaluation process is provided by work instructions, technical notes, and sample outlines and processes. Each year, approximately half of all FC projects that have been completed in the past three or so years are evaluated ("ex-post"). The projects are selected in the form of a representative random sample and evaluated on the basis of the key criteria defined by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD): relevance, effectiveness, efficiency,



An optimised version of the KfW Development Bank Transparency Portal has been available online since the end of 2017

overarching developmental impact and sustainability. The evaluations are mainly carried out in the form of on-site missions, and the rest are carried out as so-called desk audits based on sufficient information or due to travel bans (for example like those currently in place for Afghanistan and Yemen). In individual cases where travel bans are in place, local experts collect information for KfW as the basis for the desk audit. KfW Development Bank makes the results of the reports on the evaluated FC projects available to the German Federal Government as its client and to the general public in various formats. The Executive Board is also informed of the results of each individual evaluation.

DEG evaluates the effectiveness of its involvement in relation to the promotion of local development and the contributions to the global Sustainable Development Goals (SDGs) with the newly developed Development Effectiveness Rating (DERa). The rating takes cues from international best-practice approaches by predominantly using quantitative and harmonised indicators. The development contributions made by each client are evaluated in five effectiveness categories based on the SDGs: decent jobs, local income, market and sector development, environmental stewardship and community benefits.] ✓

Example of project evaluations

Development effects of DEG financing in 2017



KfW Programme “Energy-efficient Construction and Refurbishment 2016”



¹ The listed commitment volume is only based on the 2016 measures observed during the evaluation. The total commitment volume in the “Energy-efficient Construction and Refurbishment” programmes in 2016 is slightly higher.

Customer orientation

KfW Group offers personal consultation to respond to the huge information needs of customers and interested parties. KfW's infocentre answered a total of 940,000 questions via mail and telephone in 2017. This demonstrates customers' and interested parties' great need for information about KfW financing offers. A total of 51% of all contact concerned education, 40% concerned housing and 9% concerned commercial financing.

The online consultation query (BAN) facilitates the path to finding a financing partner. For the majority of on-lent promotional products for KfW's domestic promotional business, customers can make an appointment with up to three KfW financing partners online. Alongside most savings banks and cooperative banks, large commercial banks in Germany also participate. Thanks to KfW's digital on-lending system (BDO), financing partners can confirm the eligibility of an investment project to the customer electronically, even during the consultation, and reserve the prevailing interest conditions.

Customer satisfaction with the domestic promotional business is assessed as part of KfW's new customer monitoring. Roughly 600 ultimate borrowers and grant recipients are surveyed in this context every month. Along with the external evaluations of the promotional programmes (see p. 44–45), their feedback provides valuable information on how products, processes and services can be aligned more closely to market requirements. For the private customers of commercial and savings banks, the results show that KfW scores far higher than the average in the categories of customer satisfaction and loyalty.

KfW also gathers regular feedback from financing partners as well as from bank associations. The high satisfaction of these key account partners rose again compared to 2016 according to a representative survey carried out in autumn 2017: 64% gave outstanding marks for the service given.

Barrier-free service

We fundamentally strive to provide an accessible website according to the requirements of the → [Barrierefreie-Informationstechnik-Verordnung \(BITV\) ordinance](#), which means we ensure that, from a technical as well as from a content-related point of view, users with impairments (for example, if they are unable to use a mouse, or must use assistive technology such as screen readers) can also access and use the www.kfw.de website.

After the latest version of the website went online in June 2017, a test according to the criteria of the BITV Test was performed. The result was that KfW's website provided "limited access", which means we fulfil over 80% of the barrier-free requirements. We want to rectify the aspects that led to the point deductions as well as we possibly can to at least achieve a rating of "readily accessible" (that means at least 90% of the points in the overall results). This will be verified again with a test after we have implemented a relevant portion of the findings.

Additional key business figures

Key corporate figures of KfW Group

	2013	2014	2015	2016	2017
Operating result after valuation (before promotional expense), in EUR million	2,143	1,953	2,539	2,108	1,669
Profit/loss from operating activity (before promotional expense), in EUR million	1,933	1,973	2,647	2,210	1,667
Consolidated profit, in EUR million	1,273	1,514	2,171	2,002	1,427
Total assets, in EUR billion	464.8	489.1	503.0	507.0	472.3
Volume of lending, in EUR billion	432.0	440.3	447.0	472.4	471.7
Volume of business, in EUR billion	545.4	572.5	587.2	609.2	572.2
Equity, in EUR billion	20.5	21.6	25.2	27.1	28.7
Tier 1 ratio, in %	20.6	14.1	18.3	22.3	20.6

Breakdown of business units in EUR billion

KfW Group¹	72.5	74.1	79.3	81.0	76.5
Domestic promotional business	51.6	47.6	50.5	55.1	51.8
Mittelstandsbank (SME Bank)	22.6	19.9	20.4	21.4	21.9
Kommunal- und Privatkundenbank/Kreditinstitute (Municipal and Private Client Bank/Credit Institutions)	28.9	27.7	30.1	33.7	29.9
Capital markets	0.7	1.2	1.1	1.3	1.5
International business	20.5	25.5	27.9	24.9	23.5
Export and project finance	13.7	16.6	20.2	16.1	13.8
KfW Development Bank	5.3	7.4	6.7	7.3	8.2
DEG	1.5	1.5	1.1	1.6	1.6

¹ Adjusted for commitments made in export and project finance with funding from KfW programme loans (2013: EUR 193 million, 2014: EUR 153 million, 2015: EUR 229 million, 2016: EUR 273 million, 2017: EUR 372 million)

Employees

Promoting equality. Encouraging performance.

Responsibility begins in-house. This is why KfW Group attaches great importance to treating its employees with respect and appreciation. An open, trusting corporate culture that rewards achievement while bearing social factors in mind forms the framework for this mission.



48.5% is the percentage of **women** working at KfW Group



105,854 hours of continuing education were invested by KfW in 2017 for employee advancement



11.9 years is the **average period of employment** at KfW without subsidiaries

Human resources policy

KfW Group's success is based on its qualified and motivated employees. The Human Resources department's mission is to provide them with the best possible support and encouragement in their jobs. KfW Group has created a solid foundation for the sustainability of the company with a fair remuneration system, group-wide equal opportunities, reconciliation of work and life, opportunities for professional continuing education and responsible health management. KfW continuously improves the range of services and develops it in need-based and forward-thinking ways. The renewed berufundfamilie work and family audit, and the pledge to uphold the Charta der Pflege (charter concerning care-giving) in 2017 are just some of the initiatives that demonstrate KfW's commitment to its staff.

Employee structure

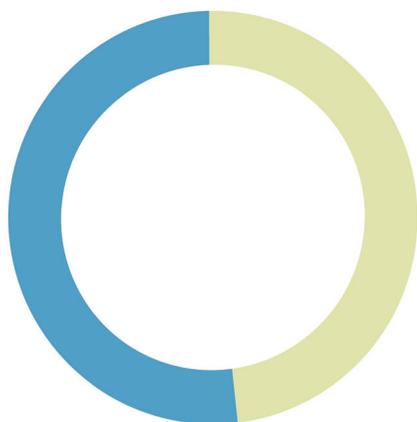
As of the end of 2017, KfW Group employed a total of 6,286 people, 1,665 of whom worked part-time. The fluctuation rate in 2017 was 3.3% at KfW, 7.2% at KfW IPEX-Bank and 4.6% at DEG (this information was collected in accordance with GRI standards for the first time in 2017). All figures are rounded to one decimal place. Furthermore, the figures of the group are calculated in summary form. In general, the adjusted figures do not include temporary employees, external staff or employees who work in the representative offices (locals) unless otherwise stated (overview of key figures, p. 62–70).

Workforce – breakdown by gender

	2015	2016	2017
KfW Group total	5,968	6,106	6,286
thereof, women	2,921	2,970	3,051
KfW without subsidiaries	4,763	4,872	4,990
thereof, women	2,327	2,361	2,398
KfW IPEX-Bank	657	673	683
thereof, women	304	316	320
DEG	548	561	613
thereof, women	290	293	333

6,286
staff were employed at
KfW Group in 2017

KfW Group employees by gender in 2017



6,286 **total employees**

■ 3,235 **men** ■ 3,051 **women**

Remuneration

In terms of working hours, holiday entitlement and remuneration, KfW staff are subject to the regulations of the collective bargaining agreement for the public and private banking sectors. The percentage of pay-scale employees is 25.4% at DEG (not including temporary staff and interns), 15.1% at KfW IPEX-Bank and 27.9% at KfW.

KfW is expressly committed to fair, transparent and non-discriminatory remuneration principles and to the same standards for the evaluation process. This was substantiated in a staff agreement concluded at the end of 2017. 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 the private banking sector and public banks. When evaluating and assigning functions in areas not governed by collective bargaining agreements, subject matter/requirements, qualifications and special skills are taken into account. The remuneration of employees who are not covered by a collective bargaining agreement is regulated by a staff agreement at KfW without subsidiaries, and by appropriate company agreements at KfW IPEX-Bank and DEG. 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 part is based on performance-evaluated assessments focusing equally on the achievement of qualitative and quantitative goals.

In terms of both content and substantive structure as a whole, the remuneration system of KfW without subsidiaries is based on its business model as a state-owned promotional bank. It is designed as a performance-based remuneration system and is characterised by a focus on fixed remuneration and a very small variable remuneration component compared with conventional commercial banks. The variable remuneration is set using the criteria of promotional objectives, earnings and risk, and takes the sustainability of business success into particular account. This means that KfW's remuneration system fulfils the regulatory purpose required by the German Remuneration Ordinance for Institutions (InstitutsVergV).

The amount of the overall payout volume is determined on an annual basis by the Executive Board or, respectively, the managing directors. At KfW, KfW IPEX-Bank and DEG, special benefits can be approved for employees covered by collective bargaining agreements with one-off payments. When assigning employees to foreign posts, KfW provides additional benefits which meet the local economic and safety-related requirements.

KfW Group's performance management is an annual, structured procedure that takes place across all departments. Target management and performance evaluation are both important instruments for corporate management, leadership and motivation. Performance management results create the basis for determining remuneration in KfW Group.

As of 6 January 2018, all KfW Group employees can assert their right to access information according to Sec. 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 regarding median monthly gross remuneration and up to two salary components of a peer group of the respective other gender.

In order to ensure timely implementation in 2018, KfW, KfW IPEX-Bank and DEG each prepared their own procedures in 2017, in close cooperation with each other.

KfW Group employees with open-ended contracts – over 90% of staff – gain entitlement to pension benefits during the course of their employment, and have access to a low-interest building loan. KfW offers its employees voluntary deferred compensation for pension benefits, reimbursement for travel costs to and from work, and private accident insurance.

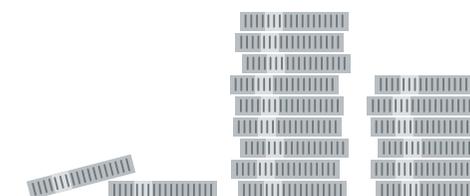
Additional company benefits do not vary according to the number of hours worked. There are a few benefits that employees with fixed-term contracts are unable to receive, for example access to a low-interest building loan. Temporary employees hired through external service providers currently only have very limited access to KfW Group's additional company benefits.

Employee participation

The German Federal Staff Representation Act (Bundespersonalvertretungsgesetz – BpersVG) governs employee representation for all employees within KfW without subsidiaries. Employee interests are represented by a General Staff Council, which is responsible for issues across all locations and meets every four weeks, and by the three local staff councils in Frankfurt, Bonn and Berlin. There are separate staff councils at KfW IPEX-Bank and DEG in accordance with the German Works Council Constitution Act. In addition, KfW IPEX-Bank's Board of Supervisory Directors is subject to co-determination. The different laws on employee participation (German Federal Staff Representation Act and Works Council Constitution Act) make it impossible to create a group works council. The responsible councils and affected employees are involved as early on as possible and in a comprehensive manner, especially during change processes. An Equal Opportunities Officer is elected by female employees at KfW without subsidiaries to represent their interests. Furthermore, the interests of severely disabled employees are represented by the relevant KfW, KfW IPEX-Bank or DEG representative for severely disabled employees.

Various interest groups are integrated into KfW's remuneration policy in different ways:

- Shareholders are incorporated according to the bylaws of KfW without subsidiaries through the Board of Supervisory Directors and the Remuneration Committee.
- Employees can exercise influence through the employee representative bodies, that is staff or works councils, according to the German Federal Staff Representation Act or Works Council Constitution Act.



KfW Group is expressly committed to fair, transparent and non-discriminatory remuneration principles

Diversity and equal opportunities

Employees in foreign offices

Local KfW Group staff working in our foreign offices are subject to the working hours and social benefits governed by their national legal requirements. These are similar to benefits offered by comparable international companies in their local areas.

Freedom of association and collective bargaining are also fully ensured for seconded staff in KfW Group foreign offices. Furthermore, all contractors awarded KfW-financed contracts for consulting, delivery and construction orders used in the implementation of FC projects are required to sign a declaration of undertaking that they will comply with the applicable labour laws, International Labour Organization (ILO) core labour standards, and the national and applicable international standards for environmental protection and occupational safety.

[KfW Group 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 recorded in the mission statement for KfW without subsidiaries: “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.”

Regular exchanges with KfW IPEX-Bank and DEG ensure that all measures and initiatives in the area of human resources policy are based on shared corporate values. Many measures of KfW without subsidiaries are therefore described in the following and supplemented by initiatives from KfW IPEX-Bank and DEG.

All Human Resource (HR) issues are derived from KfW's mandate and business strategy:

- Promotion of staff employability in ways that enable employees to fulfil KfW's promotional mandate
- Organisation of a sustainable working environment
- Setting of trends for further development of the corporate culture
- Continual improvement of employer appeal in order to recruit the best employees and retain talent

The measures, initiatives and instruments in the area of diversity and equal opportunities are described with particular emphasis on the issues of equality, work-life balance, flexible work and inclusion.

Gender equality

KfW, KfW IPEX-Bank and DEG have different corporate forms, which is why KfW and the subsidiaries operate under different laws in the area of equality. This explains why there are discrepancies such as different measures and target ratios. A commitment to ensuring equal opportunities for men and women has been a key component of KfW Group's human resource policy for the entire group, regardless of this fact.

The fourth Equal Opportunities Plan drawn up for 2016–2019 applies to KfW without subsidiaries. KfW developed this plan together with the Equal Opportunities Officer and substantiated it with specific targets and measures. The plan thus sets new trends in line with the German Federal Equality Act (Bundesgleichstellungsgesetz) revised in 2015:

- Gender equality
- Improved reconciliation of career, family and care-giving
- Motivation – for men in particular – to make use of the offerings for this purpose



Objectives and measures of the new 2016–2019 Equal Opportunities Plan

<p>1 Increase in the proportion of women in management and positions not covered by collective bargaining agreements</p> <ul style="list-style-type: none"> – Quotas for management levels (Heads of Department 17%, Heads of Division 26% and Team Heads 35%) – Define quotas for expert levels – Increase employer appeal for women – Continue to use successful processes and instruments 	<p>2 Incorporate equal opportunities into the culture</p> <ul style="list-style-type: none"> – Recruit managers as promoters – Create transparency for equal pay – Establish cultural awareness of equal opportunities 	<p>3 Reconciling career, family and care-giving</p> <ul style="list-style-type: none"> – Optimise family-oriented offerings – Expand framework of services for providing care – Motivate men to use work-life balance offerings – Use flexible working hours and locations 	<p>4 Human resources policy aligned with the various phases of life</p> <ul style="list-style-type: none"> – Analyse and further develop effective instruments – Develop and implement new human resources policy elements
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Illustration of the 2016–2019 Equal Opportunities Plan for KfW without subsidiaries

The Human Resources department will review the implementation of measures in the first half of 2018 in cooperation with the Equal Opportunities Officer. The result will be recorded in written form and communicated to all participants.

In the context of the measures which have already been implemented, human resources policies aligned with the various life phases were developed; matters such as various working hour models will be revised again within the context of the project for flexible work models and illustrated with specific case studies in 2018. This is expected to illustrate applicability during various phases of life. Human resource policy that takes the various phases of life into account is also a key component in many of the measures and instruments.

In addition to information about the Equal Opportunities Plan and the resulting KfW measures, the targets and the respective percentages for women in KfW IPEX-Bank and DEG management positions are also listed in the following.

Increasing the proportion of women in management and senior specialist positions

The recruitment processes and HR development tools already introduced to increase the proportion of women as part of KfW's 2011–2015 Equal Opportunities Plan (without subsidiaries) have been successfully integrated into ongoing HR processes. Attention is given to ensuring that the selection commission is filled in a manner that is as gender-balanced as possible during the selection processes.

KfW without subsidiaries will continue to pursue the objective of increasing the proportion of women in management and senior specialist positions using both internal promotions and external recruitment until 2019. These measures are expected to achieve a target ratio of 35% in team management, 26% among the Heads of Division and 17% among the Heads of Department.

Proportion of women in management in 2017



in %	KfW without subsidiaries	DEG	KfW IPEX-Bank
Executive Board	16.6		
Members of the Management Board		33.0	25.0
Heads of Department	12.0	22.2	–
Heads of Division	30.4	35.9	27.8
Team Heads	33.0	–	27.3

Status December 2017. Figures were left out in categories where those hierarchy levels do not exist. The Group was not presented as a whole due to these deviating hierarchy levels. The information is based on absolute numbers of employees.

In the course of implementing new requirements in conjunction with the German Limited Liability Companies Act (GmbH-Gesetz), KfW IPEX-Bank set itself a target of a proportion of 31.6% women at the level of Head of Department by 30 June 2017. This target figure was narrowly missed, but would have been exceeded if one additional Head of Department position had been staffed with a female employee. The 27.5% target figure set for the Team Head level was achieved by 30 June 2017. The new target figures for 30 June 2022 remain at 31.6% for the level of Head of Division and 30% for the level of Team Head. The target figure of 25.0% (one in four) for the proportion of women in management board positions was fulfilled by 30 June 2017. The key date of 30 June has been used since target figures for managers were introduced at KfW IPEX-Bank.

31.4%
of management
positions in KfW Group
are filled by women

In the context of compliance with the German Limited Liability Companies Act, DEG defined a minimum target for management-level positions by 2021 in which proportions of 33% for the top management level, 22% for the Head of Department level and 30% for the Head of Division level were stipulated. All targets were fulfilled or even exceeded. The equal opportunities concept there continued to develop further in 2017, including activation, promotional and development measures in line with equal opportunities.

Incorporating equal opportunities into the culture

Incorporating equal opportunities requires role models and time to succeed in the long term. KfW Group also continued the transition in 2017 by applying best-practice examples. In addition to mentoring programmes and group coaching sessions, regular shadowing also took place to this end. During shadowing, employees accompany managers for several days and receive practical insights into their work routines. In general, female managers, representatives from the Human Resources department and the Equal Opportunities Officer are incorporated into all selection processes.]✓

Reconciling career, family and care-giving

An even work-life balance is an important prerequisite for the health, employability and professional further development of staff. In particular, this applies to employees with family responsibilities. In addition to childcare, providing care for family members has increasingly become part of those responsibilities.

So, for 2018, KfW and KfW IPEX-Bank intend to further expand the support on offer for better reconciliation of work and private life – in the areas of childcare, elder care, and psychosocial counselling, in particular. An example of this occurred at the end of 2017 when a further cooperation partner was selected to supplement the already available social counsellors on site. This partner counsels KfW and KfW IPEX-Bank staff to provide support during family crises and professional conflict situations. In addition to personal counselling, there is also a 24-hour hotline available seven days a week.

Framework services for care-giving

In order to support employees as they provide care for their relatives, KfW Group has established a wide range of care-giving services:

- Information: Comprehensive informational material for employees is available to download from the intranet, including a practical guide, customised to meet the needs of KfW and KfW IPEX-Bank, for employees who have children with disabilities and other relatives in need of care entitled “Pflegefall – Was nun?” (In need of care – what happens next?) and an emergency folder that can be used to record all of the relevant personal details that might be needed in an emergency.
- Training: In 2017, KfW and KfW IPEX-Bank continued the “HR informiert” (HR informs) lecture series with a lecture titled “Ist es nur Vergesslichkeit oder doch schon Demenz?” (Is it just forgetfulness, or is it dementia?). Over 700 employees took advantage of the opportunity to participate.
- Advice: company long-term care guides were trained and are available in three German locations as the first port of call at work for employees on matters relating to long-term care. They help staff navigate the multitude of services available. They also point out additional services from external contact partners.
- Pledging to uphold the Charta der Pflege (Charter of Rights for People in Need of Long-Term Care and Assistance) in 2017: the charter is a voluntary acknowledgement of the work performed by employees in caring for family members. It was established in 2011 and is the first nationwide charter in Germany that sheds light on employers’ existing activities in the area of “work and care-giving”. For KfW and KfW IPEX-Bank, this is an important step in further balancing work and provision of care.



Charter of Rights for People in Need of Long-Term Care and Assistance

- WDS Care GmbH was selected at the end of 2017 as a supplemental service provider offering care and assistance. Based on years of experience in this area, WDS offers a special support and care concept for “Eldercare – Vereinbarkeit von Pflege und Beruf” (Eldercare – reconciling care-giving and work) for KfW and KfW IPEX-Bank to provide as much support as possible for affected employees during this difficult phase. WDS Care GmbH is a member of the corporate programme “Erfolgsfaktor Familie” (success factor family).
- DEG has teamed up with the external service provider pme Familienservice to offer employees the opportunity to learn about care-giving options on the market, support when searching for suitable care-giving personnel or home carers, or support when searching for an institution and enquiring about financing options.

Childcare

The work-life balance packages KfW Group offers are diverse. One concept applied at every location is the parent-child office. This provides workspaces for parents and an abundance of space and playing facilities for children up to 12 years old. The last office of this type opened in Frankfurt at the beginning of 2017 and has been enjoying high levels of use ever since. Furthermore, KfW and KfW IPEX-Bank have maintained a company kindergarten at the Frankfurt location since 1973 with capacity for 45 children and also reserve ten slots for childcare in the Erasmus kindergarten and 66 day care slots in two facilities. Supplemental measures like emergency childcare for bridging childcare gaps at short notice, assistance for finding babysitters and au pairs, and a comprehensive holiday programme are provided. All these childcare options are available for KfW and KfW IPEX-Bank staff. DEG not only offers its employees a childcare allowance, it also provides access to pme Familienservice emergency childcare options and support when organising regular childcare options.

Work and family audit

Together with KfW, KfW IPEX-Bank was awarded the certificate “audit berufundfamilie” (work and family audit) – an initiative of the non-profit Hertie Foundation – in 2017 for the sixth time in a row for its strategically planned, family-friendly human resource policies. DEG has been awarded this certificate since 2012.

Flexible forms of work

KfW Group enables its employees to combine their work and family lives as well as possible, each in their own unique ways. To do so, it offers them a wide range of part-time models.

KfW without subsidiaries has introduced new working hours policies since mid-2015 that include autonomous working hours and a clear plea for flexible work hours and increased use of home office options, initially for non-pay-scale employees. The pilot phase of the new staff agreement for working hours was extended in 2017 to the end of 2019. The staff agreement aims to raise awareness of working hours-related issues, and also aims to achieve a systematic move away from a culture that is based on how many hours someone spends in the office to one that focuses on the results that an individual achieves. The stated objective of the agreement is to give employees more responsibility and to allow more flexible arrangements in terms of working hours and place of work, while taking KfW’s business needs into account at the same time.



KfW, KfW IPEX-Bank and DEG once again received the work and family audit certificate in 2017

Inclusion

[KfW Group supports the inclusion of persons with severe disabilities as an aspect of exercising its social responsibility. With the inclusion agreement between the general representative for those with severe disabilities for KfW without subsidiaries and the General Staff Council of KfW without subsidiaries, it affirms the target of promoting inclusion in the coming years in line with the UN Convention on the Rights of Persons with Disabilities for KfW without subsidiaries.

The overarching objective of the inclusion agreement is to facilitate access to employment at KfW without subsidiaries for severely disabled persons while taking staff requirements into account, on the one hand. The professional development of severely disabled employees is to be supported on the other hand. Publishing this statement on both the intranet and on KfW's website substantiated the obligations associated with this statement. The Human Resources department has drawn up a project "Förderung von Inklusion" (promoting inclusion) to meet the requirements associated with this statement. An analysis of the current situation and the resulting associated measures were discussed with different hierarchy levels and the representative for severely disabled individuals. A catalogue of measures was developed collectively. Several of these initiatives could already be implemented in 2017; however, the majority of them will be implemented in 2018 and 2019.

In order to increase the proportion of severely disabled employees, KfW without subsidiaries already began directing human resource marketing activities toward severely disabled people as potential employees in 2016. In 2017, these measures included visiting recruiting events with, by and for severely disabled employees in order to directly contact potentially suitable applicants. Last year, DEG participated in the city of Cologne's pilot project "Mentoring for university graduates with disabilities/health impairments in the transition from higher education institutions into small and mid-

sized companies". The project's aims included testing this staff development instrument for needs-based, successful and inclusive staff management to increase companies' perception of university graduates with health impairments as potential experts and managers.

KfW without subsidiaries once again slightly exceeded the statutory quota of 5% for the employment of severely disabled staff in 2017 with a figure of 5.6%. The statutory quota for employment of severely disabled staff at KfW IPEX-Bank was 1.6%. At DEG, it was around 3.7%. The definition of jobs to be taken into account and used for these calculations and determination of the quota are stipulated by volume nine of the German Social Code (SGB IX). The figures are calculated using the software prescribed by the German Federal Agency of Employment.

Overall, permanent employment relationships are to be created and maintained. This will encourage managers to appropriately take into account individual reduced productivity resulting from the disabilities of severely disabled employees and those in comparable situations. This also applies to cases of reduced personal performance for which an employee is not responsible in a given evaluation year (for example, due to a prolonged illness). Using the familiar evaluation sheet, the rendered services are to be assessed in a fair, balanced way independent of gender, part-time status or other similar factors.

To appropriately represent the interests of KfW locations not including subsidiaries, a representative for severely disabled individuals will be selected by the severely disabled employees at the locations. DEG and KfW IPEX-Bank also have a selected representative body for severely disabled individuals that represents the interests of this employee group.] ✓



KfW is systematically advancing promotion of severely disabled people with numerous inclusion measures

Professional prospects

Conflict management

Employees who feel they are discriminated against for reasons contained in the German General Equal Treatment Act (AGG) can contact the respective AGG representative. No new suspected cases were reported at KfW without subsidiaries in the reporting period. Suspected cases are generally recorded by an internal complaint unit, analysed and handled in collaboration with the respective people or departments. Furthermore, the KfW Fair Play agreement (not including subsidiaries) includes a counselling concept that demonstrates ways of solving conflicts; trained conflict resolution officers are available for consultation. As a supplementary measure, a stable committee system made up of the Staff Council, Equal Opportunities Officer and representative for severely disabled employees ensures a plurality of contacts.

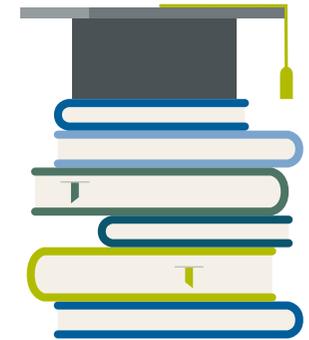
Attracting, developing, and retaining capable employees is key to the long-term success of KfW Group in view of demographic and social changes – and is a question of responsibility as well. In its management principles, KfW commits to creating a trustful working environment. All instruments for developing and selecting managers are based on a behaviour-based competence model and are aligned with a clearly defined target vision for good management.

Training

KfW Group allows employees to enter their professions through several paths. It trains them in different professions at all locations as required. The total number of interns, sandwich degree students, and vocational and graduate trainees at KfW without subsidiaries was 210 as of 31 December 2017 (previous year: 216). This equated to a training rate of 4.2% (previous year: 4.7%). In the same period, the training rate was 2.5% at KfW IPEX-Bank and 2.3% at DEG.

As of the end of 2017, 134 young people were undergoing their first vocational training course (previous year: 133) at KfW without subsidiaries, of whom 71 were sandwich degree students (previous year: 70). The number of graduate trainees stood at 47 as of 31 December 2017 (previous year: 56). In the course of the year, 129 students completed internships at KfW (previous year: 122), all in compliance with the guidelines of the Fair Company Initiative.

The application process is adapted for severely disabled applicants.



From culinary training to sandwich degree programmes, KfW Group offers diverse training opportunities at all of its locations

In cooperation with a Frankfurt-based association that aims to promote career advancement for women, KfW without subsidiaries has been offering its traineeship for “office management specialists” also as a part-time model since 2016. This means that single mothers, for example, can be given the opportunity to complete a traineeship in a way that is reconcilable with their personal circumstances.

Professional development

KfW Group offers its employees a wide range of continuing education opportunities. These opportunities are available to all employees and managers at KfW Group. If the company has a specific need, KfW brings in external training providers.

Management training, interpersonal and communication skills, language courses and technical training were the priorities during the period under review. This internal offering was supplemented with external training measures. One priority area in 2017 was training project managers and project staff. The average number of hours of continuing education per employee for 2017 was 17.9 hours for KfW employees, 14.6 hours for KfW IPEX-Bank staff and 10.7 hours for DEG employees.

Further development

All KfW Group employees receive feedback from their superiors about their performance during the past year in the context of an annual performance review.

Other topics discussed during this conversation are qualifications, development and feedback. Beyond the annual performance review, managers can use a structured 360-degree method to collect feedback from superiors and employees. This serves as a reflection of leadership behaviour and encourages positive, constructive feedback culture and cooperation. This feedback makes it possible to derive targeted individual training measures.

Successor management for management positions creates transparency concerning the succession situation at different hierarchy levels and serves as the foundation for internal recruiting recommendations. Candidates for leadership positions are required to successfully complete the appropriate potential procedure for team or division management positions. The central challenges for managers include personal credibility and authority in their appearance and actions. The leadership competence model developed specifically for KfW without subsidiaries creates the basis for this.

For managers themselves, KfW without subsidiaries offers various opportunities for exchange like the FiT network – Führen in Teilzeit (part time management). Heads of Teams, Divisions, and Departments can exchange experiences here in moderated roundtable discussions. The FiT models facilitate long-term performance for the company at all hierarchy levels because management does not have to be connected to full-time employment; units can be managed part-time or in tandem. This makes prospective investments in the development of managers’ potential profitable. Overall, the proportion of part-time managers is stable and was 16% in 2017.

105,854
training hours for KfW
Group employees

Safety and health

Digitalisation

Digitalisation offers KfW Group a wealth of opportunities in personnel development and change management. The focus is on the changes in working relationships, management and communication caused by digitalisation in the long term. The term “new work” often used in this context shows that a change in mindset will be required in the future. KfW without subsidiaries has been preparing its employees for “new work” in a structured manner since 2016. Employees, the Staff Council and entire organisational entities are addressing the new forms of collaboration in workshops, learning journeys and hands-on days.

A key tool in this process is the digital academy that was established in 2016. KfW and KfW IPEX-Bank have been promoting the exchange of knowledge and experience of digitalisation via the intranet and virtual platforms since the beginning of 2017. The participants are from a pool of in-house and external experts to provide impetus and opportunities to KfW and KfW IPEX-Bank to try out agile working methods. The digital academy for KfW without subsidiaries was developed in line with the spirit of “new work” by the Human Resources department and the Digital Office from group management and was set up on an interdisciplinary basis.

To maintain and increase its employees’ performance capacity over the long term, KfW Group relies on preventive health management. This is geared towards appropriate design of work and workspaces, risk avoidance in the workplace and accident prevention. Since 2014, KfW Group has been systematically expanding its corporate health management. The aim is to maintain and sustainably encourage employees’ job satisfaction and employability.

Health management

Preventive healthcare is the basis for a healthy daily working life at KfW Group. It is rooted in various measures:

Health check: The voluntary check-up from KfW and KfW IPEX-Bank for upper management was already expanded to the Team Head level in 2016. The tool allows individuals to undergo a physical check-up to measure their endurance and also includes an optional assessment of their personal risk of occupational burn-out. A consultation session held after the check-up provides individuals with advice on how to change their lifestyle based on the results of the examination. Half of the more than 400 Team Heads have already taken part in the check-ups, with encouraging results: the participants have above-average levels of physical fitness compared with the average population.

Preventing psychological strain: Risks arising from high levels of psychological strain are surveyed by KfW without subsidiaries in the context of risk assessment. Together with the managers, measures are developed and implemented for work tasks with increased psychological strain. An analysis of psychological strain is conducted with the help of a screening procedure developed by the University of Potsdam: observation interviews are used to analyse the jobs of a representative sample of employees. Furthermore, possible stress



50% of Team Heads
have participated in
check-ups to date

factors are recorded, evaluated and, where necessary, reduced. The overall picture is very positive. Any need for action is tackled systematically.

Corporate sports programme and increased awareness:

KfW Group offers a broad spectrum of subsidised corporate sports offerings. Furthermore, it also offers prevention courses. For example, DEG introduced the health platform “DEG-machtfit” (DEG gets you in shape) in 2017. This platform provides access to numerous subsidised and certified fitness and health courses. So far, 80% of DEG employees have registered for the platform.

In order to further raise awareness about health issues, KfW Group initiated the Gesundheitsaktionstage (physical fitness days). In 2016, a health week focusing on circulation, back health, nutrition and exercise took place at the KfW branch office in Bonn, Germany. In 2017, a cardiovascular health activity day was offered in Frankfurt. During this day, a team event was presented about the chain of rescue and resuscitation. The idea came from the Occupational Health Office and enjoyed popularity when it was conducted in the following months. The resulting education format “Verhalten im Notfall” (response in medical emergencies) will continue to be offered and the team is delighted that it is in high demand. DEG also organised a health week in 2017 focusing on digitalisation and health.

Care from company physicians: KfW’s Occupational Health Office is available to staff at all locations and to all KfW IPEX-Bank employees. In KfW’s Frankfurt offices, the office is staffed five days a week and provides emergency care, immunisations and counselling for KfW secondees. In the Berlin and Bonn offices, the Occupational Health Office is staffed on certain days. Secondees posted outside of Europe and those going on business trips to countries outside of Europe are at increased risk for infectious diseases. These groups of people are thus given regular health counselling and check-ups. If necessary, they are also vaccinated.

Occupational safety

As employees of a financial service provider, KfW Group staff are at low risk for health hazards and injuries. Absence rates are therefore not considered the primary focus.

The number of reported work-related accidents from work, commuting and corporate sports programme accidents is 116 in the entire Group. All of the employees are represented through existing occupational safety committees. KfW Group complies with the rules for occupational safety and health when making agreements with the occupational safety committees. In particular, KfW’s aim is to make arrangements that take health-promoting aspects into account when it comes to the working environment.

KfW and KfW IPEX-Bank conduct mandatory e-learning training courses and inform their employees about the hazards connected to their work as well as preventive measures. This course takes place once annually.

Employee figures

All figures are rounded to one decimal place. Furthermore, the figures of the group are calculated in summary form. In general, the adjusted figures do not include temporary employees, external staff or employees who work in the representative offices (locals) unless otherwise noted.

KfW Group employee structure

Number	2013	2014	2015	2016	2017
KfW Group ¹	5,539	5,728	5,966	6,104	6,286
thereof, women	2,715	2,824	2,921	2,970	3,051
KfW	4,365	4,541	4,763	4,872	4,990
thereof, women	2,143	2,238	2,327	2,361	2,398
KfW IPEX-Bank	630	649	657	673	683
thereof, women	296	302	304	316	320
DEG	531	538	548	561	613
thereof, women	276	284	290	293	333

Employees covered by collective bargaining agreements in %

	2013	2014	2015	2016	2017
KfW Group	27.4	27.5	26.8	29.0	26.3
KfW ²	28.4	28.5	27.9	27.5	27.9
KfW IPEX-Bank ³	19.4	17.1	16.4	16.0	15.1
DEG ⁴	31.3	30.9	29.0	28.5	25.4

¹ Including the group-owned Finanzierungs- und Beratungsgesellschaft mbH (FuB) financing and consulting company, consolidation businesses and Executive Board members, Management Board members and employees not actively working.

² Including hourly wage employees, but not trainees, sandwich degree students, graduate trainees and interns

³ Including trainees

⁴ Not including trainees, interns and temporary workers

Employees with fixed-term contracts in %

	2013	2014	2015	2016	2017
KfW Group	10.4	9.3	10.1	10.8	10.2
thereof, women	56.3	55.8	53.1	52.2	54.8
KfW	11.1	10.1	10.9	10.6	10.4
thereof, women	55.1	55.9	54.5	53.1	54.7
KfW IPEX-Bank	7.3	5.2	4.4	3.9	5.1
thereof, women	63.0	43.8	31.0	42.3	54.3
DEG ⁵	9.0	8.6	10.5	10.7	14.2
thereof, women	62.2	63.0	50.9	48.3	55.2

Part-time staff in %

	2013	2014	2015	2016	2017
KfW Group	21.7	21.5	24.9	25.7	26.5
thereof, women	82.0	81.6	81.4	80.0	78.4
KfW	22.7	24.2	24.8	25.7	27.0
thereof, women	81.1	81.0	79.4	78.4	76.5
KfW IPEX-Bank	16.2	19.9	21.6	23.2	23.1
thereof, women	92.3	86.8	90.0	85.6	86.1
DEG	19.0	21.0	22.6	23.7	26.0
thereof, women	79.2	82.3	87.1	88.0	86.9

⁵The data differ from the 2015 Sustainability Report due to adjustments in the survey basis.

90%
of employees have an
unlimited contract

Employees by region¹ in %

		2017
KfW	Germany	98.2
	World excluding Germany	1.8
KfW IPEX-Bank	Germany	97.3
	World excluding Germany	2.7

¹Data by region are not collected separately for DEG.

Period of employment and fluctuation in KfW Group average period of employment in years

	2013	2014	2015	2016	2017
KfW	11.6	11.7	11.6	11.7	11.9
KfW IPEX-Bank	8.3	9.0	9.4	10.1	10.5
DEG	10.1	10.4	10.5	10.9	10.7

Fluctuation in %¹

KfW	2.8	2.3	2.7	2.6	3.3
Ratio of women	2.4	1.8	2.5	2.5	1.6
Ratio of men	3.1	2.6	2.9	2.7	1.7
KfW IPEX-Bank²	4.2	3.3	5.9	2.1	7.2
Ratio of women	6.8	4.3	2.8	0.9	2.8
Ratio of men	1.8	2.3	5.3	2.3	4.4
DEG³	3.7	3.0	3.4	2.5	4.6
Ratio of women	2.6	0.9	1.4	2.0	2.1
Ratio of men	1.1	2.1	4.7	2.2	2.4

¹ Based on cost-effective FTEs (Full Time Equivalents) in the past and calculated with regard to the average cost-effective personnel of the respective gender. Since 2017, the quota has been calculated with regard to all employees and is based on absolute employee figures on the reporting date 1 December 2017.

Temporary employees, external staff, employees who work in the representative offices (locals) or staff with fixed-term contracts that have expired are not taken into account. The survey includes all employees that voluntarily left the organisation or are no longer available due to termination, retirement or a fatal work-related accident (calculation according to the GRI standard).

² Values prior to 2017 without temporary workers and interns, 2015 and 2016 calculated based on the absolute number of employees

³ Includes fixed-term contracts (applies to data prior to 2017); without temporary staff

New employees by gender

	2013	2014	2015	2016	2017
KfW (headcount)	333	428	603	506	535
in % (total workforce)	7.6	9.4	12.7	10.4	10.7
Women (in % ¹)	49.3	47.9	48.1	47.4	47.5
KfW IPEX-Bank (headcount)	42	39	33	44	61
in % (total workforce)	6.7	6.0	5.0	6.5	8.9
Women (in % ¹)	61.9	64.1	48.5	47.7	47.5
DEG (headcount)	35	18	73	50	113
in % (total workforce)	6.6	3.4	13.4	8.9	18.4
Women (in % ¹)	65.7	61.1	53.4	44.0	60.2

¹ Proportion of women among the new employees

New employees by age group in absolute numbers

	2017
KfW	
Age group < 30	296
30 ≤ age group ≤ 50	206
50 < age group ≤ retirement age	33
KfW IPEX-Bank	
Age group < 30	42
30 ≤ age group ≤ 50	15
50 < age group ≤ retirement age	4
DEG	
Age group < 30	62
30 ≤ age group ≤ 50	47
50 < age group ≤ retirement age	4

709
new employees
were hired by KfW
Group, KfW IPEX-Bank
and DEG in 2017

Training and education in KfW Group quota in %

	2013	2014	2015	2016	2017
KfW ¹	4.6	4.3	4.8	4.7	4.2
KfW IPEX-Bank ²	3.2	2.2	2.4	1.8	2.5
DEG ³	5.7	5.0	3.8	3.0	2.3

Training measures

in hours					
KfW	96,808	63,740	87,128	78,412	89,346
KfW IPEX-Bank ⁴	-	-	-	-	9,924
DEG	5,120	4,576	5,392	4,872	6,584

¹ Trainees, sandwich degree students, graduate trainees and interns

² Trainees and interns

³ Trainees and interns

⁴ Training hours for KfW IPEX-Bank are initially being surveyed separately for 2017.

Employees on parental leave

	Men	Women	Total
Number of employees who took parental leave in 2017			
KfW Group	189	271	460
KfW	132	203	335
KfW IPEX-Bank	38	42	80
DEG	19	26	45

Number of employees who returned from parental leave to the workplace in 2017

KfW Group	156	140	296
KfW	103	100	203
KfW IPEX-Bank	37	25	62
DEG	16	15	31

Number of employees who ended their parental leave in 2016 and were still under contract 12 months later (2017)

KfW Group	137	112	249
KfW	100	84	184
KfW IPEX-Bank	25	19	44
DEG	12	9	21

460

KfW Group
employees took
parental leave
in 2017

Employees with disabilities in KfW Group severe disability quota¹ in %

	2013	2014	2015	2016	2017
KfW	5.2 ²	5.4	5.4	5.5	5.6
KfW IPEX-Bank	0.8 ²	0.8	0.9	1.3	1.6
DEG	2.8	2.4	2.3	2.5	3.7

¹ Surveyed according to disabilities law

² The data differ from the 2015 Sustainability Report due to adjustments in the survey basis.

Percentage of women in KfW Group women in %

	2013	2014	2015	2016	2017
KfW	49.1	49.3	48.9	48.5	48.1
KfW IPEX-Bank	47.1	46.5	46.3	47.0	46.9
DEG	52.4	52.8	53.5	52.4	54.3

Women in management positions

KfW¹	28.9	29.9	29.4	30.2	31.4
Middle management ²	23.8	24.4	24.4	28.1	30.4
Senior management ³	20.0	21.4	17.4	12.0	12.0
KfW IPEX-Bank⁴	22.2	25.0	25.3	26.0	27.3
Middle management ²	22.2	31.6	35.3	31.3	27.8
Senior management ⁵	25.0	25.0	0.0	20.0	25.0
DEG⁶	28.0	30.0	30.8	30.8	33.3
Middle management ²	28.0	29.3	30.2	32.6	35.9
Senior management ³	30.0	33.3	33.3	22.2	22.2

¹ Team Head, Head of Division, Head of Department

² Head of Division

³ Head of Department

⁴ Team Head, Head of Division and Management Board

⁵ Management Board

⁶ Head of Division, Head of Department



48.5% of KfW Group staff are female

Personnel expenditure and provisions in EUR million

	2013	2014	2015	2016	2017
Expenditure on personnel (KfW Group)	541	585	630	634	668
Pension provisions (KfW Group) ¹	1.4	2.0	1.7	2.0	2.0

¹ And provisions for similar obligations (IFRS II)

Work-related accidents at KfW Group in Germany

	2013	2014	2015	2016	2017
KfW Group	87	76	71	113 ¹	116 ³
thereof, fatalities	0	0	0	1 ²	0

¹ According to KfW's Occupational Health Office, the increase in work-related accidents in 2016 is due to the increase in commuting accidents and injuries during corporate sports activities.

² Commuting accident

³ This number includes all registered work, commuting and corporate sports injuries and is increasing due to the growing number of employees.

Banking operations

Conserving resources. Investing sustainably.

Whether in investment transactions, in-house environmental protection or procurement – KfW Group consistently aligns its corporate processes with its sustainability principles and values. We use strategic and operational measures to continuously reduce the ecological footprint of our banking operations. KfW uses a sustainable investment approach for the liquidity portfolio.



100% of buildings rented or owned by KfW Group are powered with certified green electricity



86% is the **percentage of recycled paper** used at KfW



In 2017, KfW issued a volume of **EUR 3.7 billion** in green bonds

For KfW Group, climate and environmental protection in banking operations means using natural resources sparingly, avoiding waste and protecting air, water and soil.

The Sustainability Guidelines for in-house environmental protection at KfW Group forms the basis for environmental management in the group subsidiaries and at the locations. The guidelines from October 2012 shall be updated and revised in the context of further development of the commitment to sustainability.

KfW coordinates its environmental activity across the group via a central sustainability management system; specific, concrete objectives and measures are laid down in the relevant current Sustainability Programme, including items such as updates of the above-mentioned guidelines. The task force on business ecology under the direction of the in-house environmental protection officer ensures implementation. The task force also regularly reports to employees on the topic of in-house environmental protection, either directly or via experts.

KfW includes all its own buildings across the group throughout Germany as well as all other rented buildings whenever possible in its in-house environmental data.

Negative environmental impacts directly caused by KfW's business activities tend to be limited. However, KfW is aware of its responsibilities concerning climate action and environmental protection and thus continually works to further reduce possible negative impacts. KfW Group would also find it hard to achieve the cost benefits resulting from conducting its business in an ecologically efficient way without a functioning environmental management. Furthermore, as an environmental bank, anchoring extensive internal environmental management is a matter of course for KfW.

In-house environmental protection focuses on minimising or optimising energy and paper consumption, business travel and waste production.



The Sustainability Guidelines for in-house environmental protection are the basis of KfW Group's environmental management

Energy consumption

A core objective of in-house environmental protection is to continually increase the share of renewable energy sources – as long as it is economically viable. The current share is around 60%. To achieve this objective, KfW uses its own photovoltaic, solar and geothermal systems as well as wood pellet systems. As a supplemental measure, all buildings owned or rented by KfW are powered with up to 100% certified green electricity; the same goes for KfW's external data centre.

Energy consumption of KfW Group in Germany in megawatt-hours

	2013	2014	2015	2016	2017
Standard grid power	1,925	1,750	0	0	0
Green electricity	22,163	22,475	23,635	24,017	24,169
Cogeneration unit (electricity, own use) ¹	1,728	791	1,267	1,720	2,023
Photovoltaic (own use)	11	12	19	18	8
Photovoltaic (fed into grid) ²	-69	-69	-73	-70	-68
Emergency power generators (diesel)	34	51	7	51	5
Natural gas	18,784	15,344	16,780	18,089	19,013
Heating oil	398	0	0	0	0
District heating	1,289	406	1,500	1,358	1,281
Solar thermal energy	18	21	21	21	11
Wood pellets	1,011	523	507	451	286
Total	45,633	40,582	42,469	44,005	44,773
Per employee	7.2	6.0	6.7	6.6	6.0 ³

¹ For information only; not included in the total figure because the power generated in this way is included in the natural gas row.

² Negative amount not taken into account

³ The definitions for counting staff numbers were changed in 2017, making direct comparison of per-capita consumption impossible.

Business travel

We are pleased that there was no increase in per-capita annual consumption in 2017; compared with 2016, significantly more employees used the train again for business travel. Electric vehicle usage increased strongly: 14 electric or hybrid vehicles were available in the fleet in 2017.

Business travel at KfW Group in thousands of kilometres

	2013	2014	2015	2016	2017
Car (petrol) ¹	115	91	161	239	301
Car (diesel) ¹	4,711	4,677	5,248	4,337	5,031
Car (natural gas) ¹	60	23	2	0	0
Electric	-	-	27	31	95
Train ²	4,305	4,304	4,195	4,759	5,427
Flights (Germany) ³	5,573	5,518	4,839	5,317	5,077
Flights (Europe) ³	6,687	6,469	5,229	4,826	5,697
Flights (international) ³	46,537	56,939	43,632	43,461	48,976
Total	67,988	78,021	63,333	62,970	70,605
Per employee	10.3	12.4	9.9	9.5	9.5 ⁴

¹ This row contains all the kilometres driven by cars in the KfW Group fleet in a year. Since only company cars issued to staff are also used for private purposes, it is assumed that the kilometres travelled but not surveyed with these cars as well as kilometres travelled by taxi, rented car or private car during business trips are largely compensated for. It is currently not possible to make a more precise assessment.

² All rail travel in Germany and neighbouring countries booked through the in-house travel management team. Individual reservations and trips settled on a subsequent basis are not included, but they are rather the exception.

³ Annual kilometres of all internal and external employees as well as external experts paid by KfW and invited guests that were booked through in-house travel management.

⁴ In 2017, the system limit for surveying employees was changed, making direct comparison of per-capita consumption impossible.



14 electric or hybrid vehicles are in the KfW fleet

Energy consumption for business travel at KfW Group¹ in megawatt-hours

	2013	2014	2015	2016	2017
Car (petrol and natural gas)	293	200	263	659	416
Car (diesel)	6,814	6,725	7,391	5,071	5,953
Train	969	968	944	1,095	1,248
Flights (Germany)	5,077	5,027	4,409	4,839	4,626
Flights (Europe)	3,036	2,937	2,374	2,172	2,587
Flights (international)	21,128	25,850	19,809	19,558	22,235
Total	37,317	41,707	35,190	33,394	37,065
Per employee	5.7	6.6	5.5	5.0	5.0 ²

¹ Calculated according to figures from the Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies (VfU), last updated: April 2011; factors including upstream chain

² In 2017, the definitions for counting staff numbers were changed, making direct comparison of per-capita consumption impossible.

Measures for reducing energy consumption

In the context of a project for the energy-efficient restructuring of the central heating and cooling systems at the Frankfurt location, KfW has been completely restructuring the system since the end of 2016. This project is a reaction to the changing consumption structures within the building complex and to the challenges of the energy transition. The measure is aimed at establishing a centralised, flexible and energy-efficient energy supply to the location that is sustainable in the long term. The use of large-scale heat pumps and combined heat and power systems to supply heating is planned, along with a highly efficient turbocore chiller for cooling. This can reduce carbon emissions by up to 1,500t per year.

A part of the existing uninterruptible power supply (UPS) system has been exchanged for modern, smaller models in an additional project since 2017. Efficiency gains of 220MWh of electricity per year are expected due to the reduction in power loss.

Climate-neutral banking operations

Climate neutral banking operations are the core objective of in-house environmental management in the area of energy (buildings, business travel). KfW offsets the emissions that remain despite the extensive conversion to renewable energy sources and the use of more environmentally friendly transportation across the group. KfW has also associated green electricity consumption with a CO₂ factor, thus taking into account that emissions are also produced in the use of such electricity. Electricity consumption at the external data centre is also taken into account. Not all avoidable emissions generated by KfW Group activities have yet been offset. KfW Group continually strives to record and offset as all emissions generated, to the extent possible.

220_{MWh}

expected gains in efficiency per year due to energy-saving investments

KfW Group purchases high-value Clean Development Mechanism (CDM) certificates on the market and permanently deactivates them. In 2017 they originated from the Community Development Carbon Fund (CDCF) of the World Bank, which finances projects to reduce CO₂ emissions in poor countries. KfW's banking operations are thereby largely carbon-neutral across the group.

When evaluating its carbon equivalents (CO₂e), KfW uses international standards set by the Greenhouse Gas Protocol and emissions are divided between scopes 1 to 3. Scopes 1 and 3 show an increase of around 7% and close to 11% respectively when compared to the previous year; scope 2 is nearly stagnant at a little less than 2%. The shifts can mainly

be ascribed to technical measures. In Berlin and Frankfurt, for example, in-house block-type thermal power stations were made more use of again. These primarily produce electricity so that the amount of electricity that had to be purchased could be reduced. Scope 3 increased significantly; this was due to an increase of around 12% in air travel due to increased business volume. The amount of CO₂e emitted per capita remained constant here.

CO₂e emissions of KfW Group¹ in tonnes

	2013	2014	2015	2016	2017
Emissions from direct energy consumption (Scope 1) ²	5,869	4,636	5,095	5,260	5,616
Emissions from indirect energy consumption (Scope 2) ³	2,555	2,073	1,097	1,400	1,368
Total business travel (Scope 3) ⁴	8,113	9,446	7,394	7,411	8,208
Events (Scope 3) ⁵	55	102	102	74	87
Total	16,592	16,257	13,628	14,145	15,278
Per employee	2.5	2.6	2.2	2.1	2.1 ⁶

¹ Unavoidable CO₂e emissions of the KfW Group have been offset since 2006.

² Natural gas, wood pellets and own fleet

³ Green electricity, district heating, oil and emergency power generators (diesel)

⁴ Only flights; short and long-distance rail travel is CO₂e-neutral per se.

⁵ Emissions for participants' travel to and from KfW buildings for events

⁶ In 2017, the definitions for counting staff numbers were changed, making direct comparison of per-capita consumption impossible.

Location- and market-based CO₂ emissions of KfW Group according to scope 2 (2017) in tonnes

	Location-based	Market-based
Green electricity	11,446	5,921
Emergency power generators (diesel)	1.5	1.5
Heating oil	0	0
District heating	248.5	248.5
Total	11,696	6,171

According to the Greenhouse Gas (GHG) Protocol, we identified the scope 2 emissions (from green electricity, district heating, oil and diesel emergency power generators) according to two different factors: location-based (average factor for Germany) and market-based (factor for the energy supplier).

Resource consumption

Paper is one of the essential materials of a financial institution. KfW Group continuously strives to reduce consumption. This is achieved, for example, by increasing employee awareness of the environmental impacts of paper consumption and by switching from paper-based to digital processes in specific areas.

Increasing digitalisation continues to reduce the overall amount of paper consumed in a reporting year through measures like changing over various credit processes to digital formats and switching from paper remuneration statements to making them available in electronic form only. Furthermore, the number of publications (promotional materials) has fallen drastically, leading to reduced paper consumption. It should also be noted that 2017 saw the first purely electronically published KfW Annual Report. Overall, these measures were able to reduce per-capita consumption by 14.3 kg.

By far, the largest percentage of paper used at KfW Group – nearly 90% – is recycled paper with the “Blauer Engel” environmental label. The only paper used for externally printed publications is FSC® paper, and KfW only works with carbon-neutral printing companies – a further contribution towards climate neutrality at KfW.



Close to 90% of paper used is recycled paper

KfW Group paper consumption in Germany in kilograms

	2013	2014	2015	2016	2017
Recycled paper (Blue Angel) ¹	278,390	308,385	251,150	225,863	196,084
Writing paper (recycled paper – Blue Angel) ¹	3,536	5,260	3,351	3,171	2,635
Virgin fibre paper for promotional materials (FSC mixed sources label)	90,268	72,931	153,512	73,291	32,528
Total	372,194	386,576	408,413	302,325	231,247
Per employee	56.4	61.5	64.3	45.5	31.2 ²
of which, recycled paper (in %)	75	81	62	76	86

¹ Refers to 80 g/m² A4 printing and copying paper.

² In 2017, the definitions for counting staff numbers were changed, making direct comparison of per-capita consumption impossible.

Water consumption

According to the Sustainability Guidelines for in-house environmental protection, KfW strives to continually reduce water consumption within the group.

Up to around 88% of water is drawn from the municipal pipe-line network. The remaining 12% comes from ground water

(in Berlin, ground water or stratum water is used in underground garages) and collected rainwater (process water). The latter is used for outdoor irrigation at the Frankfurt, Berlin and Bonn locations and, in Bonn, it is also used for flushing toilets. The ground water in Berlin is used for toilet flushing and operating the cooling tower. Water consumption fell by around 6% between 2016 and 2017.

KfW Group water consumption in Germany in cubic metres

	2013	2014	2015	2016	2017
Drinking water	106,412	94,209	98,808	95,830	94,819
Other process water (rainwater and ground water)	5,156	14,231	17,355	18,313	12,912
Total	111,568	108,440	116,163	114,143	107,731
Per employee	16.9	17.2	18.3	17.2	14.6 ¹

¹ In 2017, the definitions for counting staff numbers were changed, making direct comparison of per capita consumption impossible.



Water consumption
reduced by 6%

Waste water and solid waste

KfW Group uses the existing public infrastructure for waste water and solid waste. It is within the group's own interest to keep the disposal charges incurred as low as possible, for example, by pre-sorting the waste as well as possible.

KfW discharges waste water into the public sewage networks. This is common household waste water. Compliance with thresholds is ensured via separating installations. Nothing is discharged directly into water bodies. In 2017 KfW discharged 114,374 m³ of waste water into the sewage system from its four German locations. This includes the 6,643 m³ of unused ground water discharged into the municipal sewage system in Berlin. No unplanned discharge of waste water took place.

Across the group, KfW has its waste collected, transported and, whenever possible, recycled by certified waste-management companies. When drawing up contracts, it makes sure that the transport routes are as short as possible.

The amount of paper for recycling increased in 2016 due to a move and plummeted again in 2017. Overall, per capita consumption of paper that was recycled went down by around 16% across the group.

At about 4.2%, hazardous waste was a small percentage of the total amount of waste; the amount of electronic waste was only around 2.3% but was more than three times higher than the previous year. The reasons for this were the decommissioning of cooling plants as well as the clean-up of chemical substances that are no longer needed or no longer used at technical facilities. Regularly generated hazardous waste has, by contrast, been reduced.

Waste generated by KfW Group in Germany in tonnes

	2013	2014	2015	2016	2017
Non-hazardous waste	2,324	2,542	2,143	1,999	2,495
thereof, paper for recycling	421	115	406	469	396
Hazardous waste	25	53	58	32	109
thereof, electronic waste	–	–	14 ¹	20 ¹	60 ¹
Total	2,349	2,595	2,201	2,031	2,604
Per employee (in kg)	355	413	347	306	352 ²

¹ Excluding Berlin. External service providers ensure proper disposal there and are responsible as waste producers.

² In 2017, the system limit for surveying employees was changed, making direct comparison of per-capita consumption impossible.

Procurement

The KfW supply chain is distributed across Human Resources, Facility Management, IT, Marketing and Communications. Various KfW Group organisational units are responsible for supplying the bank with goods and services.

These activities take profitability aspects into account and are in compliance with procurement law principles and internal KfW Group guidelines, including the Sustainability Guidelines for responsible procurement. These guidelines apply to all orders throughout the group and complements the general guidelines on procurement. KfW procurement strives to maintain a fair and responsible relationship between suppliers and customers. Long-term and respectful cooperation is generally in the interest of the parties involved. This cooperation must, however, be subject to continual monitoring for profitability and possible market changes.

As a public sector contracting authority, KfW is obligated to issue a formal request for Europe-wide tenders through its respective awarding unit (EU-Vergabestelle), if certain threshold values determined by the EU Commission every two years are exceeded. Principles like transparency, non-discrimination and competition are to be incorporated into the invitation to tender. As far as possible under public procurement law, KfW Group includes social and ecological requirements in its contract conditions for Europe-wide tenders that are tailored to the specific subject matter of the procurement. This also applies to cases that fall below the threshold. Accordingly, KfW ensures fair competition and efficient procurement conditions that are in line with the market and are economically viable.

Ecological and social criteria

Cooperation with KfW Group as a supplier requires compliance with legal and ethical principles, in particular, specific requirements of procurement law, conditions in line with markets, and sustainable production methods that include responsible handling of resources. According to its Sustainability Guidelines for responsible procurement, KfW focuses on products and services with high sustainability standards, a high degree of market consistency, transparency and supply security when awarding contracts. For example, one important criterion for selecting suppliers is how environmentally sound they are: KfW pays attention to how products are made and supplied. To the extent that they are relevant, in assessing the sustainability of products or manufacturers KfW focuses on the requirements and specifications of recognised certification systems such as Blue Angel, Forest Stewardship Council (FSC®), Energy Star and Fair Trade. KfW also places value on compliance with social principles and standards. This is also regulated with the group's Sustainability Guidelines for responsible procurement. KfW's own Procurement division uses this to pursue its ecological, economic and social objectives. It is committed to the careful use of resources and responsible social interactions.

Minimising negative impacts

For products and services with significant adverse environmental impacts, KfW Group requires that suppliers have established guidelines and management systems to minimise these effects.

KfW contractors must not employ children or allow forced labour. Workforce wages, benefits and working hours must at least comply with the local legal requirements. In addition, KfW expects its business partners not to allow bribery, price-fixing or other unfair practices and to actively oppose all kinds of corruption.

To ensure implementation of the Sustainability Guidelines for responsible procurement, KfW Group added a paragraph on sustainability and occupational safety to the procurement guidelines. KfW's procurement guidelines require that suppliers and potential subcontractors comply with the prohibition of child labour and forced labour, protect against inhumane working conditions with appropriate limits on working hours, and comply with legal provisions for minimum wages and health protection. In individual cases, KfW replicates the requirements of the sustainability guidelines in all new contracts wherever this is legally and commercially reasonable.

Within reason, KfW's Procurement division also monitors the extent to which suppliers and service partners fulfil their contractually agreed duties of sustainable service delivery. If suppliers and service providers do not comply with KfW's contractually agreed environmental and social requirements, this can lead to their exclusion.

In 2017, KfW Group procurement volume was around EUR 682 million (2016: EUR 635 million). Of the 2,405 active contractors (2016: 2,390), around 90% are based in Germany and the remaining 10% in other OECD states.

Supplier survey 2017

KfW without subsidiaries recognises its suppliers as important stakeholders who share responsibility in advancing the multifaceted issue of sustainability. KfW has thus been conducting a supplier survey of its strategic and biggest suppliers (procurement volume in the previous year larger than EUR 1.5 million) since 2016, expanded to cover sustainability aspects in the framework of its strategic provider controlling. In 2017, 44 suppliers were surveyed and evaluated for issues that included sustainability. For example, they were asked whether they have environmental or sustainability management systems or if the companies exercise responsibility with subcontractors outside of OECD countries. The next survey will take place in 2018. It will use the questions from 2017 as the basis and refine them if needed.



EUR 682 million
procurement volume

KfW in the capital market

KfW Group's good reputation in the international capital markets is not only based on its sense of ecological and social responsibility. It is also based on its excellent credit and sustainability ratings. Due to its first-class credit standing, supported by the institutional liability and direct guarantee from the Federal Republic of Germany, in particular, KfW has a Triple-A rating from Moody's, Scope Ratings and Standard & Poor's. This makes KfW a reliable partner for investors. KfW Group bundles its long- and short-term funding activities and its liquidity, currency, interest rate and asset management for the entire group in the business sector Financial markets. KfW takes sustainability seriously also in its treasury. This approach ensures that KfW Group's promotional mandate and its treasury activities go hand in hand.

KfW makes an active contribution to climate change mitigation and environmental protection with investments in green bonds. Furthermore, it also promotes corporate finance through investments in securitisation of SME receivable.

Sustainable portfolio management

1. Liquidity portfolio

KfW's liquidity portfolio forms part of KfW's liquidity management. This portfolio is a bond portfolio, which comprises bonds from public-sector issuers and supranational organisations as well as bank bonds, covered bonds and asset-backed securities (ABS). As of 31 December 2017, the volume of the liquidity portfolio was close to EUR 26 billion.

Upon signing the United Nations' Principles for Responsible Investment (PRI) in 2006, KfW committed itself to conducting business activities as a securities investor in a sustainable manner. The sustainability approach for KfW's liquidity portfolio includes the following components:

a) Integration of ESG criteria

When selecting investments for the liquidity portfolio, KfW takes into account the issuers' sustainability assessment based on environmental, social and governance (ESG) criteria in addition to their credit rating since 2008.

At the beginning of 2017, KfW developed its approach of ESG integration further by establishing a best-in-class approach for the liquidity portfolio. All issuers are assigned to the sectors in the liquidity portfolio (financial institutions, countries and automobiles for ABS) and evaluated in comparison to other issuers in the respective sector with regard to ESG criteria. This evaluation is based on the sustainability assessments performed by a sustainability rating agency. According to the best-in-class approach, bonds are only purchased from issuers if their sustainability assessment places them in the top 80% of their sector. As the liquidity portfolio uses a buy-and-hold approach, the new investment strategy only pertains to new investments.

EUR **26** billion
volume of the
liquidity portfolio

b) Introduction of exclusion criteria

In addition to the ESG criteria, exclusion criteria are also integrated into our investment approach for the liquidity portfolio being considered. Applying exclusion criteria ensures that no funds are provided by KfW to issuers whose activities are likely to have unacceptable negative impact on the environment, social conditions and governance. The exclusion criteria investments are based on the “IFC Exclusion List”. These criteria include, for example, business activities that use child labour or forced labour, or are subject to international bans or withdrawal provisions, and business sectors like tobacco, gambling, pornography, controversial weapons or nuclear power, etc. If the issuers are financial institutions, the exclusion criteria are applied indirectly; for banks, for example, they are applied to their equity participations. Exclusion criteria are not considered for bonds of sovereign issuers.

c) Engagement

KfW conducts an engagement process with the non-governmental issuers of the liquidity portfolio. In 2017, we contacted 92% of issuers that were part of our liquidity portfolio as of 30 April 2017 with letters, phone calls or personal meetings and informed them about the new best-in-class approach for the liquidity portfolio, their sustainability assessment and their relative position in comparison to their sector. The aim is to send a strong signal to issuers that their sustainability assessment is a relevant criterion when considering potential investments for KfW’s liquidity portfolio.

2. Green bond portfolio

In April 2015 under mandate by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, KfW began to build up a green bond portfolio. The promotional mandate specifies the objective for the green bond portfolio: supplementing the financing of environmental protection and climate change mitigation measures – in addition to KfW’s promotional business – by using a capital market instrument. Furthermore, KfW aims to support the qualitative development of the green bond market. The Asset Management Department in the Financial Markets Department (FM) is responsible for building up the portfolio. It is a pure bond portfolio with a buy-and-hold approach based on risk management via rating and term diversification rules and a bank-wide single borrower limit framework. The original target volume of the portfolio was doubled from EUR 1 billion to EUR 2 billion in May 2017 and the investment horizon was extended for an additional three to five years. The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety adjusted the promotional mandate ahead of schedule after it had already signed off on the target volume that was about to be achieved at that time. KfW aims to continue its support for further development of the green bond market through material investments in coming years as well.

KfW would like to make an active contribution to the financing of climate change mitigation and environmental protection projects with investments in green bonds. The promotional mandate of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety stipulates compliance with minimum criteria that align with the Green Bond Principles (GBP). The minimum criteria refer to the accepted project categories (for example, renewable energies, resource efficiency, environmentally friendly transport projects and biodiversity), including the description of objectives and expected impacts from projects, the process of project selection, the separation of funds, reporting and qualified verification by a third party (for example, in the form of a “second-party opinion”). Furthermore, it is ensured that



Target volume of the green bond portfolio doubled from EUR 1 billion to EUR 2 billion

no funds are provided for measures intended for commercial power generation with nuclear energy or coal. To comply with this, KfW checks for adherence to the minimum criteria before each investment and uses an internal assessment scheme to categorise green bonds. After each investment, KfW checks the reporting. Based on the information provided by the respective issuer, KfW verifies whether the use of funds is explained transparently and actually corresponds to the promotional objective. If the issuer's use of the funds is inadequate, KfW reserves the right to contact the issuer and make a decision about the commitment on an individual basis (for example, selling the respective green bond). Issuer reporting usually takes place annually until the funds have been completely allocated; shorter reporting periods are possible.

Beyond that, KfW supports the development of the green bond market. The objective is to advance the establishment of ambitious market standards for green bonds together with market participants such as issuers, independent third parties or market initiatives. The Green Bond Principles play a particularly important role here. In 2015 and 2017, KfW was selected as an investor in the GBP Executive Committee and is a member of the "Green Projects Eligibility" and "Impact Reporting" task forces.

The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety receives an annual report about market and portfolio development as well as the accompanying measures. The Executive Board is informed about the portfolio's development on a monthly basis in the context of the internal reporting of KfW's promotional activities.

As of 31 December 2017, the volume of the green bond portfolio was EUR 910 million.] ✓

3. ABS promotional portfolio for the SME sector

KfW Group promotes the financing of commercial enterprises via the capital market with the ABS promotional portfolio. Under the mandate of the German Federal Ministry for Economic Affairs and Energy, KfW invests in ABS and ABCP (Asset-Backed Commercial Papers) that directly or indirectly benefit SME-sector financing. Before each investment, an assessment is conducted as to whether the requirements in the mandate are fulfilled. As an anchor investor, KfW Group makes an active contribution to the further development of capital-market-based SME-sector financing. As of 31 December 2017, the volume of the ABS promotional portfolio was EUR 2.5 billion.

EUR **2.5** billion
volume of the ABS
promotional portfolio

“Green Bonds – Made by KfW”

With its many years of experience and excellent capital market reputation, KfW provides impetus also as an issuer. KfW has been issuing green bonds since July 2014, offering investors the opportunity to specifically combine the security and liquidity typical of KfW bonds with promoting environmental protection and climate change mitigation. These bonds link investment in renewable energy projects with KfW's top-notch credit rating. KfW is pursuing the objective of helping the green market segment to continue to grow with an increasing number of sustainably orientated investors and will provide further impetus for the development of environmental protection activities through high demand in future. In 2017, KfW issued seven green bonds with a total volume of EUR 3.7 billion in four different currencies. With an outstanding volume of around EUR 12.9 billion at the end of 2017, KfW became Germany's largest and the world's second-largest issuer in the promotional bank segment within four years.

Transparency regarding the use of proceeds

KfW Group offers the highest degree of transparency with its “Green Bonds – Made by KfW”: the use of net proceeds is regularly monitored and published each quarter until full allocation. Furthermore, KfW published its first extensive report on the environmental and social impacts of its green bonds in 2016 (“impact reporting”). According to the latest report, each EUR million invested in a KfW Green Bond issued 2014 financed projects in the “Renewable Energies” loan programme, leading to annual savings of over 1,200 tonnes of CO₂e. Moreover, it helped to create and secure 25 jobs, save energy imports into Germany and prevent costs from fossil fuels in the amount of EUR 67,000 for one year. External costs of over EUR 129,000 were avoided annually, for example, through the prevention of environmental damage and detrimental health issues. The next impact report for emission years 2015 and 2016 will be disclosed in 2018. Both reports – use of proceeds and impact report – can be found on the Internet.

In the past, KfW has received multiple awards from leading industry publications for its transparency and successful efforts in the area of green bonds on the capital market. In addition to its green bond approach, KfW received various distinctions for its reporting and was awarded both as an issuer and for specific green bond transactions.

2.9 million tonnes of CO₂e is the estimated reduction of greenhouse gas emissions due to the green bonds issued in 2017

»»» Social engagement

Shaping the future. Promoting community.

Beyond its operational activities, KfW Group supports diverse non-profit causes with efforts that include encouraging and supporting employee projects. The foundation KfW Stiftung is dedicated to overcoming major social challenges. These include globalisation, demographic change, climate change mitigation and adaptation, and environmental protection. KfW Stiftung aims to increase awareness, take responsibility and develop diversity.



KfW Stiftung and Social Impact gGmbH
award EUR 45,000 as part of the
Special Impact Award



The integration initiative Mädchenbüro
Milena looked after **40 girls with immigrant
and refugee backgrounds** in 2017



**KfW Stiftung promoted 18 young
exhibition organisers** from 16 countries within
the scope of curator programmes in 2017

Employee initiatives and donations

Many KfW Group employees also take responsibility outside the profession and are committed to the common good – be it in their personal surroundings or elsewhere. KfW encourages them to present their projects and initiatives on the intranet and supports them with a one-off donation of EUR 500. The bank presents a selection of 40 projects each year in a special edition of its employee magazine. All employees are then asked to select their “Project of the Year”. The KfW Executive Board presents the award at a charity dinner to which all employees involved in the selected projects are invited.



2017 Project of the Year

KfW Group promotes its employees’ commitment to volunteer work as a significant contribution to social solidarity. So in 2017, the “Project of the Year” was chosen for the seventh time to honour particularly committed employees.

Thomas Flohm was awarded first place for his project “Buddy Care” for Integrative Drogenhilfe e. V. (an association that supports recovery from drug addiction). The project helps drug addicts find contacts outside the scene to make it easier for them to participate in society. In his free time, Flohm regularly meets his buddy and they do something together like taking a walk or going to a movie.

Each submitted project received a donation as acknowledgement and support. In addition, the top three projects received a special bonus from the Executive Board.

KfW employees have the opportunity to donate a portion of their monthly salary through the “spare cents” and “spare euros” Initiatives. This allows their salary to be rounded down to the next full euro or five euros. In 2017 the donations amounted to EUR 33,550, and KfW topped it up by EUR 35,500. The money was used to support non-profit organisations that were suggested by employees and selected by the local staff councils in Frankfurt, Berlin and Bonn. In total KfW (including the Executive Board and “spare cents” donations) made donations amounting to EUR 138,950 to institutions in 2017, mainly in social and cultural areas. To keep the circle of recipients as large as possible, no single donation exceeded the sum of EUR 5,000. According to its donation guidelines, KfW does not provide financial support or other allowances to political parties, including organisations that are affiliated with parties.

DEG has been working together with the Kölner Freiwilligen Agentur e. V. volunteer agency in Cologne since 2012. During the Kölner FreiwilligenTage (Cologne volunteer days), DEG employees get involved in social projects twice a year – for example, in schools, nursing homes, kindergartens or refugee facilities. In September 2017, DEG was nominated for the Deutsche Engagementpreis (German Engagement Award) for its involvement.

EUR **33,550**
was donated by KfW
employees under the
“spare cents” and
“spare euros” initiatives

KfW Group donations 2015–2017

	2015	2016	2017
KfW (including the Executive Board)	148,600	147,250	105,400
Employees	42,600	33,400	33,550
Total	191,200	180,650	138,950



Two kilometres of company history

The Historical Group Archive is “KfW’s memory”. The archival material stretches a length of two kilometres and preserves 70 years of KfW history, making it accessible for scientific and research purposes. The heart of the archive consists of KfW’s file archives including its mergers and subsidiaries, extensive media materials and a comprehensive exhibit collection. The Federal Archives Act of the Federal Republic of Germany provides the basis for the work of the Group Archive. Since its founding in 1948, Kreditanstalt für Wiederaufbau – KfW – has developed into a significant factor of German economic policy. From its beginning as a specialised institution, over time a group emerged with diverse tasks in Germany and abroad. This development is reflected in the stored sources and documents.

KfW Stiftung – providing impetus for society

The independent foundation KfW Stiftung was established in 2012 and provides impetus for examining the major social challenges of our time: environmental protection, climate change mitigation and adaptation, demographic change and globalisation. The non-profit, operationally active foundation has been endowed with capital of EUR 20 million. It promotes initiatives that question existing patterns, offers platforms for dialogue across borders and increases awareness of the

challenges within the foundation’s four focus areas “responsible entrepreneurship”, “social engagement”, “environment and climate” and “arts and culture”.

In 2017, the profile of these four focus areas was refined and important individual projects were initiated. New partnerships were formed and joint project approaches were developed and realised. To ensure that these initiatives do not remain isolated cases, the foundation also sees itself as a source of ideas, an amplifier and a facilitator. It checks each of its projects for scalability with the explicit hope that others will copy and develop them further.

Responsible entrepreneurship

Our economy faces major challenges: both the progression of globalisation and demographic changes demand new thought-provoking impulses, innovative structures and creative ideas in many areas. KfW Stiftung believes that the main question for the economy of the future is how we can use entrepreneurial action to take social responsibility and address social problems.

One promising approach is social entrepreneurship, a new entrepreneurial movement of people who meet the challenges of social problems with business approaches that focus on the social impacts of their business activities, and not on their own personal profit. Young people are particularly enthusiastic about unconventional solutions that offer alternative outlooks on professional life. KfW Stiftung supports this approach in different ways and by cooperating with strong partners. One commonality shared by all the initiatives is that they provide skills that enable entrepreneurs to develop socially innovative alternatives to economically oriented growth models.

Social Impact gGmbH’s mission is to give the socio-entrepreneurial start-up movement the necessary tools and create fixed centres for networking. Together with KfW Stiftung and

In **2012**
the independent
foundation KfW
Stiftung was
established and
provided with EUR
20 million in capital

the JP Morgan Chase Foundation, the programmes AndersGründer and ChancenNutzer were developed in 2014 and the first Social Impact Lab was opened in Frankfurt. During the eight-month-long programme, innovative entrepreneurs known as “AndersGründer” learn everything they need to develop a sustainable, socially innovative business model from experienced experts. In 2015, an additional lab in Duisburg was established with the Prof. Otto Beisheim Foundation and Franz Haniel & Cie GmbH as partners. Around 110 start-up initiatives have since been supported at both of these locations.

The Special Impact Award was first introduced by KfW Stiftung and Social Impact gGmbH in 2017 as an annual highlight. It is part of the “ANKOMMER. Perspektive Deutschland” and “AndersGründer” grant and promotional programmes. Both programmes are implemented in the Social Impact Labs. The award has a total prize fund of EUR 45,000 and is presented in three categories: “ANKOMMER. Perspektive Deutschland”, “AndersGründer” and “Community”.

At the Social Entrepreneurship Akademie, a networking organisation of the four Munich universities, KfW Stiftung promotes the certificate programme for social innovation Gesellschaftliche Innovationen: kompakt, also known as ZGI: kompakt. In two-day intensive workshops, students from all disciplines learn the basic principles of social entrepreneurship and develop initial start-up ideas. In Offenbach and Hanau, Germany, KfW Stiftung supports the association Social Business Women, which provides consulting services from women for women searching for new professional prospects in challenging life situations and with a migrant background.

Social commitment

To ensure the future viability of our society in view of demographic development, KfW Stiftung supports projects that promote a strong and responsible society. The primary goals are to cultivate the conditions needed for social participation and to open up new perspectives.

The starting point for this is the “Milena” refugee café in Frankfurt-Bockenheim, which supports integration of female refugees. It is sponsored by the MädchenbüroMilena e. V. (an association that supports girls) and the Linsenhoff-Stiftung and KfW Stiftung foundations. To meet increasing demand and perpetuate the project, both foundations will be promoting the Mädchenbüro and the Milena refugee café for four years. Many of the women and girls are from patriarchal societies or suffer from traumatic experiences. This kind of meeting place gives them the chance to learn German, build up a social network and familiarise themselves with the way of life and value system in Germany. Among other services, the Mädchenbüro also offers school-aged girls with a migrant background the chance for afternoon care and school and career guidance.

Since 2013, KfW Stiftung has promoted Manage gGmbH in the Don-Bosco-Zentrum, a centre in Berlin-Marzahn for meeting others, counselling and preparing for vocational training. The childcare support system that was initially supported was expanded into an open specialist unit for educational and family counselling. Refugees and their families are also welcome and experience integration without barriers.

Sport can also bring people together and promote inclusion. For example, KfW Stiftung is supporting the Landessportbund Hessen athletic association and its sports youth programme with the development of sport-specific further training modules, for example with “Inklusion im Sport – selbstverständlich” (an initiative to promote inclusion in sport). The initiative runs a two-stage weekend seminar geared towards people who work or volunteer in school and



The Special Impact Award from KfW Stiftung and Social Impact gGmbH was introduced for the first time in 2017

popular sports that aims to break down psychological and practical barriers in popular sport, help participants bring their ideas to life and encourage them to follow best-practice examples. Between 2015 and 2017, 243 people successfully completed trainer development.

A management system for sports facilities is currently being developed with Special Olympics Deutschland e. V. for athletes with intellectual or physical disabilities to provide barrier-free access and independent orientation.

Environment and climate

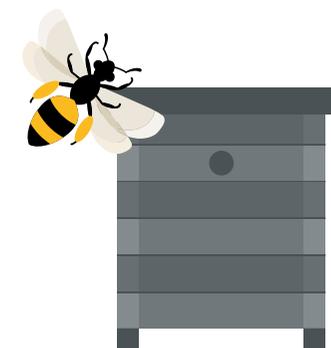
KfW Stiftung promotes environmental protection and climate action measures that focus on biodiversity. The local, national and international projects contribute to preserving diversity of species. All projects aim to start a social dialogue about the issue of biodiversity and highlight its relevance in the context of maintaining a healthy climate.

In the first project to cover multiple focus areas, KfW Stiftung is supporting the plant nursery run by the EVIM Behindertenhilfe association, which works together with individuals with disabilities in Hattersheim, Germany. The aim is to maintain and expand the habitat of wild plants native to the region in an effort to contribute to biodiversity. This project approach also gives people with limitations the opportunity to pursue satisfying and valuable work. In the Schlocker-Stiftung foundation's workshops, employees cultivate wild shrubs for natural gardens and advise customers on designing their gardens. The project also contributes to awareness of local plant life and its importance. Expanding the offerings is expected to create economic perspectives, safeguard jobs and thus ensure that true participation in life remains possible for people with limitations – a social, economic and ecological contribution that can serve as an example for other plant nurseries.

In its cooperation with the Botanical Garden in Frankfurt, KfW Stiftung supports the preservation of endangered indigenous wild vegetation in Hesse, in particular. In this project, 15 seed-bearing plants on the endangered list, such as early sandgrass or Siberian iris, will first be bred on the grounds of the Botanical Garden and then resettled to locations within their natural habitat to reduce their vulnerability.

In March 2017, the Frankfurt "Spring School on Project Conservation Management" was held for the first time with the Goethe University Frankfurt and the Frankfurt Zoological Society for biology and related fields. The aim of the course was to impart knowledge about operational nature conservation. Project development and planning methods were just as much part of the curriculum as budget planning, human resources work, communication and dealing with cultural challenges. KfW Stiftung enabled six grants for employees from national park authorities and conservation areas from Latin America, Africa and Asia. At the same time, KfW Stiftung provided funds for the projects developed by those receiving the grants, which the young park managers were able to apply for in a jury competition.

Every two years, KfW Stiftung bestows the KfW-Bernhard-Grzimek-Preis award to individuals and institutions that make special efforts to support the protection and preservation of diversity. The award combines the life's work of conservationist Bernhard Grzimek with the preservation of biodiversity, a topic that has reached existential proportions around the world. The award has a prize fund of EUR 50,000 and honours individuals and organisations that take on this issue. The 2017 KfW-Bernhard-Grzimek-Preis award was presented to Andrew Zaloumis for his future-orientated commitment at the iSimangaliso world heritage site in one of the poorest regions of South Africa, where biodiversity protection is combined with regional development in an exemplary manner.



Every two years, KfW bestows the KfW-Bernhard-Grzimek-Preis award for protection and preservation of species

A workshop for school children from six Frankfurt STEM secondary schools was integrated into the concept for the award ceremony. The children had the opportunity to discuss the relationships between the lifestyle of the western world, global environmental disasters and regional conservation with the award recipient and researchers from the Goethe University Frankfurt. Particular focus was placed on handling plastic and its damaging impact on the world's oceans.

Arts and culture

The focus is on intercultural dialogue in the global present. KfW Stiftung creates platforms for international contemporary art to strengthen creativity, freedom of expression and the capacity for discourse, thus promoting cultural diversity. Together with partners, these platforms develop local projects and international programmes for art and producers of culture from Latin America, Africa, the Middle East and Asia.

The artists-in-residence programme in collaboration with Künstlerhaus Bethanien Berlin offers up-and-coming artists the opportunity to stay in Berlin for twelve months. The studio programme promotes international networking and development of individual projects, which are presented with an exhibition and a catalogue. Artists receiving the fellowship in 2017 were Orawan Arunrak (Thailand), Matheus Rocha Pitta (Brazil), Vartan Avakian (Lebanon) and Ahmed Ghoneimy (Egypt). With a curators-in-residence programme, KfW Stiftung offers outstanding up-and-coming curators the opportunity to stay in Germany for several months to promote intercultural exchange and discourse in exhibition practices. Two fellowships are awarded each year, one in collaboration with the Berlin artist programme from the German Academic Exchange Service (DAAD) and another in cooperation with the Institut für Auslandsbeziehungen e. V. (ifa) association. Curators receiving the fellowship in 2017 were Shabbir Hussain Mustafa (Singapore), Marina Reyes Franco (Puerto Rico) and Florencia Portecarrero (Peru).

The TRANScuratorial Academy is an initiative that serves to strengthen exchange with KfW Stiftung alumni, offer a platform for international up-and-coming curators and facilitate discussions about key practical questions with experts. The academy events took place in Berlin and Mumbai in 2017. To strengthen cultural dialogue with the Arab world, KfW Stiftung and the Goethe-Institut run a short stories programme for up-and-coming writers in the Middle East. After two years in Cairo, the project continued in Beirut. It consists of writing workshops in the respective cities as well as events with the young authors in Germany.

KfW Stiftung has established a think tank for artistic innovation. The experimental format was directed by Akram Khan, one of the world's most famous and renowned dancers and choreographers. It brought international artists, producers of culture and scientists together to sound out project ideas and possibilities for new connections. The three-day meeting took place in Frankfurt in spring 2017.



The artists-in-residence programme promotes international up-and-coming artists



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GRI and non-financial statement

GRI content index

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GRI 102-3: Location of headquarters	p. 8	
GRI 102-4: Location of operations	p. 8	see also: → Corporate website
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GRI 102-38: Annual total compensation ratio		Individual employee salaries are protected as confidential information, and disclosure of this information, even for statistical evaluation, remains limited accordingly. Information about annual remuneration of the Executive Board can be found in the compensation report.
GRI 102-39: Percentage increase in annual total compensation ratio		Individual employee salaries are protected as confidential information, and disclosure of this information, even for statistical evaluation, remains limited accordingly. Information about annual remuneration of the Executive Board can be found in the compensation report.
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GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)		
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GRI 201-2: Financial implications and other risks and opportunities due to climate change	p. 33, 34, 43	
GRI 201-3: Defined benefit plan obligations and other retirement plans	p. 70	
GRI 201-4: Financial assistance received from government		This indicator is not applicable for KfW as a state-owned promotional bank of the Federal Republic of Germany.
GRI 202: Market Presence 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 52, 81	
GRI 202-1: Ratios of standard entry level wage by gender compared to local minimum wage		Not relevant, because no significant part of the workforce is remunerated based on salaries that are subject to minimum wage regulations.
GRI 202-2: Proportion of senior management hired from the local community	p. 52	All of the managers at KfW locations outside Germany are seconded and employed in Germany. There are no guidelines on hiring local management.
GRI 203 Indirect Economic Impacts 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 44, 45	
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Disclosures	Page	Omission/comment
GRI 206 Anti-competitive Behavior 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)		KfW itself is a public promotional bank that promotes the economy, society and environment in Germany, Europe and the world. It operates in ways that are competitively neutral and therefore does not intervene in banking competition. The promotional mandate determined by the state is anchored in the KfW Law. KfW IPEX-Bank GmbH – a wholly owned subsidiary of KfW – is an independent financial institution operating on commercial principles in the market. DEG exclusively and directly pursues non-profit objectives.
GRI 206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		KfW itself is a public promotional bank that promotes the economy, society and environment in Germany, Europe and the world. It operates in ways that are competitively neutral and therefore does not intervene in banking competition. The promotional mandate determined by the state is anchored in the KfW Law. KfW IPEX-Bank GmbH – a wholly owned subsidiary of KfW – is an independent financial institution operating on commercial principles in the market. DEG exclusively and directly pursues non-profit objectives.
GRI 301 Materials 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 72, 77	
GRI 301-1: Materials used by weight or volume	p. 77, 78	
GRI 301-2: Recycled input materials used	p. 77, 78	
GRI 301-3: Reclaimed products and their packaging materials		Not relevant because KfW does not produce anything with such packaging material.
GRI 302 Energy 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 72, 73	
GRI 302-1: Energy consumption within the organization	p. 73	
GRI 302-2: Energy consumption outside of the organization	p. 74, 75	
GRI 302-3: Energy intensity	p. 73–75	
GRI 302-4: Reduction of energy consumption	p. 75	
GRI 302-5: Reductions in energy requirements of products and services		It is not possible to demonstrate the reduction in energy consumption per product or service in a bank.

Disclosures	Page	Omission/comment
GRI 303 Water 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 78	
GRI 303-1: Water withdrawal by source	p. 78	
GRI 303-2: Water sources significantly affected by withdrawal of water		No groundwater is removed from protected areas.
GRI 303-3: Water recycled and reused	p. 78	KfW processes neither waste water nor sewage itself.
GRI 304 Biodiversity 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 39, 90	
GRI 304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		For a financial institution like KfW Group, this indicator is irrelevant.
GRI 304-2: Significant impacts of activities, products, and services on biodiversity	p. 39, 91	
GRI 304-3: Habitats protected or restored		For a financial institution like KfW Group, this indicator is irrelevant.
GRI 304-4: IUCN Red List species and national conservation list species with habitats in areas affected by operations		For a financial institution like KfW Group, this indicator is irrelevant.
GRI 305 Emissions 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 72, 75	
GRI 305-1 Direct (Scope 1) GHG emissions	p. 76	
GRI 305-2: Energy indirect (Scope 2) GHG emissions	p. 76, 77	
GRI 305-3: Other indirect (Scope 3) GHG emissions	p. 76	
GRI 305-4: GHG emissions intensity	p. 76	
GRI 305-5: Reduction of GHG emissions	p. 75	
GRI 305-6: Emissions of ozone-depleting substances (ODS)		KfW emits no ozone-depleting substances.
GRI 305-7: Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		The combustion installations used by KfW are subject to annual statutory inspections. The measurement and recording of NO _x and SO _x readings is not required by law due to the building size and due to the fuels used (natural gas and wood pellets).

Disclosures	Page	Omission/comment
GRI 306 Effluents and Waste 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 72, 79	
GRI 306-1: Water discharge by quality and destination	p. 79	
GRI 306-2: Waste by type and disposal method	p. 79	
GRI 306-3: Significant spills		No substances harmful to the environment were emitted at any of the locations in the reporting period.
GRI 306-4: Transport of hazardous waste		Due to the relatively small amount, KfW does not distinguish between hazardous waste in terms of the type of transportation and treatment.
GRI 306-5: Water bodies affected by water discharges and/or runoff		KfW buildings at all locations are connected to the public waste water disposal. Nothing is discharged directly into water bodies.
GRI 307 Environmental Compliance 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 26	
GRI 307-1: Non-compliance with environmental laws and regulations		There were no known fines or other sanctions in the reporting period.
GRI 308 Supplier Environmental Assessment 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 80, 81	
GRI 308-1: New suppliers that were screened using environmental criteria		The ratio of new suppliers screened for the fulfilment of contractually agreed duties and obligations on sustainable performance is currently not assessed.
GRI 308-2: Negative environmental impacts in the supply chain and actions taken	p. 81	
GRI 401 Employment 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 49	
GRI 401-1: New employee hires and employee turnover	p. 49, 66	Details about employee turnover and new employee hires according to region are not surveyed. The key figures are not relevant for management as the majority of our employees are in Germany. Turnover by age group is also not recorded at KfW.
GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 50, 51	
GRI 401-3: Parental leave	p. 68	

Disclosures	Page	Omission/comment
GRI 402 Labor/Management Relations 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 51	
GRI 402-1: Minimum notice periods regarding operational changes	p. 51	
GRI 403 Occupational Health and Safety 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 60, 61	
GRI 403-1: Workers representation in formal joint management-worker health and safety committees	p. 61	
GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p. 61, 70	A breakdown by gender is not recorded for this indicator. As temporary workers do not make up a significant percentage of the overall workforce, this indicator is not recorded for this employee group.
GRI 403-3: Workers with high incidence or high risk of diseases related to their occupation	p. 61	
GRI 403-4: Health and safety topics covered in formal agreements with trade unions	p. 61	
GRI 404 Training and Education 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 58, 60	
GRI 404-1: Average hours of training per year per employee	p. 59, 67	
GRI 404-2: Programs for upgrading employee skills and transition assistance programs	p. 59, 60	
GRI 404-3: Percentage of employees receiving regular performance and career development reviews	p. 59	
GRI 405 Diversity and Equal Opportunity 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 52-57	
GRI 405-1: Diversity of governance bodies and employees	p. 54, 55, 57, 68, 69	
GRI 405-2: Ratio of basic salary and remuneration of women to men	p. 50, 51	Individual employee salaries are protected as confidential information and disclosure of this information, even for statistical evaluation, remains limited accordingly.
GRI 406 Non-discrimination 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 52-57	
GRI 406-1: Incidents of discrimination and corrective actions taken	p. 58	There were no known cases of discrimination in the reporting period.

Disclosures	Page	Omission/comment
GRI 407 Freedom of Association and Collective Bargaining 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 50, 51	
GRI 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p. 52	
GRI 408 Child Labor 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 81, 83	
GRI 408-1: Operations and suppliers at significant risk for incidents of child labor	p. 81, 83	As a matter of course, KfW recognises all ILO core labour standards in all of its international representative offices and in Germany. Specifically, it complies with international conventions for eliminating forced labour, and prohibition and immediate measures to eliminate child labour.
GRI 409 Forced or Compulsory Labor 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 81, 83	
GRI 409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	p. 81, 83	As a matter of course, KfW recognises all ILO core labour standards in all of its international representative offices and in Germany. Specifically, it complies with international conventions for eliminating forced labour, and prohibition and immediate measures to eliminate child labour.
GRI 411 Rights of Indigenous Peoples 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 44	
GRI 411-1: Incidents of violations involving rights of indigenous peoples	p. 44	
GRI 412 Human Rights Assessment 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 44	
GRI 412-1: Operations that have been subject to human rights reviews or impact assessments		As a matter of course, KfW recognises all ILO core labour standards in all of its international representative offices and in Germany. Specifically, it complies with international conventions for eliminating forced labour, and prohibition and immediate measures to eliminate child labour.
GRI 412-2: Employee training on human rights policies or procedures	p. 42	
GRI 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 42, 83	

Disclosures	Page	Omission/comment
GRI 413 Local Communities 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 87–91	
GRI 413-1: Operations with local community engagement, impact assessments, and development programs	p. 87–91	Limited to the topic “community development programs”. The remaining aspects of this standard are not applicable in light of the locations in Germany and for in-house banking operations.
GRI 413-2: Operations with significant actual and potential negative impacts on local communities		This indicator is not applicable for KfW locations and for in-house banking operations.
GRI 414 Supplier Social Assessment 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 80, 81	
GRI 414-1: New suppliers that were screened using social criteria	p. 80, 81	The ratio of new suppliers screened for the fulfilment of contractually agreed duties and obligations on sustainable performance is currently not assessed.
GRI 414-2: Negative social impacts in the supply chain and actions taken	p. 81	
GRI 415 Public Policy 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 28	
GRI 415-1: Political contributions	p. 28	
GRI 417 Marketing and Labeling 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 46	
GRI 417-1: Requirements for product and service information and labeling		Apart from legal requirements to provide information on financial services, which KfW complies with by law, this indicator is not significant.
GRI 417-2: Incidents of non-compliance concerning product and service information and labeling		There were no known instances of non-compliance in the reporting period.
GRI 417-3: Incidents of non-compliance concerning marketing communications		There were no known instances of non-compliance in the reporting period.
GRI 418 Customer Privacy 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 28	
GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data		KfW Group is currently working on new surveying and monitoring systems for complaint management. It will provide detailed information about them in the next reporting cycle.

Disclosures	Page	Omission/comment
GRI 419 Socioeconomic Compliance 2016		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 26, 28	
GRI 419-1: Non-compliance with laws and regulations in the social and economic area		There were no known fines or other sanctions in the reporting period.
Product portfolio		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 33, 39, 41–47	
FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro-/SME/large) and by sector	p. 35	
FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	p. 35–41	
FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	p. 35–39	
Active ownership		
GRI 103 Management Approach 2016 (including 103-1, 103-2, 103-3)	p. 82, 83, 85	
FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	p. 83	
FS11 Percentage of assets subject to positive and negative environmental or social screening	p. 82–84	
Further information		
FS14 Initiatives to improve access to financial services for disadvantaged people	p. 46	

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Key CSR matters for KfW	Duty to report non-financial factors	Page
Financing: climate and environmental protection	Environmental factors	p. 31–36
Financing: poverty reduction	Social concerns, respect for human rights	p. 31–36
Financing: SMEs and business founders in Germany	Social concerns	p. 31–36
Financing: globalisation and technological progress	Social concerns	p. 31–36
Financing: demographic and social change	Social concerns	p. 31–36
Responsible financing	Respect for human rights, social concerns and environmental factors	p. 41–45
Green bond purchasing programme	Environmental factors	p. 83, 84
Compliance	Combating corruption and bribery	p. 26–28
Diversity and equal opportunities	Employee concerns	p. 52–57

Audit certificate

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the combined non-financial statement 2017 of the KfW. The following text is a translation of the original German Independent Assurance Report.

To KfW, Frankfurt am Main, Germany

We have performed a limited assurance engagement on the group non-financial statement of the KfW according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial statement of the parent company according to § 289b HGB, whose disclosures are marked with the symbol [...] "✓" in the Sustainability Report 2017 of the KfW, for the reporting period from 1 January 2017 to 31 December 2017. Our engagement did not include any disclosures for prior years.

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the combined non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have

considered necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the combined non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or

Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the combined non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2017 and March 2018, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the combined non-financial statement, the risk assessment and the concepts of the KfW for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the combined non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the combined non-financial statement,

- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. environment and employees in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Analytical procedures at group level regarding the quality of the reported data,
- Evaluation of the presentation of disclosures in the combined non-financial statement.

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of the KfW for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with the KfW. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (→See [attachment](#)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 22 March, 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

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Online report

→ [KfW Sustainability Report](#)

You can find

further information in → [the KfW sustainability portal](#)

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