



»»» 2021 Sustainability Report
Data according to GRI, HGB
and TCFD

Bank aus Verantwortung

KFW



»»» About this report

KfW Group's 2021 Sustainability Report is composed of three sections specifically targeted at different groups of readers. All three sections of the 2021 Sustainability Report focus on the topic 'urban and rural sustainability'.

This first section contains all the data relating to sustainability at KfW Group for the 2021 reporting year. It is aimed at specialists, analysts and investors. It also contains KfW Group's combined non-financial report in accordance with the 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 (Handelsgesetzbuch – "HGB"). Text that is marked in blue and tables indicated by a blue tick constitute non-financial report content. This sustainability report including the non-financial report was approved by the KfW Group Board of Supervisory Directors. The report was not audited externally this year.

This report was prepared in accordance with the GRI Standards. A materiality analysis was performed in 2021 to determine the relevant content of the report (see [→ chapter on strategy, page 26](#) for details). Qualitative information in the report refers primarily to financial year 2021. The key figures presented typically relate to a five-year period.

The reporting date for quantitative data was 31 December 2021. Individual deviations are marked accordingly.

This report also contains climate-related reporting by KfW Group in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with a focus on climate risks to KfW's business ([→ chapter on climate reporting in accordance with TCFD, page 51](#)).

This report applies to the entire KfW Group, which is composed of KfW, KfW IPEX-Bank GmbH, DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH and the subsidiary KfW Capital GmbH & Co. KG. Content that relates only to individual parts of the group is marked accordingly. Where statements refer to KfW Group as a whole, the name 'KfW Group' is mentioned once at the beginning of each contiguous section and subsequently abbreviated to 'KfW' for easier reading.

The second section of the 2021 Sustainability Report entitled [→ Dialogue](#) is an online magazine that addresses interested members of the public as well as a specialist readership and presents KfW stakeholder communication content.

The third section of the report, [→ Discourse](#), focuses on the management of KfW Group by providing more detailed insight and explanations on current developments and content related to sustainability management.

All three sections are available in digital form only and can be accessed on the [→ microsite](#) which was created in 2018 and is updated annually.

As no material organisational changes occurred during the reporting period, all data is broadly comparable with the previous Sustainability Report. The editorial deadline was 7 March 2022.

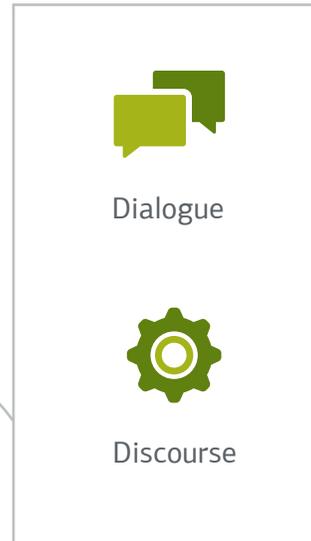
KfW Group's Sustainability Report has been published every year since the reporting year 2017. Every two years, KfW issues a declaration of conformity with the German Sustainability Code (DNK) on the basis of the report. The 2020 Sustainability Report was published on 30 April 2021.

Components of the 2021 Sustainability Report

The 2021 Sustainability Report enters into **Dialogue** on sustainability in urban and rural areas, opens up **Discourse** on internal sustainability management and delivers **Data** on sustainability in accordance with the GRI Standards, HGB and TCFD for the reporting year 2021.

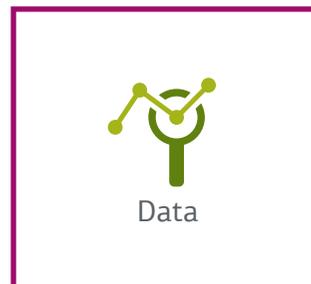
In [→ Dialogue](#), we explore the challenges of sustainable district development and the key role digital infrastructure plays in rural areas. We also focus on the consequences of the catastrophic floods in the Ahr region.

In [→ Discourse](#), you can find out how KfW advanced its sustainability strategy in 2021, how new sector guidelines are expected to secure Paris compatibility of our financing activities, and what structures the KfW Capital subsidiary is creating for greater sustainability.



PDF

Website



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Foreword by the Chief Executive Officer

Dear Readers,

Shortly before publication of this report in spring 2022, we are experiencing a war in Europe sparked by Russia's invasion of Ukraine and marking a watershed moment. KfW was founded in 1948 not least to overcome the consequences of hatred, war and violence. Since then, it has been our aim to effectively contribute to improving living conditions in Germany, Europe and around the world. We are therefore all the more appalled by the war in Ukraine. The people there are experiencing unimaginable suffering. Our thoughts and our solidarity go out to them. In order to provide fast and unbureaucratic assistance to refugees from Ukraine, we are supporting cities and municipalities in creating, modernising and equipping facilities for refugees with EUR 500 million of our own funds. Due to the current conflict, the issues of energy security and raw materials supply have clearly gained in importance; at the same time, the need to massively accelerate the expansion of renewables has become even more visible. As a transformative and promotional bank, we will continue to actively support this comprehensive transformation.

The consequences of climate change that are already occurring today were made painfully clear to us by the flood in July 2021. KfW responded at short notice by offering an aid programme for municipalities in Federal States hit by the floods. Even some of our employees in Bonn were directly affected to some extent. KfW provided them with support and psychological counselling without a lot of red tape.

Climate change was also a key strategic topic in the reporting year. We will set up the KfW Group loan portfolio to be climate-neutral for the long term and therefore launched Paris-compati-

ble sector guidelines for sectors that are particularly greenhouse gas-intensive for the first time in 2021. The guidelines initially define specific minimum climate compatibility requirements for projects we finance in the shipping, automotive, buildings, electricity generation, aviation, and iron and steel production sectors. We will further develop our sector guidelines this year in alignment with the ambitious climate target of 1.5°C.

Regarding a different challenge, we are fortunately seeing a light on the horizon – at around EUR 10 billion, demand for KfW coronavirus aid programmes was considerably below that of the 2020 crisis year. We are also experiencing strong demand in the climate change and environmental protection promotional areas. At 53%, this figure significantly exceeded the 38% environmental share of our new commitments in 2021 – the objective we set for ourselves.

As a transformative promotional bank, we continue to keep the social and economic dimension of our promotional mandate in mind. Innovation and digitalisation are key prerequisites to Germany's competitiveness. To this end, we promote young and innovative companies dedicated to forward-looking areas such as artificial intelligence and hydrogen technologies. KfW Capital has established itself as a central pillar of Germany's venture capital ecosystem in recent years.

This decade will decide the conditions in which our children and grandchildren will live in the future. The way we deal with climate change, digitalisation and our country's capacity for innovation will largely determine whether the generations to come can reconcile prosperity with sustainable business operations.



As KfW Group, we continue to make an effective contribution to meeting these challenges, to which end we aim to further develop as a digitally transformative promotional bank. This process will make us more dynamic, efficient and effective, enabling us to fulfil our mandate as well as possible.

I hope you enjoy reading this report.

Yours sincerely,

Stefan Wintels

KfW in figures



Environmental share of promotional business climbs to 53%



Proportion of women on the Executive Board 50%



EUR 55.1 billion
KfW's contribution to SDG 11
(Sustainable Cities and Communities)



KfW issued **37 green bonds** equivalent to **EUR 16.2 billion** in 2021.



EUR 500 million in KfW flood aid was made available at short notice in 2021 for reconstruction in the Ahr region.



6 sub-projects being implemented by KfW as part of its group-wide sustainable finance project "tranSForm".



»»» Corporate profile: Responsible banking

Since it was set up in 1948, KfW Group has been financing and promoting the sustainable development of the economy, society and environment both in Germany and abroad under a statutory remit. This profile is what clearly sets KfW apart from other commercial banks. KfW operates in ways that are competitively neutral and therefore does not intervene in banking competition. Our commitment to society is reflected in our slogan "bank committed to responsibility".

KfW is an institution under public law, 80% of which is owned by the German Federal Government, with the remaining 20% owned by the German Federal States. It is required to perform the tasks set forth in the Law Concerning KfW (KfW Law), which was enacted in 1948. This law has since been amended multiple times to account for current needs.

KfW Group's German headquarters are in Frankfurt am Main and it also has offices in Berlin, Bonn and Cologne. Its global network comprises almost 80 local and representative offices.

In addition to KfW itself, KfW Group also contains several operating subsidiaries. The main subsidiaries are [→ KfW IPEX-Bank GmbH](#), which provides export and project financing, [→ DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH \(DEG\)](#), which finances and advises the private sector in developing countries and emerging economies, and [→ KfW Capital GmbH & Co. KG](#), which promotes the expansion of the German and European venture capital and venture debt markets by investing in funds. The aforementioned companies are all wholly owned subsidiaries of KfW ([see → Overview, page 8](#)).

[KfW Development Bank](#) is a business area of KfW Group which performs specific tasks in developing countries and emerging economies.

Finanzierungs- und Beratungsgesellschaft mbH (FuB) performs special tasks for the German Federal Government, while Technologie-BeteiligungsGesellschaft mbH (tbg) handles legacy equity finance business. FuB's primary duties include dealing with special tasks related to currency conversion and business activities conducted for KfW related to the former German Democratic Republic's state insurance company ("Staatliche Versicherung der DDR in Abwicklung – SinA"). Both are also wholly owned subsidiaries of KfW.

KfW holds strategic investments of 26% and 25% respectively in Deutsche Energie-Agentur GmbH (dena) and Berliner Energie-agentur GmbH (BEA). KfW also holds other strategic investments in CureVac N.V. (16%), True Sale International GmbH (TSI, 7.7%), Elia Group S.A./NV (0.3%) and the European Investment Fund (EIF, 2.3%).

It also holds shares in the former state-owned enterprises Deutsche Post AG (20.5%) and Deutsche Telekom AG (16.6%) under holding arrangements with the Federal Government. Furthermore, KfW holds an indirect 9.2% stake in Airbus SE via Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG (GZBV) as part of another holding arrangement with the Federal Government. Mandated by the German Federal Government, KfW owns 20% of Eurogrid GmbH via Selent Netzbetreiber GmbH, which also makes it an indirect stakeholder in 50Hertz Transmission GmbH (also 20%). KfW also holds a 25.1% stake in Hensoldt AG under mandate from the Federal Government and a 0.2% stake in AKA Ausfuhrkredit-Gesellschaft mbH via KfW IPEX-Bank GmbH.

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

**KfW Group's business sectors, products and services**

Domestic promotion			Export and project finance	Promotion of developing countries and emerging economies
We promote Germany.			We support internationalisation.	We promote development.
SME Bank & Private Clients	Customised Finance & Public Clients	KfW Capital	KfW IPEX-Bank	KfW Development Bank and DEG
<ul style="list-style-type: none"> – Standardisable and digitalisable high-volume business – Promotion of SMEs – Financing of industrial pollution control and energy efficiency measures – Financing of renewable energy – Financing of innovation and digitalisation – Start-up finance – Financing of energy-efficient building and refurbishment measures for residential and non-residential buildings – Education financing 	<ul style="list-style-type: none"> – Financing of municipal and social infrastructure projects – Customised corporate financing (including syndicate financing and venture tech growth financing) – Individual financing for banks, promotional institutions of the Federal States and leasing companies 	<ul style="list-style-type: none"> – Investments in venture capital and venture debt funds (with support from the European Recovery Programme Special Fund (ERP-SV) and the Future Fund) in order to finance innovative tech companies during their start-up and growth phases 	<ul style="list-style-type: none"> – Financing for German and European exports – Financing for projects and investments in German and European interests 	<ul style="list-style-type: none"> – Financing of reform programmes and development projects (KfW Development Bank) – Financing and promotion of private enterprise (DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH)



KfW's business sectors

KfW Group has set itself the target of supporting sustainable improvement to economic, social and environmental conditions around the world. Organisationally speaking, KfW Group's promotional and financing activities are broken down into domestic promotion, export and project finance, and promotion of developing countries and emerging economies. Its domestic promotion is made up of the business sectors SME Bank & Private Clients, Customised Finance & Public Clients and KfW Capital. KfW Capital is a wholly owned subsidiary of KfW, while the other two business sectors are part of the KfW organisation.

In organisational terms, the Financial markets business sector and KfW Development Bank are also part of KfW. Together with KfW subsidiary DEG, the latter makes up the business sector Promotion of developing countries and emerging economies. The subsidiary KfW IPEX-Bank is responsible for the Export and project finance business sector both in Germany and abroad. Around one third of KfW IPEX-Bank's activities take place in Germany, another third is concentrated in Europe, while the remaining third focuses on the rest of the world.

Domestic promotional business

KfW's domestic promotional business is comprised of three business sectors: SME Bank & Private Clients, Customised Finance & Public Clients, and KfW Capital (a legally independent subsidiary).

1. Business sector: SME Bank & Private Clients

The business sector SME Bank & Private Clients consolidates the high-volume business, which can be both standardised and transferred to digital processes. It makes up around 80% of the domestic promotional business volume. The business sector is broken down into two segments by customer group: SME Bank is geared towards corporate clients while the other segment targets private customers.

The SME Bank segment supports the German economy with a wide range of loans and grants in the priority areas of energy efficiency and renewable energy, the environment and sustainability, innovation, corporate investment and entrepreneurship.

In 2021, the SME Bank offered extensive special programmes, in continuation of its aid programmes from 2020, to provide financial support to companies in Germany to help them overcome the economic impacts of the coronavirus crisis. The KfW Entrepreneur Loan (coronavirus aid) and the KfW Instant Loan 2020 merit particular mention.

The promotional activities in the Private Clients segment include financing for education (including student loans), promotion of energy efficiency in the construction and refurbishment of residential buildings via Federal Funding for Efficient Buildings, and promotion for the acquisition, construction or accessible renovation and construction of owner-occupied residential property. Its promotional products are standardised loans on-lent by the bank (with and without repayment bonuses) and investment grants. Its portfolio is complemented by innovative approaches to financing (such as the start-up platform "Gründerplattform").

Domestic promotional business was also characterised by flood aid in 2021, primarily to municipalities, businesses and private individuals.

2. Business sector: Customised Finance & Public Clients

The Customised Finance & Public Clients business sector is responsible for innovative and tailored promotional solutions for companies and banks. It is also in charge of municipal financing.

This sector is split into three business segments:

The municipal and social infrastructure segment covers the wide range of basic promotion offers for municipalities, municipal companies and non-profit organisations with a focus on climate change and the energy transition, social change and digitalisation. Standardised loans are issued either on a direct basis (business with municipalities) or through on-lending (municipal and social companies) or as grants.

With its structuring competence in complex and individual projects, the customised corporate finance business segment offers tailored promotional solutions with risk assumption for enterprises and project companies with a link to Germany via debt capital products (including risk sub-participations and direct participations as part of bank consortia). Support is provided in particular to German SMEs for investments in innovation and digitalisation and for young, innovative technology companies in the growth phase and the expansion of broadband in Germany. Due to its specific expertise, this business segment has the capacity to act quickly in times of crisis (e.g. the Coronavirus Special Programme).

In the business segment individual financing for banks and promotional institutions of the Federal States, KfW provides global loans for the general funding of promotional institutions of the Federal States and provides individual financing for banks such as the refinancing of export credits covered by federal guarantees, global leasing loans and global loans to European (promotional) banks for the promotion of SMEs and environmental protection. Furthermore, it invests in specific funds to support digital infrastructure (such as the Connecting Europe Broadband Fund CEBF).

To support companies that have encountered temporary financing difficulties as a result of the coronavirus pandemic, the Customised Finance & Public Clients business sector has, for example, launched the special programme "Direct participation for syndicate financing" for projects in Germany. Under this programme, KfW participates in syndicate financing for investments and working capital of medium-sized and large enterprises. The financing structures are tailored to meet the borrowers' individual needs.

3. Business sector: KfW Capital

With support from the ERP Special Fund, the subsidiary KfW Capital invests in venture capital (VC) and venture debt funds on equal terms in collaboration with other investors via the ERP-VC Fund Investments and ERP/Future Fund – Growth Facility programmes. KfW Capital also holds stakes in the co-investment fund coparion and in three generations of the High-Tech Gründerfonds (HTGF) for start-ups. The Corona Matching Facility (part of the first pillar of the Federal Government's assistance packages for start-ups) expired as planned on 30 June 2021. The facility played a major role in stabilising the VC market, in 2020 in particular, and was a factor in the relatively swift improvement of the VC ecosystem during the year. The Federal Government also issued KfW Capital a mandate to jointly coordinate Germany's Future Fund ("investment fund for forward-looking technologies") and its individual measures with a volume of EUR 10 billion, with the ministries and KfW. The Futures Fund is used to promote enterprises in different development stages, with a focus on growth financing. The first three components were initiated in 2021.

KfW Capital aims to improve the long-term supply of venture and growth capital for innovative, tech-oriented companies in Germany. In doing so, KfW Capital contributes to the long-term reinforcement of Germany as a centre of innovation.

The investment in VC funds by KfW Capital is intended to reach the start-ups and growing enterprises with the best prospects for establishing themselves on the market and thereby generating innovation, added value and jobs. KfW Capital is building a portfolio of high-quality and successful VC funds, thereby demonstrating that the VC asset class is attractive for investors.

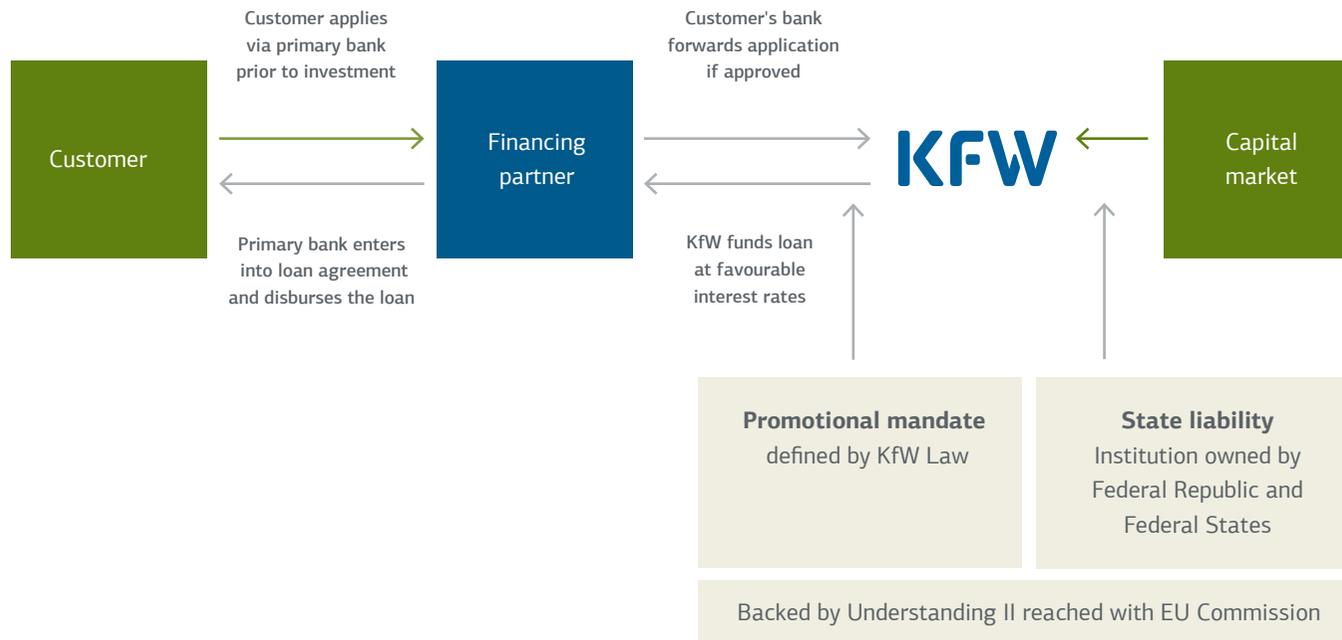
As sustainability is also an important factor in the investment process, future standard procedure will take environmental, social and governance ("ESG") criteria into account in selecting and establishing new enterprises.

The on-lending business model

One of the hallmarks of KfW's approach to the widely standardised high-volume transactions in domestic promotion is its on-lending principle. This means that KfW supports the commercial banks' lending activities by offering low-interest refinancing to its financing partners. This in turn allows the banks' customers to apply for KfW promotional loans while the banks use the refinancing funds granted for this purpose. KfW has set up an online on-lending platform (known as BDO) to handle the application process. One example of the programmes available is the promotion of renewable energy via the Renewable Energy – Standard programme, which finances power and heat-generating plants, as well as networks and storage facilities. The programme is aimed at private individuals, companies and public institutions.

The customers' financing partners or primary banks bear the individual credit risk. This approach eliminates any need for KfW to have its own network of branch offices. Exceptions to this on-lending principle include, for example, municipalities, customised corporate financing and grants for private individuals and companies.

Domestic promotional lending business at KfW



Export and project finance

KfW IPEX-Bank is responsible for export and project finance within KfW Group. It supports German and European companies operating in key industrial sectors in global markets by structuring medium- and long-term financing for German and European exports, through infrastructure investments, by securing raw materials and by carrying out environmental and climate action projects all over the world. As a specialist bank, KfW IPEX-Bank has extensive sector, structuring and country expertise. It takes on leading roles in financing consortia and actively involves other banks, institutional investors and insurance firms. KfW IPEX-Bank operates as a legally independent group subsidiary and is represented in the most important economic and financial hubs across the globe.

With its commitment, KfW IPEX-Bank contributes to the achievement of the Sustainable Development Goals (SDGs) and to a world compatible with the Paris Agreement. At the same time, it is committed to the Equator Principles and – in addition to economic factors – also expressly incorporates social and environmental aspects in the decision-making process for granting loans.

Promotion of developing countries and emerging economies

The business sector Promotion of developing countries and emerging economies includes KfW Development Bank and DEG. The activities of KfW Development and DEG were included in the business sector Promotion of developing countries and emerging economies until financial year 2021, but are to be continued as separate business sectors from 2022. KfW Development Bank finances and supports programmes and projects that mainly involve public-sector players in developing countries and emerging economies on behalf of the German Federal Government and other commissioning partners such as the European Commission. The objective is to support partner countries in alleviating poverty, securing peace, protecting the environment, mitigating climate change and ensuring fair globalisation. In addition to funds from its clients, KfW Development Bank makes use of its own funds raised on the capital market. In so doing, KfW supports the German Federal Government in making an important contribution to achieving the SDGs.

The wholly owned subsidiary DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH advises, finances and structures investments of private companies in developing countries and emerging economies in order to foster sustainable economic development, ensure local added value and promote the expansion of the private sector as an important driving force for development.

The companies financed by DEG create skilled jobs and foster economic growth, as well as driving sustainable development through responsible action in line with the 2030 Agenda.

During the coronavirus pandemic, DEG has continued to be in particular demand as a reliable partner for medium-sized enterprises. It has developed various programmes to effectively support its customers during this time.

KfW Stiftung

Based on its sponsor's promotional mandate, the foundation → [KfW Stiftung](#) provides scope for different ways of thinking and acting when it comes to the environment, the economy, social affairs and culture. The KfW Stiftung content review conducted in 2021 found a need for focal areas to be more strongly linked to KfW Group activities.

Future promotional activities will therefore focus on protecting biodiversity, creating livelihoods and enabling opportunities for personal development and participation in social processes. The initiatives and projects promoted are expected to yield a measurable impact in order to serve as models.

The non-profit KfW Stiftung is endowed with capital of EUR 20 million.



Sustainability strategy

»»» Sustainability strategy

How we anchor sustainable action in our corporate strategy

Review

As a transformative promotional bank, KfW always has compatibility with the Paris Agreement targets in mind. It aims to achieve a net-zero emissions loan portfolio within the first half of this century. KfW implemented guidelines in line with the Paris targets for decarbonisation of greenhouse gas-intensive sectors for the first time in 2021. As part of the strategic tranSForm project, we also worked on a bank-wide impact management system in 2021 and laid the foundation for measuring our portfolio's carbon footprint.

Highlights

Adoption of **six Paris-compatible sector guidelines** as an additional management approach for KfW financing activities

Again rated among the **top** promotional and development banks in international sustainability ratings

Dialogue on KfW sustainability strategy at the **first virtual stakeholder round table** in March 2021

Outlook

Work on the six tranSForm sub-projects will also shape 2022. We aim to introduce an additional Paris-compatible sector guideline and create a greenhouse gas accounting system. Moreover, in dialogue with our stakeholders, we are also continuing to prepare for application of the EU taxonomy and the new EU directive on sustainability reporting.

Goals

Introduction of a group-wide **impact management system** including IT implementation

Systematic recording and management of the **carbon footprint** of KfW's new commitments and portfolio

Dialogue via the **stakeholder round table 2022**

Strategic relevance of sustainability

We understand sustainability as a transformative process and aim to support and accompany the transformation of the economy and society. We want to improve the economic, environmental and social living conditions in Germany, in Europe and around the world. This results from our role as a transformative promotional bank acting on behalf of the German Federal Government.

Our sustainability strategy aligns with our sustainability mission statement and is closely intertwined with KfW Group's business strategy. The mission statement defines priorities and areas of action with specific targets. In the banking business, our financing activities address important megatrends such as climate change and the environment, globalisation and social change. We ensure that our banking operations are resource-efficient, and reinforce our role as a responsible employer.

We have set the following priorities for our areas of action for the coming years:

- In our banking business we aim to measure and control the impacts of our financing activities and ensure that they are Paris-compatible (target: a climate-neutral KfW portfolio within the first half of this century).
- While our banking operations are already very resource-efficient, we aim to reduce energy and water consumption even further.
- As a responsible employer, we aim not just to make improvements to our employees' work-life balance but also, in particular, to prepare our staff for the challenges posed by the digital transformation.

The most recent measures in our banking operations were developed in tranSForm, the KfW Roadmap Sustainable Finance implementation project. The targets "SDG contribution of KfW's financing activities" and "Paris compatibility of KfW's financing activities" were anchored in KfW's strategic objectives for all business sectors in 2020. The third pillar in this field of action consists in strengthening the systematic analysis of ESG risk factors in risk management.

On an organisational and procedural level, introducing new elements under tranSForm provides KfW with forward-looking sustainability governance in which overall responsibility for sustainability topics lies in the function of the Chief Sustainability Officer. This role is performed by the Chief Executive Officer of KfW.

As a result of our comprehensive approach to sustainability topics, KfW Group has for years received very high scores from independent sustainability rating agencies and occupies a top ranking in their international sector comparisons. We want to take further measures to secure our top position here as well.



Sustainability mission statement

→ KfW Group's [sustainability mission statement](#), which has been in effect since February 2019, was an early outcome of the Roadmap Sustainable Finance. The preamble anchors the

→ [2030 Agenda of the United Nations with its 17 Sustainable Development Goals](#) (German only) in the three dimensions environmental, social and economic sustainability and the Paris Climate Agreement as a central frame of reference for KfW's wide range of activities. The mission statement

explains the sustainable orientation of KfW's strategy in its three main areas of action banking business, employer and banking operations, and also lays the cornerstones of sustainability management and sustainability communication.

Sustainability approach and key action areas

KfW Group				
Declaration of KfW Group on respect for human rights in its business operations				
KfW sustainability mission statement and action areas				
Sustainability management	Banking business	Employer	Banking operations	Sustainability communication
<ul style="list-style-type: none"> – Sustainability organisation: <ul style="list-style-type: none"> – Chief Sustainability Officer – Group Sustainability Officer – Network of decentralised sustainability officers – Sustainability guidelines for banking business and operations – Sustainability ratings and rankings – Inclusion in strategic objectives 	Financing activities (in line with the megatrends of climate change and environment, globalisation, social change, and digitalisation and innovation)	Employer attractiveness	Corporate governance and compliance	<ul style="list-style-type: none"> – Sustainability Report – Sustainability portal – Stakeholder management (dialogue and communication)
		Equal opportunities		
	Capital market	Work-life balance	In-house environmental protection	
	Risk management	Social commitment	Procurement	

Sustainability within our strategic objectives

KfW Group has defined the position which the bank aspires to achieve in the medium to long term with its system of strategic objectives since 2012. All business sectors are required to align with the strategic objectives. Thus, the primary objective of our work is sustainable promotion, which we define as the transformation of the economy and society with the aim of improving economic, environmental and social living conditions around the world.

We aspire to achieve this objective on the basis of the two promotional principles of subsidiarity and sustainability, and with a focus on megatrends. Within the system of strategic objectives, the purpose of the pillar of sustainability is to ensure that the further development of our business goes hand in hand with the further development of our contribution to sustainability. Four secondary target areas with operational and other quantitative control variables form the basis for this (→ see figure on page 19).

Driven by the goal of achieving very good rankings in important sustainability ratings, KfW has incorporated two additional sustainability objectives into its system of strategic objectives from 2021:

- SDG contribution of KfW's financing activities
- Paris compatibility of KfW's financing activities

They will be operationalised through the corresponding building blocks of the tranSForm implementation project. The current 'System of Strategic Objectives 2026' will apply from financial year 2022.

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Top sustainability rankings

Sustainability ratings are an effective and independent tool for measuring a company's own sustainability performance against that of its competitors. Achieving a listing among the top five promotional and development banks on average in sustainability ratings worldwide has therefore been a core factor in the promotional principle of sustainability since 2018 – a goal that has always been met thus far. No information can yet be provided on the achievement of targets in 2021, as the discontinuation of one rating provider requires that the measurement methods be revised – a process still underway as of publication of this report. In any case, as in the preceding years, we have earned very good ratings:

- ISS ESG (as of: 19 July 2021): B– (on a scale of A+ bis D–), Prime Standard
- Sustainalytics (as of: 21 October 2021): negligible risk with 4.6 of a total of 100 possible points puts us in the lowest risk category (0 points being the best score)*
- MSCI ESG ratings (23 March 2021): AAA (on a scale of AAA to CCC)

However, our goal remains ambitious because the agencies' rating criteria are constantly evolving and becoming stricter. In order to meet rating agency standards, KfW continuously analyses the detailed rating results and develops measures aimed at maintaining or improving its ratings. In this way it adapts its sustainability management practices to the changing environment.

Strategic objectives for 2026

Sustainable promotion

Primary goal

Transformation of the economy and society with the aim of improving economic, environmental and social living conditions around the world

Promotional principles

Subsidiarity	Focus on financing German SMEs	Sustainability
Promotional quality	Focus on megatrends	SDG contribution of KfW's financing activities
Moderate development of new commitment volume in line with the growth of nominal GDP	Climate change and environment	Paris compatibility of KfW's financing activities
	Globalisation	Top sustainability rankings
	Social transformation	
	Digitalisation and innovation	

Secondary goals

Profitability and efficiency	Risk and capital	Regulation, digitalisation and process efficiency	Customer and employee orientation
Consolidated profit	Total capital ratio	Reduction of regulatory findings	Customer satisfaction
Limit increases in administrative costs	Leverage ratio	Reduce capital add-ons	Brand awareness and brand profiling
	Economic coverage ratio	Digital projects in overall IT portfolio	Employer attractiveness
		Efficiently increase process quality	

Agile work as a prerequisite for goal achievement

Operationalisation

KfW Group structures its promotional business in line with the socially and economically important megatrends of 'climate change and the environment', 'globalisation', 'social change' and 'digitalisation and innovation' ([→ chapter on banking business, page 68](#)).

In order to ensure that KfW Group's products and services comply with high environmental and social standards, any projects that it (co-)finances – particularly in developing countries and emerging economies – undergo a comprehensive Environmental and Social Impact Assessment (ESIA) ([→ chapter on banking business, page 84](#)). The group engages in regular dialogue with stakeholders about the decision-making and assessment processes underlying ESIA's.

It gives equal importance to full compliance with legal obligations and the group's internal requirements for the prevention of fraud, corruption and money-laundering ([→ chapter on corporate governance, page 42](#)).

KfW Group's employee policies are primarily focused on factors that include gender equality and balancing work and family life ([→ chapter on employees, page 116](#)). As a sustainable bank, we also attach particular importance to the green bond purchase programme commissioned by the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), the issuance of KfW Green Bonds, and the application of sustainability criteria in the management of our liquidity portfolio ([→ chapter on banking business, page 80](#)).

All major topics are listed and explained in the "Materiality analysis" section of this chapter ([→ page 26](#)).

Sustainability-oriented strategic bank management

The key role which sustainable goals and purposes play in KfW's financing business is evident in its promotional contributions, its strategic positioning through the Roadmap Sustainable Finance, and the incorporation of national and international standards:

- The SDG mapping reveals that KfW's promotion makes a wide range of contributions to the Sustainable Development Goals of the United Nations (UN): in 2021, KfW Group again covered all 17 SDGs. The 100% mapping rate means that all new KfW financing aims to contribute to at least one SDG ([→ chapter on banking business, page 65](#)).
- The implementation of the KfW Roadmap Sustainable Finance, begun in 2021 as part of the two-year transForm project, is modernising the bank's sustainability governance and aligning its business management even more closely with sustainability objectives.
- KfW affirms its alignment with national and international standards among other things by reporting in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD, [→ page 51](#)) and the National Action Plan on Business and Human Rights (NAP, [→ page 49](#)) as well as through its commitment to the Principles for Responsible Investment ([→ UN PRI](#)).



The Sustainable Development Goals: central frame of reference for KfW's wide range of activities

KfW tranSForm

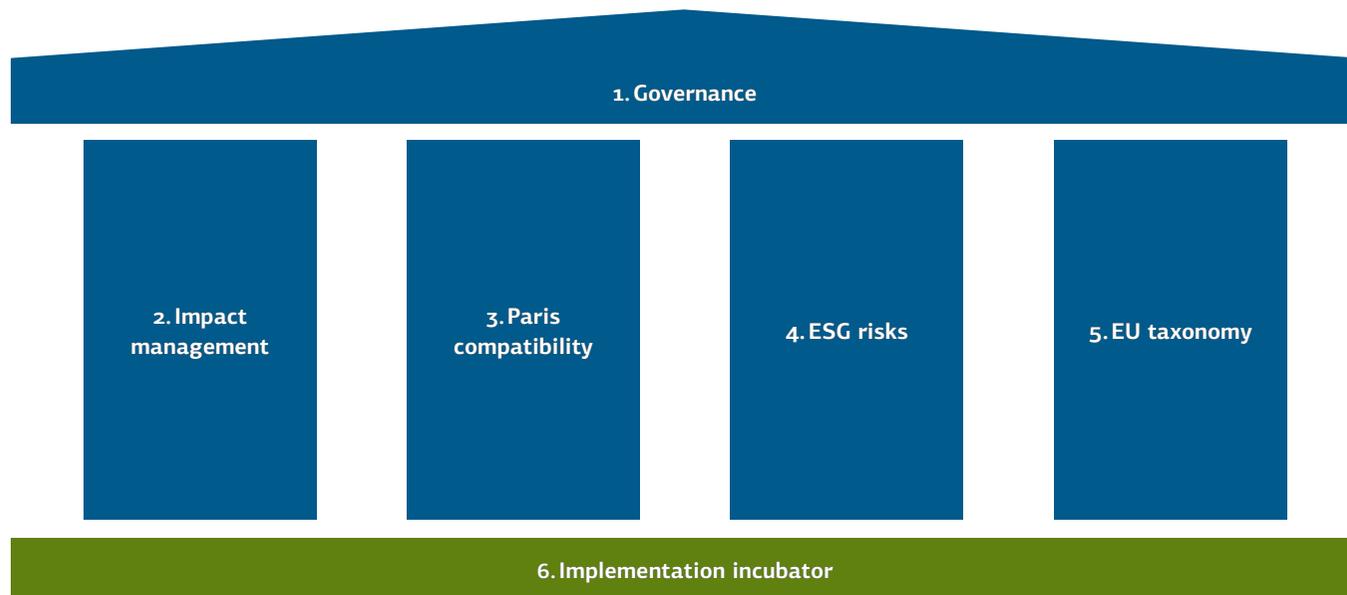
KfW Group has bundled its strategic efforts in sustainable finance in the tranSForm project since the end of 2020. The project is linked to the project 'KfW Roadmap Sustainable Finance'. Its goal of anchoring sustainability rigorously, multi-dimensionally and measurably in all financing activities was achieved and is now continued in tranSForm. Initial implementation project successes in 2021 included [→ six sector guidelines](#) (shipping, automotive, iron and steel production, buildings, electricity generation and aviation) with the aim of aligning KfW financing activities with the Paris Agreement targets, publication of a methodology paper for [→ impact management](#) to complement SDG mapping and KfW's first climate risk stress test ([see → page 53](#)).

With tranSForm, KfW aims, among other things, to ensure its own contribution to the Sustainable Development Goals (SDGs), and the Paris climate targets is strengthened demonstrably and substantially. The strategic programme underscores KfW's role as a transformative promotional bank for a greenhouse gas-neutral future in line with the Federal Government's mandate and its [→ Climate Action Programme 2030](#) (German only) and the [→ German Sustainable Finance Strategy](#). KfW is working effectively towards a carbon-neutral future while also fully performing its broad statutory promotional mandate beyond climate action.

Within the context of tranSForm, six sub-projects will be implemented in parallel with the inclusion of different central units and all market areas: modernised sustainability governance, expansion of the impact management system, ensuring the Paris compatibility of KfW's financing activities, even stricter inclusion of ESG risk factors in KfW's risk management and forward-looking consideration of the EU taxonomy. The sixth sub-project is devoted to implementation in KfW's data systems.



The six sub-projects of tranSForm



Sub-project 1 'Governance' brings the sustainability-related organisational and committee structure in line with modern demands and new tasks resulting from other sub-projects. This involves, for instance, creating a permanent Management Panel Sustainable Finance at director level. The panel serves to discuss, brainstorm about and explore topics from the business area and across-the-board topics relating to sustainable finance. The responsibility and role assignment of the internal Network Sustainable Finance, the successor to the former Group Environment and Climate Steering Committee (KUK), were also more clearly defined. The network serves to ensure the exchange of information, as well as the coordination and advancement of sustainable finance topics at working level in all three areas of sustainability (environmental, economic and social).

Sub-project 2 'Impact management' ensures the operationalisation of the new monitoring parameter 'SDG contribution of KfW's financing activities' in KfW's strategic objectives. KfW's sustainability mission statement has defined the UN Sustainable Development Goals and the Paris Climate Agreement as a strategic frame of reference. We see it as our task for the coming decade to measure, monitor and make our relevant contributions more effective. The first step in structural analysis of the UN goals was already taken in 2019 with SDG mapping ([→ chapter on banking business, page 65](#)). In this regard, further important stages are being implemented under tranSForm, including a uniform group-wide understanding of impacts with definitions of around 50 impact indicators for improved measurement and reporting on the sustainability effects of projects financed or co-financed by KfW. The related methodology paper, including the theory of change, the group-wide impact indicators

and the guiding principles, was already developed and published in 2021. IT implementation of impact management was also started.

Sub-project 3 'Paris compatibility' underpins the monitoring parameter 'Paris compatibility of KfW's financing activities'. It comprises technology-based sector guidelines for six particularly greenhouse gas-intensive sectors such as electricity generation and buildings as a key steering instrument. The first six sector guidelines were implemented and [→ published](#) in 2021, while a further guideline is in progress. The sector guidelines contain sector-specific roadmaps to reduce carbon emissions. As a transformative promotional bank, KfW expects gradually increasing climate compatibility requirements for the technologies it finances with a view to strict compliance with the targets of the Paris Climate Agreement, while offering customers the best possible support in the transformation process. The aim is to invest in the structural opportunities of the transformation, secure a successful transition phase, and gradually phase out technologies that harm the climate and have no place in the future.

Under sub-project 3, a greenhouse gas accounting system is also being established in order to regularly capture the carbon footprint of KfW's new commitments and portfolio. This is important in order to be able to systematically demonstrate to what extent the sector guidelines effectively steer KfW's financing activities towards the established goal in the long term so that it can achieve a net zero emissions portfolio by mid-century. Beyond the carbon footprint, this strand of work includes developing uniform group-wide methods for measuring greenhouse gas reductions and sequestration. KfW developed the methodology for a group-wide carbon footprint and greenhouse gas reductions for renewable energy and energy-efficient projects during the reporting year.

New financing activities will be examined on this basis in future.

The purpose of sub-project 4 is to expand the assessment of ESG risks in KfW's existing risk management structures. Among other things, this includes developing a uniform group-wide understanding of ESG risks, adapting the corresponding governance (e.g. by establishing a group-wide key account for ESG risks) and identifying and implementing adapted ESG risk management procedures. For the purpose of steering ESG risks, much progress was made in 2021 on the development of an ESG risk profile database and the screening of regulatory requirements. The sub-project also comprises the further development of reporting (e.g. in accordance with TCFD) ([→ chapter on climate reporting in accordance with TCFD](#)).

Sub-project 5, entitled 'EU Taxonomy', analyses the regulatory requirements in connection with the EU taxonomy while developing proactive approaches for the use of the EU taxonomy to formulate ambitious KfW sustainability targets in the future. An analysis of the data basis for determining taxonomy-eligible activities for 2021 was jointly performed with the business areas for the first time ([→ chapter on banking business, page 67](#)).

Sub-project 6, 'Implementation incubator', is crucial to operationalisation because the rather more technical sub-projects 2 to 5 can also have far-reaching implications for KfW's data systems. The 'implementation incubator' translates the findings of the technical projects into suitable application cases and, where appropriate, suitable IT projects. KfW accordingly developed an impact management prototype and launched the related IT implementation project in 2021. A further prototype is being developed for sub-project 4.

Stakeholder dialogue

KfW Group seeks ongoing dialogue with experts from its stakeholder environment to further develop its sustainability strategy. It regards stakeholder dialogue as a constructive, open exchange on an equal footing. In this dialogue KfW benefits from the knowledge and experience of its stakeholders, shares information about its activities and welcomes critical questions. The dialogue may also require KfW to explain and promote any position which, after considering its own corporate policies and strategy, may deviate from some stakeholders' expectations. Specifically, KfW uses a number of different formats and occasions:

- An annual stakeholder round table on a changing range of focal themes in order to gain insight into stakeholders' specific expectations and opinions. The results of this meeting are presented to the Executive Board and incorporated into the company's strategic development. A virtual round table was held in March 2021, on conclusion of the KfW Roadmap Sustainable Finance, at which experts from a variety of areas engaged in open and critical discussion of KfW's strategic goals. The next stakeholder round table will be held in the first half of 2022.
- In 2018, KfW launched a Stakeholder Panel, which represents the full range of stakeholders in the area of sustainability. The members of the panel are interviewed regularly on various issues and aspects of sustainability. In March 2021, members were invited to a stakeholder round table to provide feedback on KfW Roadmap Sustainable Finance. The panel was also convened to participate in an online survey for purposes of updating the materiality analysis for 2021.
- KfW's participation in conferences and network meetings enables it to maintain ongoing dialogue with its stakeholders during the year.
- The KfW sustainability podcast entered its third year in 2021. In 'Ausgesprochen nachhaltig' ('Distinctly sustainable'), KfW strategist Alexander Baunach discusses a current sustainability issue with interesting guests from the science and business community roughly every two months. In 2021, five episodes focused on subjects including loss of biodiversity, sustainable food production and the advantages of diversity in companies.
- The IFRS Foundation introduced the International Sustainability Standards Board (ISSB) in late 2021. This organisation, aimed at developing an international integrated sustainability reporting standard, is to be based in Frankfurt am Main, Germany. KfW supported Frankfurt's successful application as registered office and thus contributed to the city becoming one of the centres of sustainable finance.
- KfW holds bilateral meetings on key changes and milestones in its sustainability strategy, for example with other national or international promotional or commercial banks, as necessary.



First virtual stakeholder round table in early 2021

As a globally active promotional bank established as a public law institution, KfW Group interacts with a wide range of international stakeholder groups from all areas of society on a daily basis. Stakeholders that are important for KfW include representatives of 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 are:

- Shareholders, public sector clients and strategic partners in politics and business
- Final customers and borrowers from the promotional programmes and customers in international business
- Financing and business partners in domestic and international transactions
- Representatives from the media, the research community, supra-national interest groups and non-governmental organisations
- Analysts, representatives from rating agencies and initiatives, investors and issuers
- Suppliers
- Local residents at KfW locations
- (Potential) employees
- The general public

Association forums and memberships

Forums for dialogue with stakeholders include the various associations and initiatives in which representatives of KfW Group actively participate or hold honorary positions or mandates, such as:

- Asia-Pacific Committee of German Business
- German Federal Institute for Geosciences and Natural Resources
- German Near and Middle East Association (NUMOV)
- German Asia-Pacific Business Association (OAV)

KfW Group also supports a number of external initiatives whose orientation, guiding principles and programming it upholds. Further memberships of sustainability-related associations and initiatives include the following organisations:

- Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies (VfU)
- Association of European Development Finance Institutions (EDFI) (via DEG)
- Association of German Public Banks
- Carbon Disclosure Project (CDP)
- Climate Action in Financial Institutions
- Energy Efficiency Financial Institutions Group (EEFIG)
- Equator Principles Association (via KfW IPEX-Bank)
- Extractive Industries Transparency Initiative (EITI)
- Green and Sustainable Finance Cluster Germany e. V. (GSFCG)
- International Development Finance Club (IDFC)
- Principles for Responsible Investment (PRI)
- Resource Efficiency Network
- Transparency International Germany
- United Nations Environment Programme – Finance Initiative (UNEP-FI)

KfW representatives sit on the supervisory boards of various organisations including DEG and KfW IPEX-Bank, as well as dena and BEA, two companies in which it holds shares.

Materiality analysis

We updated our materiality analysis in late 2021 in order to identify relevant sustainability topics for our reporting in accordance with the current GRI Standards and section 289c (3) of the German Commercial Code (Handelsgesetzbuch – "HGB").

We took the comprehensive processes of the preceding years as a basis and focused on 18 management issues that cover sustainability aspects of KfW Group's activities. Promotional business as KfW's central task was not separately assessed but considered as material. Promotional business priorities are described in detail in the chapter on [→ banking business](#).

The positive and negative impacts a company has or may have on the environment and society in a specific area are crucial to the materiality of sustainability topics. The group-wide impact management system currently being established as part of the tranSForm project deals with the impacts of our financing activities ([→ page 21](#)). On the other hand, the impacts in sustainability management areas were the object of the materiality analysis (impact perspective). The materiality analysis also included assessing each topic in terms of its relevance to business success on the basis of risks and opportunities that arise for the group (business perspective).

KfW's stakeholder panel was surveyed in 2021 in order to evaluate impact relevance. Panel members from finance, science, politics, trade associations and civil society contributed their assessments via an online survey.

The survey results including recommendations for action were presented to an internal group of KfW sustainability experts. The KfW Group sustainability officers together with representatives of group development and risk management validated the assessment.

In addition, internal expert groups performed a re-assessment of the business relevance of all topics. The key decision-making criteria were current and potential risks and opportunities.

As a result of this assessment, ten of the 18 management topics were identified as material. Of paramount importance from both an external and an internal point of view are aspects in the sustainable structure of the financing business: careful examination and evaluation, appropriate risk management and application of high sustainability standards on the capital market.

The topics of procurement, diversity and equal opportunity were classified as material primarily due to their greater impact relevance in the reporting year (procurement: material under the GRI Standards; diversity and equal opportunity: material under the GRI Standards and the German Commercial Code (HGB)). However, the previous year's material topics of occupational health and safety and complaints mechanisms fell below the materiality threshold in 2021. The KfW complaints management structure is already highly advanced, and careful handling of complaints touching on human rights and the environment takes priority regardless of reporting.



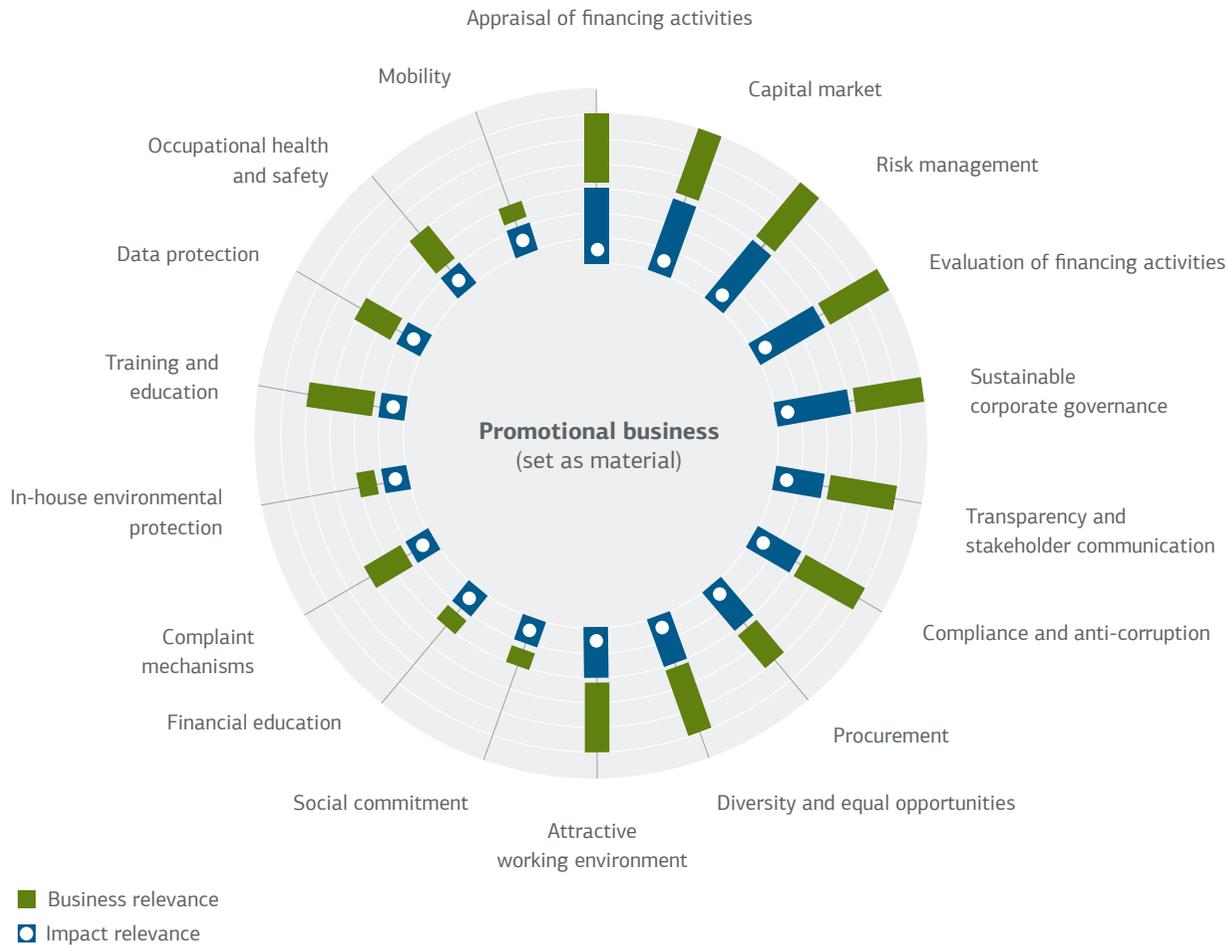
Ten sustainability topics were identified as material for KfW



Topics that have moderate or high impact relevance and/or high business relevance were defined as material. Both impact and business relevance are decisive factors for materiality in accordance with section 289c (3) HGB, while impact relevance determines materiality in accordance with the GRI Standards.

The table of materiality topics (→ page 28) and the figure below show the results of the 2021 materiality analysis in detail.

Results of the materiality analysis



**Material topics in 2021**

Topic	Description	Material under GRI Standards	Material under the German Commercial Code
Promotional business (set as material)	Financing business aimed at transforming the economy and society in order to improve economic, environmental and social living conditions in Germany, Europe and around the world. Promotional business is aligned with the four megatrends 'climate change', 'globalisation', 'social change' and 'digitalisation and innovation'. KfW also addresses non-trend-based promotional issues that play an important role for sustainable development.	Yes	Yes (environmental concerns, respect for human rights, social concerns)
Appraisal of financing activities	Consideration of environmental and social aspects along with key economic data in domestic financing activities and comprehensive risk assessment and appraisal on the basis of international environmental and social standards in international, export and project business. Application of a KfW-wide exclusion list.	Yes	Yes (environmental concerns, respect for human rights, social concerns)
Capital market	Consideration of sustainability criteria in funding activities (e.g. using green bonds) and liquidity management, including by integrating ESG or exclusion criteria.	Yes	Yes (environmental concerns, respect for human rights, social concerns)
Risk management	Analysis and consideration of sustainability risks to KfW's portfolio. These include, in particular, risks from climate change and the transition to a climate-neutral economy (outside-in perspective: physical and transitory risks).	Yes	Yes (environmental concerns, respect for human rights, social concerns)
Evaluation of financing activities	Regular evaluation of financing activities completed by KfW Development Bank and DEG and parts of the domestic promotional business to verify achievement of the promotional objectives and impacts on the climate, environment, society and human rights.	Yes	Yes (environmental concerns, social concerns)
Sustainable corporate governance	Management and steering of the company in accordance with the group-wide sustainability mission statement and business sector-specific sustainability guidelines. Inclusion of sustainability in the governance and strategic management of the company.	Yes	Yes (environmental concerns, respect for human rights, social concerns)
Transparency and stakeholder communication	Transparency in relation to decision-making processes, (controversial) financing activities and impacts, and regular dialogue with stakeholders; transparent product information and customer advice.	Yes	Yes (social concerns)



Topic	Description	Material under GRI Standards	Material under the German Commercial Code
Compliance and anti-corruption	Full compliance with the relevant legal obligations as well as voluntary codes and guidelines (including the group's internal requirements); this comprises the prevention of corruption, the payment of taxes and transparent disclosure of breaches.	Yes	Yes (Combating corruption and bribery)
Procurement	Ensuring responsible procurement and sustainable supplier relationships in compliance with social and environmental guidelines.	Yes	No
Diversity and equal opportunities	Equal treatment of all employees; promotion of diversity in management positions, recruitment processes without discrimination, employment of anti-discrimination officers.	Yes	Yes (employee concerns)
Attractive working environment	Creation of an attractive working environment at KfW through an appropriate human resources structure, remuneration and co-determination. Ensuring a good balance between work and family life in order to increase employee satisfaction and employee attractiveness. This includes expanding flexible working models for all employees.	Yes	Yes (employee concerns)
Social commitment	Assumption of social responsibility by encouraging engagement among employees and through KfW Stiftung.	No	No
Financial education	Promotion of access to financial products and financial education, particularly for young people (encompassing communication on and promotion of sustainable finance outside KfW).	No	No
Complaint mechanisms	Mechanisms that allow anonymous complaints by groups of persons involved in promoted projects and KfW business activities. Systematic follow-up of complaints and potential associated economic, social and environmental impacts.	No	No
In-house environmental protection	Reducing the impacts of office operation on the environment and climate, including through sparing use of resources, use of recyclable materials and renewable energy, and reduction and more careful disposal of waste.	No	No
Training and education	Supporting employees' personal and professional development. This includes, in particular, advancing the development of skills in digital technology and sustainability and enabling lifelong learning.	No	No



Topic	Description	Material under GRI Standards	Material under the German Commercial Code
Data protection	Expansion of cybersecurity to protect customer and employee data, as well as responsible handling of information technology.	No	No
Occupational health and safety	Ensuring a healthy and safe working environment for all employees through preventive healthcare and responsive health management. Ensuring safety during foreign assignments.	No	No
Mobility	Disclosure of KfW's energy consumption and emissions from business trips. Use of low-emission modes of transport (rail, electric company cars). Avoidance and reduction of emissions by offsetting carbon emissions from air travel and involving employees and raising their awareness of mobility issues.	No	No

The non-financial report on the relevant topics in accordance with section 289c (3) (HGB) is part of this data report and is sorted by topic in the chapters that relate to the relevant material topics: 'Sustainability strategy' (for transparency and stakeholder communication), 'Corporate governance' (for sustainable corporate management, Risk management, Compliance and Anti-corruption), 'Banking business' (for appraisal of Financing activities and Complaints mechanisms) and 'Employees' (for Attractive working conditions and Occupational health and safety).

A GRI index with all page references for reporting in accordance with GRI Standards can be found from [→ page 148](#). In addition, a table showing all content of relevance to the non-financial report is provided from [→ page 156](#).

Assessment of non-financial risks is part of KfW's risk management. The 'Corporate governance' chapter contains information on sustainability risks ([→ page 47](#)).

Sustainability programme

KfW Group has set goals with deadlines in the 2022 Sustainability Programme in order to further improve its sustainability performance. However, the scheduling of certain measures is not pegged to the year under review, such as those that run for two or more years or those that aim to achieve an ongoing improvement process. In the following, we present

central issues and measures from our programme, broken down into the five areas of action from the sustainability mission statement.

The complete programme is available at the [→ Download Center on our website](#) (German only).

Area of action and thematic area	Objective	Target year	Implementation
Banking business			
Capital market	Implement a sustainable investment approach	2022	Continued development of 'responsible investment' by contributing to national and/or international working groups such as the Green Bond Principles Achieved top ratings compared with the asset owner peer group regarding implementation of all six UN Principles for Responsible Investment (PRI)
Capital market	Target volume of the green bond portfolio on behalf of the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV): EUR 2.0-2.5 billion	2022	Ongoing investment in green bonds; status as of 2021: around EUR 2.2 billion
Risk management	Strengthen ESG risk management	2021	Construction of a database that will contain an ESG risk profile for each risk-relevant business partner. The aim is to be able to assess all business partners as regards their ESG risk potential for KfW. Construction of the database commenced in 2021 and should enable use of the ESG risk profile in one to two years. Further developing the ESG risk management is part of the transForm project.
Financing activities	Achieve the internally defined environmental commitment ratio of 38% of total promotional value	2022	Ensured a consistently high promotional volume in the focus area of environmental protection and climate action through the environmental commitment ratio of 38%. Status in 2021: 53% (adjusted for special coronavirus aid programmes: 58%)
Financing activities	Ensure Paris compatibility of KfW's financing activities	2021/2022	Introduced sector guidelines for financing activities in emissions-intensive sectors to ensure the Paris compatibility of KfW financing activities under the transForm project. Six guidelines were adopted in 2021 and a further guideline is to be published in 2022.
Financing activities	Establish 'Green Loans – Made by KfW IPEX-Bank'	2021	Integrated the Green Loan product segment: KfW IPEX-Bank concluded certification of its 'Green Loans – Made by KfW IPEX-Bank' framework.

Area of action and thematic area	Objective	Target year	Implementation
Financing activities	Greenhouse gas reductions in industry: investment programme for energy and resource efficiency	Continuous	Supported the Federal Ministry for Economic Affairs and Climate Action (BMWK) in achieving the Federal Government's energy and climate targets through 'Federal funding for energy efficiency in commerce'. Measures for improving resource efficiency have also been funded since 1 November 2021 as part of expanding promotional purposes. The higher promotional amounts for generation of process heat from renewable energy have also applied since 1 November 2021.
Financing activities	Climate mainstreaming in Financial Cooperation (FC)	Continuous	<p>Progress in 2021: continued systematic development and improvement of the climate mainstreaming tool by means of the following measures:</p> <ul style="list-style-type: none"> - Digital application for better processing - Creation of special sector-specific climate mainstreaming documents for the energy, water and natural resource management sectors - Commencement of the process in the financial, health, education and transport sectors with completion planned for 2022
Financing activities	Improve the quality of the Environmental and Social Impact Assessments (ESIAs) at KfW Development Bank and KfW IPEX-Bank	2022	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Implementation of ESIA mainstreaming. The number of environmental and social experts was raised from 32 (2020) to 46 (2021). - A total of 418 employees were trained on ESIA at KfW Development Bank. <p>Planned for 2022:</p> <ul style="list-style-type: none"> - Continued regular training - Digitalisation of the ESIA at KfW Development Bank in order to provide even more support to the project team's work on environmental and social issues
Financing activities	Optimisation of KfW Development Bank's complaints mechanism	Continuous	Ongoing revision of complaints management system. → Publication of KfW Development Bank's first complaints report for 2020
Financing activities	Development and implementation of measures to address the diversity gap in the venture capital ecosystem	2022	KfW Capital's development and implementation of a package of measures to bridge the diversity gap in the venture capital market (concerning both investors and start-ups). The package comprises workshops and presentation of a female investor award, among other measures.
Employer			
Work-life balance	Provide easier options for mobile working when needed	2022	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Extended the service agreement on working hours to remain in effect until the end of 2022. Objective: to move away from a culture based on hours spent at the office to a results-based work culture; promote employees' personal responsibility and more flexible working hours - Expansion of flexible working models: work arrangements that include autonomous working hours and increased use of home-working options - Adopted a service agreement on mobile working: The agreement defines conditions and reliable guidelines for sustainable mainstreaming of mobile working during the pandemic. - Support measures: hardware equipment, online training, psychological counselling and sporting activities

Area of action and thematic area	Objective	Target year	Implementation
Equal opportunities	Greater inclusion at KfW and ensuring a voluntary 6% quota of employees with disabilities (statutory requirement: 5%)	2023	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Achieved a 5.89% quota of employees with disabilities - Held virtual awareness workshops - Executive Board meetings to define inclusion objectives - Information campaign with directors and information event involving the Executive Board - Creation of the KfW Accessibility Governance working group - Collaboration with networks, such as sports clubs and associations: recruitment events, marketing campaigns and active outreach within networks - KfW job advertisements published on target group-specific job platforms - Talent programme for students in Berlin and Frankfurt established with myAbility <p>Planned for 2022: Continuation of measures</p>
Equal opportunities	Increase the proportion of women in management and senior specialist positions	2023	<p>Implementation of the Equal Opportunities plan 2020-2023 (see also page 118 in Data Report 2021); target quotas: 40% female team leaders, 32.5% female heads of department, 25% female directors.</p> <p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Increased the quota at director level to 13% and at team leader level to 38.2% - Created a project team comprising representatives from all HR departments and the Equal Opportunities Officer to support female staff; developed initial ideas on further means of promoting female staff - Conducted a progress review midway through implementation of KfW's Equal Opportunities Plan, taking account of amendments to the Federal Equality Act (Bundesgleichstellungsgesetz – "BGleIG"). Numerous measures were concluded, and new ones planned and prioritised. - Established a forum for dialogue between female heads of department and team leaders - Published internal communication measures on the intranet on the issue of equality, such as raising awareness of subconscious prejudice and the glass ceiling - Elimination of all structural inequalities (in relation to remuneration, and career and development opportunities)
Employer attractiveness	Expand and assure the quality of further training opportunities for employees	2021	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Continued the 'New Learning' project, which expands the in-house further training offering for employees via digitally supported learning formats. The project focused on virtualising classroom training due to the pandemic. The project is to be continued in 2022. - Launched a digital fitness app – an on-demand offering to develop digital skills and knowledge
Employer attractiveness	Expand and assure the quality of management development measures	2024	<p>Continued the management development programme 'Lead Transformation' to specifically address the expected understanding of leadership and management behaviour. Start: 2019; term: two years. All managers are completing the qualification modules as planned. The programme was fully transitioned to a virtual format. There will be further opportunities under Lead Transformation as of 2022.</p>

Area of action and thematic area	Objective	Target year	Implementation
Employer attractiveness	Promote junior talent	Continuous	<p>Continuation of the Chamber of Commerce and Industry (IHK) training as IT specialist with a focus on system integration</p> <p>Planned for 2022:</p> <ul style="list-style-type: none"> - Opportunity to train as IT specialist with a focus on application development and data and process analysis - New sandwich Bachelor of Science degree in software technology (at Technische Hochschule Mittelhessen - THM Bad Vilbel) <p>Planned for 2023:</p> <p>New collaboration with Hochschule RheinMain in Wiesbaden's offering of a sandwich Bachelor of Science degree in business information systems</p>
Employer attractiveness	Strengthen KfW's positioning as an employer	2022	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Conducted the employee survey - Continued development of employer positioning and recruitment in order to establish a simple, fast and sustainable digital recruitment system - Sustainably built contact networks through an external talent pool - Introduced an employee recommendation programme - Continued measures aimed at stabilising employer positioning - Substituted trade fairs and events with digital/virtual formats <p>Planned for 2022: alternative further development of employer positioning and recruitment and further development of employer brand</p>
Bank operation			
Corporate governance and compliance	Efficient identification of compliance risks for the active control of non-financial risks (NFR)	2021	Successfully introduced an IT-based data capture and processing tool for assessing the compliance risk of FC projects (CO vote). The tool is under further development.
In-house environmental protection	Promotion of biodiversity and diversity of species at KfW Group locations	2022	<p>Progress in 2021: planting a green roof at the Frankfurt site (61% of surface, or 10,204 m²)</p> <p>Planned for 2022:</p> <ul style="list-style-type: none"> - Planting flower meadows at other areas of the Frankfurt site - Inspection of Berlin office roofing with a view to creating green roof areas there
In-house environmental protection	Expansion of charging infrastructure at the locations	2022	<p>Progress in 2021: expansion of charging infrastructure for electric cars at 117 Frankfurt site charging stations</p> <p>Planned for 2022: modernisation of the charging infrastructure at the Bonn and Berlin locations in Q1</p>

Area of action and thematic area	Objective	Target year	Implementation
In-house environmental protection	Continued reduction of in-house consumption and use of sustainable resources to operate Frankfurt site buildings	2025	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Determined potential for expanding photovoltaic systems (PV systems) - Further development of the supply plan (fossil fuel substitution, reduction of carbon emissions) <p>Planned for 2022-2025: call for tender and realisation of project to expand PV systems</p>
In-house environmental protection	Further development of KfW's sustainability commitment to environmental protection	2022	Revision of sustainable banking governance structures with the aim of improving current dialogue and the policy landscape
Procurement	Recertification in accordance with the EU Organic Regulation for the Frankfurt site	Continuous	Progress in 2021: recertification for "production of organic food and beverages" in accordance with the EU Organic Regulation (DE-Öko-006). KfW passed the annually conducted spot check.
Sustainability management			
Sustainability ratings and rankings	High rankings (among the top 5) in major sustainability ratings compared with the peer group.	Continuous	<p>Incorporated rating results into strategic corporate developments and ongoing dialogue with the departments involved</p> <p>2021 ratings:</p> <ul style="list-style-type: none"> - ISS ESG (as of 19 July 2021): B- (on a scale of A+ bis D-), Prime Standard - Sustainalytics (as of 21 October 2021): negligible risk with 4.6 of a total of 100 possible points puts us in the lowest risk category (0 points being the best score)* - MSCI ESG ratings (23 March 2021): AAA (on a scale of AAA to CCC) <p>* Copyright ©2021 Sustainalytics.</p>
Sustainability organisation	Introduce a KfW-wide impact management system (tranSForm sub-project 2)	2022	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Developed and published the methodology paper, including the theory of change, the group-wide impact indicators and the guiding principles - Started IT implementation of impact management, set up a dedicated team to manage sustainable finance in group development
Sustainability organisation	Introduce a KfW-wide greenhouse gas accounting system (tranSForm sub-project 3)	2022	Introduction of group-wide measurement of greenhouse gas reductions in the focal areas renewable energy and energy efficiency and the carbon footprint of KfW's financing activities
Sustainability organisation	Development of a sustainability strategy at KfW Capital, including all related processes	2021	A strategy and the related processes and governance structures have been in development for KfW Capital with external support since 2020. Sustainability was anchored at both corporate and operational investment levels.
Stakeholder management	Continue developing and strengthening sustainability communication focused on targets and target groups	Continuous	<p>Progress made in 2021:</p> <ul style="list-style-type: none"> - Media and public relations work on sustainability topics, platform use for active communication of sustainable finance aspects and of products and processes - Continued the 'Ausgesprochen nachhaltig' ('Distinctly sustainable') podcast with five new episodes - Conducted a virtual stakeholder round table in early 2021. The next stakeholder round table is expected to be held in mid-2022.



Corporate governance

Corporate governance

How we mainstream sustainability in our organisational structures

Review

For KfW Group, it is imperative to critically question and continue developing not just its strategic but also its structural approach. KfW established the new "Bank Management Sustainable Finance" team in the reporting year, whose remit includes central management of the topics "SDG contribution of KfW's financing activities" and "Paris compatibility of KfW's financing activities".

Highlights

Streamlining of the sustainability organisation within group development in line with strategic tasks

The proportion of women on the Executive Board was **50%**

"Management Panel Sustainable Finance" created at director level

Outlook

The ongoing integration of sustainability risks into risk management will continue to keep us busy over the next few years. This process involves not only adapting governance structures, but also testing new tools and documenting them in KfW's TCFD reporting. Sustainability governance is being systematically established within existing structures in the growing KfW Capital business area.

Goals

Development of an **ESG risk profile database**

Further development of **KfW Capital's sustainability strategy and policy**, which was developed in 2021

Corporate governance

KfW Group's Executive Board, which is chaired by Stefan Wintels, is responsible for managing business in accordance with the Law Concerning KfW (KfW Law), the KfW Bylaws and the procedural rules. Stefan Wintels took over the reins as Chief Executive Officer from Dr Günther Bräunig in October 2021. From 1 to 31 October 2021, Stefan Wintels and Dr Günther Bräunig initially acted as Co-Chairs. Dr Günther Bräunig retired on 31 October 2021 after 15 years on KfW's Executive Board.

A schedule of responsibilities stipulates their respective duties. 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 the principles of this Code in an annual Declaration of Compliance in its Annual Report. For majority shareholdings, KfW always assesses whether shareholder resolutions are consistent with the bank's sustainability principles. KfW regularly offers training to its Executive Board members. This is also done on the basis of an existing policy of informing the Executive Board about relevant legal (regulatory) requirements and obligations.

Compensation

In accordance with the compensation system of KfW Group, the Executive Board members – three of whom (50%) were women in the reporting year after Christiane Laibach was appointed to KfW's Executive Board on 1 June 2021 – are appropriately compensated in accordance with their duties and responsibilities. None of the Executive Board members received variable components in their compensation in 2021. The members of the Board of Supervisory Directors are paid compensation in an amount determined by the authority exercising legal supervision in accordance with article 7 (10) of the KfW Bylaws. Further details regarding the remuneration paid to the members of the

Executive Board and the Board of Supervisory Directors can be found in the [→ Financial Report 2021, page 192](#) (Information on employee remuneration [→ chapter on employees, page 114](#)).

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 looks at the appropriateness of the structure of the remuneration 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. In accordance with the KfW Law, it is composed of 37 members, of which initially eight, and then as of May seven, were women in the year under review. The KfW Law influences the composition of the Board of Supervisory Directors and ensures that the sections of society that are relevant to KfW are represented on the Board of Supervisory Directors. It is chaired in alternating years by the Federal Minister of Finance and the Federal Minister for Economic Affairs and Climate Action (formerly Economic Affairs and Energy). 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, and the financial situation. Once a year it also provides separate information on sustainability topics. With the exception of the Federal Ministers, the members of the Board of Supervisory Directors are appointed for three years and roughly one third of the members are replaced every year.



50% women
on the Executive Board

Sustainability organisation

The current composition of the Board of Supervisory Directors can be viewed on [→ KfW's website](#). 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 see [→ Financial Report 2021, page 20](#)). The Presidial and Nomination Committee evaluates the efficiency and suitability of the Board of Supervisory Directors and the Executive Board on an annual basis (pursuant to section 25d (11) of the German Banking Act (Kreditwesengesetz – "KWG")). To expand their knowledge with regard to their role or regulatory matters, KfW offers the members of the Board of Supervisory Directors regular training courses by external experts. It also provides a budget for their participation in external training events.

The Federal Audit Office (Bundesrechnungshof), Deutsche Bundesbank and the Federal Financial Supervisory Authority (BaFin) exercise important oversight functions over KfW Group. The subsidiaries may be subject to additional oversight. KfW is also subject in part to the regulatory standards of the German Banking Act (KWG).

The SME Advisory Council (Mittelstandsrat) specifies KfW's official mandate for the support of small and medium-sized enterprises. The Executive Board informs 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 nine representatives or appointed members of the German Federal Government and two representatives appointed by the Bundesrat; it is chaired by the Federal Minister for Economic Affairs and Climate Action.

As an organisation especially committed to sustainable development in Germany and worldwide, KfW sees sustainability as a particularly important factor in the orientation of its core business and the management of the company. The extensive KfW Group [→ sustainability mission statement](#), which was approved by the Executive Board in early 2019, forms the heart of this approach. It is a programme-based mission statement that sets out a sustainability management structure throughout the five areas of action: banking business, banking operations, employer, sustainability management and sustainability communication ([→ chapter on sustainability strategy, page 17](#)). It is based on foundations such as the requirement to focus 38% of the total annual new commitment volume on the key area of climate action and environmental protection, a requirement that has been in place since 2012 and was increased in 2019. This target quota is also part of KfW Group's strategic objectives, which define the targeted medium-term positioning of the bank and guide the strategic direction of all business sectors. Furthermore, the 'Employer' action area of KfW's sustainability mission statement also addresses the target quotas for increasing the share of women in management roles at KfW.

The sustainability guidelines of the business sectors, business areas and subsidiaries follow KfW Group's sustainability mission statement and specify its directives for the specific business sectors. This applies equally to the sustainability guidelines of KfW Development Bank, KfW IPEX-Bank and KfW Capital, and to the environmental and social guidelines of DEG, as well as to the joint sustainability guidelines for domestic promotion.

The sustainability guidelines for KfW's domestic promotional business are still in the process of being revised. Once aligned with the group's objectives, the new guidelines are expected to be published in 2022.

KfW Capital published a [→ sustainability policy](#) for the first time in 2021. It covers both the preliminary assessment and subsequent monitoring of ESG aspects throughout the investment process, as well as impact management. In-house environmental management also forms part of the sustainability policy.

Theme-based sustainability guidelines are also in place across the group, such as group-wide guidelines for in-house environmental protection ([→ page 99](#)) and responsible procurement ([→ page 108](#)); these guidelines set out the standards, responsibilities and processes for the topic in question.

Responsibilities and organisation

Overall responsibility for KfW Group's sustainability strategy and communication lies with the Chief Executive Officer, who also exercises the function of Chief Sustainability Officer. Together with the Executive Board members responsible for the individual business sectors and the management boards of DEG, KfW IPEX-Bank and KfW Capital, he thereby also ensures operational implementation of sustainability-related issues with regard to sustainable financing transactions and sustainable banking operations.

KfW's sustainability governance was reviewed, and several adjustments made, at the beginning of 2021 as part of the group-wide tranSForm project. KfW Group's central Sustainability Management team is now the "Sustainability Strategy" team, which is still headed by the Group Sustainability Officer and

forms part of group development within "Corporate Strategy and Sustainability". A new "Bank Management Sustainable Finance" team has been established in this department, with responsibilities including managing the tranSForm project, meaning that its remit includes the central management of the "SDG contribution of KfW's financing activities" and "Paris compatibility of KfW's financing activities" topics ([→ chapter on sustainability strategy, from page 20](#)).

The two teams work together to coordinate the work of the internal Network Sustainable Finance, the successor to the former Group Environment and Climate Steering Committee (KUK). The network serves to ensure the exchange of information, as well as the coordination and advancement of sustainable finance topics at the working level in all three areas of sustainability (environmental, economic and social).

2021 also saw the creation of a new permanent "Management Panel Sustainable Finance" at director level which receives administrative support from the "Sustainability Strategy" and "Bank Management Sustainable Finance" teams.



The new "Bank Management Sustainable Finance" team manages SDG contribution and Paris compatibility of KfW's financing activities

Organisational chart for sustainability management at KfW Group



The two aforementioned group development teams work together with the decentralised sustainability officers from the market areas and central units to develop proposals for decisions by the Executive Board – coordinated via the Network Sustainable Finance in cases involving measures relating to the banking business. In addition, the formulation and implementation of KfW's Sustainability Programme ([→ chapter on sustainability strategy, from page 31](#)) generates new policies and measures for specific themes from the areas of banking business and banking operations.

Depending on their area of activity, they are approved 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 edited by Sustainability Strategy, signed off by KfW's Executive Board and presented to the Board of Supervisory Directors for information.

Expanding sustainability governance

Since October 2020, a Sustainability Committee at KfW IPEX-Bank has been working on strategic projects and specific measures to make the banking business more sustainable across all pillars. In addition to projects within KfW IPEX-Bank and group-wide initiatives, the committee addresses future demands from regulators and society in the fields of environmental, economic and social sustainability.

KfW Capital developed and implemented its own sustainability strategy for the first time in 2021 in order to establish ESG criteria in the venture capital ecosystem as well. This is based on sustainability guidelines and sustainability management. The guidelines describe and assign processes and responsibilities. The sustainability management team is responsible for implementation and further development and is also a firmly established part of the investment process. It also has a permanent seat on the Investment Committee. In 2022, the plan is to further develop both the strategy and the guidelines and to increase employee capacities in this area.

Compliance

KfW Group defines clear expectations for the actions of its employees as well as its business contacts and suppliers. Integrity is the basis for the trust that business contacts, 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 and fraud (other criminal offences), money laundering and the financing of terrorism, compliance with financial sanctions and embargoes, securities compliance, tax compliance, document organisation, data protection and minimum requirements for risk management, as well as environmental, social and economic matters. In light of this, KfW Group has incorporated the prevention of corruption and other criminal offences into its sustainability mission statement as an ongoing objective.

In addition to the pertinent statutory and supervisory regulations, KfW's mission statement forms the basis for ethical corporate conduct. It describes the values that our employees are required to uphold: responsibility, fairness, professionalism, initiative and transparency. The mission statement references further 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. Corresponding continuing education measures enhance employees' knowledge in the area of governance and compliance across the group.

Organisation and functions

The Executive Board is responsible for compliance within KfW Group. The Compliance Department 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, the Compliance department is the central area responsible for recognising legally relevant developments at an early stage, preparing decisions by the responsible bodies and applying a monitoring process to ensure that all legal requirements are met. The group's subsidiaries are closely involved in this process.

With respect to content, the KfW Compliance department focuses on the prevention of fraud and corruption, money laundering and the financing of terrorism, compliance with financial sanctions and embargoes, securities compliance, tax compliance, document organisation, data protection and compliance with the Minimum Requirements for Risk Management (MaRisk).

Prevention of corruption and fraud

KfW Group has explicitly incorporated the preventive fight against corruption, fraud and other offences in its mission statement and Code of Conduct, and takes a zero-tolerance approach. A Fraud and Corruption Prevention Officer who reports directly to the Executive Board conducts annual risk analyses for every business area and assesses the risks associated with individual customers/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.

Sixteen cases associated with corruption were confirmed in 2021. In none of these cases were any of KfW's employees involved, and no agreements were terminated as a result of corruption-related matters. Corruption risks typically exist in the approval of loans or subsidies, in procurement and in the award of contracts.

Complaints regarding criminal activities, such as fraud and corruption, can be submitted to the responsible Compliance department at KfW and confidentially to the Fraud and Corruption Prevention Officer or – also anonymously – to an [external ombudsperson](#). All complaints are rigorously acted upon and necessary measures taken.

The work of the Fraud and Corruption Prevention Officer undergoes an annual audit by the Internal Audit department as well as an external compliance audit performed by independent auditors. These audits involve both the market areas and the central departments and all foreign branch offices (field offices) every year.

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, among others, with the Federal Ministry for Economic Cooperation and Development (BMZ) in implementing the strategy on anti-corruption and integrity in German development policy.



Allegations of corruption can be submitted confidentially to an external ombudsperson

Tax

As a state-owned promotional bank, KfW Group is subject to a specific fiscal regime and is partly tax-exempt. Thus, unlike KfW itself, KfW's subsidiaries are fully or partly subject to income tax and fund their operations at market conditions.

Full compliance with all national and international tax laws is part of KfW Group's sustainable corporate governance.

KfW Group undertakes to pay taxes as and when due and present all tax positions transparently and comprehensively in accordance with its tax mission statement and its Code of Conduct. In this way it operates as a responsible taxpayer that makes a fair contribution to society in accordance with national and international tax legislation. KfW Group does not develop or support any tax models aimed exclusively at achieving tax advantages or reductions. In particular, KfW Group does not use or support any artificial tax schemes. It engages in open, transparent and cooperative interaction with domestic and foreign tax authorities.

The foundations of KfW Group's tax policy are enshrined in the tax mission statement of the Group tax guidelines, which applies to all of KfW Group in the form of a work instruction. In addition to the aforementioned tax mission statement, this instruction also describes KfW's Tax Compliance Management System (TCMS) and the integration of the tax compliance management systems of the subsidiaries into KfW Group. An independent auditor certified the appropriateness and implementation of KfW's TCMS in 2018.

KfW's Executive Board has overall responsibility for tax compliance. Departmental responsibility for tax matters lies with the head of the Financial Accounting department. Its tax function is responsible as a central unit for the tax matters of KfW, but not its subsidiaries. On request, the tax function manages the tax affairs of subsidiaries of KfW Group on the basis of outsourcing, for example for KfW IPEX-Bank GmbH.

The tax function monitors the development of relevant fiscal standards and legislation and assesses their implications for KfW's business activities.

KfW complies with its tax payment obligations and submits a country-by-country report for KfW Group to the Federal Central Tax Office as required by law. Only KfW IPEX-Bank has a branch office subject to this reporting obligation, as well as a subsidiary established abroad in 2021. KfW IPEX-Bank's country-specific reporting in accordance with section 26a KWG can be found in the [→ KfW IPEX-Bank GmbH Annual Report, page 83](#).

KfW has an essential interest in the development of transparent financial markets. Only in this way can the tax basis be properly recorded and the loss of tax revenue avoided. As a promotional and development bank of the Federal Republic of Germany, KfW supports the efforts of the Federal Government and the EU to take action against uncooperative countries or territories and to embed the development of solutions in an international framework. The guidelines of KfW on dealing with financing activities in uncooperative countries or territories have applied group-wide

since 2010. These guidelines bar KfW from carrying out transactions through financial intermediaries in which the registered office of a financing vehicle lies in an uncooperative country or territory and deviates from the project country (known as indirect financing activities). Direct financing activities in uncooperative countries, i.e. activities in which the project country is the country where the contractual partner is based, are still permitted in certain exceptional cases, especially in the field of financial cooperation with developing countries. This is in line with KfW's promotional mandate. In order to assess whether a country or territory is uncooperative, KfW consults in particular the EU's list of non-cooperative jurisdictions for tax purposes¹, the results of stages 1 and 2 of the 'Monitoring and Peer Review Process' (PRP) of the Global Forum of the OECD² and the lists of the FATF³. Compliance with these EU and national directives is mandatory and monitored by KfW's Compliance department.

Code of Conduct and training

The guideline for legal and ethical conduct at KfW Group is the Code of Conduct, which was updated in 2020 to include sections on integrity and taxes. 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 directs readers to more detailed information on each topic. The intranet provides specific work instructions, for example on the prevention of criminal offences and on the acceptance of gifts and invitations, as well as practical examples and conduct rules.

A → [separate code of conduct](#) (German only) also applies 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. Departments hold workshops on the subject of fraud and corruption prevention. Face-to-face meetings with some 300 participants were held in addition to the mandatory online training courses in 2021. KfW informs its business contacts about compliance risks using product data sheets, information sheets and other contract components. It also periodically informs the members of the Board of Supervisory Directors about measures currently being undertaken to fight fraud and corruption. In cases of suspected criminal offences or misconduct, employees may contact their line manager and/or the

¹ The EU blacklist (Annex I) lists non-EU countries that promote fraudulent tax practices that undermine member states' corporation tax incomes. Countries and territories that do not yet meet all international tax standards but have committed to reforms are included in a European Union grey list of non-cooperative jurisdictions for tax purposes (Annex II). A tax jurisdiction is removed from the list as soon as it has met all its obligations.

² The Global Forum verifies the implementation and effective application of the OECD standard. In a two-stage process, the countries are assessed for how they have implemented the OECD standard on transparency and tax information exchange in national law and internationally (stage 1), and how they are implementing the exchange of tax information in practice (stage 2). Following stage 2, the countries fall into one of four rating categories: 'compliant', 'largely compliant', 'partially compliant' or 'non-compliant'.

³ The blacklist of the Financial Action Task Force (FATF) lists non-cooperative jurisdictions and high-risk countries ('High-Risk Jurisdictions subject to a Call for Action'). The FATF grey list comprises countries that have committed to the FATF recommendations at minister level but whose AML/CFT regime still deviates significantly from the FATF standard as a result of strategic deficits ('Jurisdictions under Increased Monitoring').



The tax mission statement and tax compliance management system define KfW's tax policy

Compliance department – 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.

The Executive Board receives various documents including an aggregate quarterly report. It also receives ad-hoc reports in the event of prominent cases of suspected violations depending on factors such as loss amount or employee involvement.

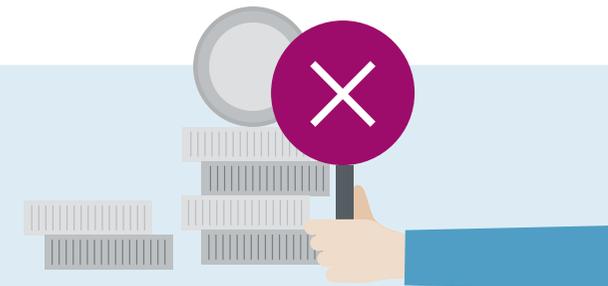
Our understanding of ethical conduct also includes the aspect of political donations. According to its donation guidelines, KfW does not provide financial support or other allowances to individuals or political parties including organisations that are affiliated with parties.

Money laundering prevention and data protection

An in-house Anti-Money Laundering Officer coordinates preventive measures against money laundering and terrorist financing at KfW Group. The officer is responsible for ensuring compliance with legal and regulatory requirements and therefore has various duties, including holding responsibility for organisational instructions, conducting risk analyses, implementing risk-based prevention measures and regularly checking the business partner database and transactions against the latest 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.

KfW complies with statutory technical and organisational data-protection requirements while maintaining banking secrecy. Group-wide regulations ensure the security of personal data. KfW Group and its subsidiaries have their own data protection policies and data protection officers who are presented on the respective websites of [→ KfW Group](#), [→ KfW IPEX-Bank](#), [→ DEG](#) and [→ KfW Capital](#).

In 2021, KfW reported 14 data protection incidents to the responsible supervisory authority. These mainly related to cases where data was inadvertently misdirected. Suitable awareness-raising measures are carried out continuously.



Mandatory online and face-to-face training on fraud and corruption prevention policy

Risk management

The KfW Group Executive Board is responsible for central decisions regarding risk policy. Consistent with the business strategy, a risk strategy is established annually, defining the framework for business activities with regard to risk tolerance and risk-bearing capacity. Compliance with 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 decisions to be passed by the Executive Board and make independent decisions within their own remits.

- The Credit Risk Committee makes weekly credit decisions and prepares these for the Executive Board or the Risk and Credit Committee. In addition, once a month it addresses current developments in the loan portfolio including country and sectoral risks, and discusses and decides on policy issues relating to credit risk.
- The Market Price Risk Committee, which convenes monthly, makes decisions on various issues, including the assumption of market price risks, changes in risk measurement methods and the valuation of securities. It also prepares decisions for Executive Board resolutions on interest rate risk positions, transfer pricing and funding strategy.
- Within the scope of the powers vested in it, the Committee for Operational Risks relieves the Executive Board of its duties related to the overarching management and requisite decisions and approvals concerning

- operational risks (OpRisk) and reputational risks (RepRisk) and
- group security, including business continuity management (BCM).

The Committee for Operational Risks deals with overarching specialist issues and supports the Executive Board in implementing the risk strategy and managing measures. Significant OpRisk and RepRisk incidents and the current risk situation are discussed at each meeting.

The → [Annual Report](#) contains detailed information regarding the risk management process and its results in 2021.

Sustainability-related risks and impacts

KfW Group considers the risks and effects of environmental, social and governance matters in its business decisions. It does this from two perspectives:

- Possible negative impacts of KfW's business activities on the environment and society ('inside-out perspective')
- Possible negative impacts from external environmental and social challenges as well as from governance weaknesses (ESG factors) on KfW's business activities ('outside-in perspective')

Inside-out perspective

Inside-out effects must be observed, for example, when launching new products such as promotional programmes. For domestic business, the central Sustainability Management team

performs routine assessments within the New Products Process (NPP). It verifies whether a new product has any adverse environmental and/or social effects. Suitable adjustments are made to the product design if necessary.

The inside-out perspective also plays a role in the financing of individual projects, credit lines, facilities and joint initiatives carried out with a third party. The co-financed projects are assessed for their environmental and social impact. In-depth information concerning the Environmental and Social Impact Assessment (ESIA) is provided in the [→ chapter on banking business, from page 84](#).

The inside-out perspective with the focus of climate has been dealt with in more detail since 2020 in several pillars of the transForm project. This includes, among other things, establishing structures and processes for impact management and greenhouse gas accounting. In this way the database for the management of inside-out impacts is continuously expanded. An explanation of the project is provided in the [→ chapter on sustainability strategy, from page 21](#).

Potential environmental and social risks that may arise from KfW's actions are assessed in its procurement processes as well. As a public contracting body, KfW is required to put contracts above certain statutory threshold values out to tender across Europe through its EU Procurement Office. When selecting and requesting tenders for goods and services and when making the final procurement decision, KfW applies criteria for environmentally and socially compliant procurement – even in the group's external structure. This process is based on principles such as transparency, non-discrimination and competition. This also applies to products and services below the thresholds that are procured in accordance with KfW's rules ([→ chapter on banking operations, page 108](#)). In line with the NPP, the central Sustainability Management team performs assessments for outsourcing processes and also performs spot checks in the case of EU-wide tenders.

Outside-in perspective

In the case of outside-in risks to KfW Group's business, the focus is currently on climate change and its potential effects on KfW's risk exposure. The chapter "Climate reporting in accordance with TCFD" from [→ page 51](#) contains more information on this. The content reported there is also being addressed by the fourth transForm sub-project, "ESG Risks". This sub-project aims to ensure that ESG risks can be taken into account in a comprehensible manner and managed proactively within KfW Group. Project work in 2021 focused on the further development of the climate stress-testing capabilities and on designing a database in which ESG assessments of relevant business partners are to be stored in future.

Reputational risks are initially classed as outside-in risks. However, there is a close link to the inside-out perspective through the perception and response of major stakeholders to effects that arise from KfW. Reputational risk is categorised, both within the group and at the subsidiaries IPEX and DEG, as a separate significant risk type and is subject to the risk management cycle. KfW and KfW IPEX-Bank identify potential reputational risks annually at group/subsidiary level and have them assessed in-house by experts for relevant stakeholder groups. In accordance with the guidelines on risk reporting, significant new reputational risks and trigger events are included in the group risk report. This report is presented to the Board of Supervisory Directors, the Federal Ministry of Finance (BMF), the Federal Ministry for Economic Affairs and Climate Action (BMWK) and the Federal Financial Supervisory Authority (BaFin). Events that could potentially entail substantial damage are addressed to the Executive Board in the form of ad hoc reports. There were no such events within KfW Group in 2021. In terms of measures, KfW has started to establish a uniform methodology for identifying, assessing and dealing with reputational risks in connection with financing ("transaction-related RepRisk"), with the involvement of all business areas and subsidiaries.

Human rights due diligence

The → [UN Guiding Principles on Business and Human Rights](#) were published in 2011, which Germany initially implemented via the National Action Plan on Business and Human Rights (NAP) adopted in 2016. After less than 50% of German companies had responded to the call to establish voluntary structures for human rights due diligence, the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz) was passed in 2021.

KfW Group is aware of its role model function as a state-owned financial institution and has been reporting on its human rights due diligence in this context since 2019. The information below – including the passages in this report to which reference is made – reflects the current state of development at KfW. KfW has defined three core elements in order to fulfil its own due diligence in the area of human rights, which are being rolled out on a gradual basis.



1. Declaration on respect for human rights

Protecting human rights forms a central part of the international community's efforts to strengthen sustainable development. KfW therefore published a → ['Declaration of KfW Group on Respect for Human Rights in its Business Operations'](#) in 2008, in which it explicitly commits to respecting human rights and complying with the core labour standards of the International Labour Organization (ILO) and against forced labour, child labour and discrimination. The 'Declaration of KfW Group on Respect for Human Rights in its Business Operations' is currently being revised and will be updated in the course of 2022.



Respect for human rights is also a [→ guiding principle](#) of German development cooperation. KfW Development Bank therefore operates in accordance with the Guidelines on Incorporating Human Rights Standards and Principles set out by the Federal Ministry for Economic Cooperation and Development (BMZ) that were adopted by the Federal Government in 2013. As described in the sustainability guidelines of KfW Development Bank, the principles set out in the guidelines apply to all FC financing activities. KfW IPEX-Bank also explicitly incorporates international human rights standards in the form of the UN Guiding Principles, which are part of the Equator Principles (EP4) and thus part of the sustainability guidelines of KfW IPEX-Bank.

2. Risk management in relation to human rights

To allow KfW Group to identify any negative effects or impending risks related to human rights in its financing activities at an early stage and apply countermeasures, an assessment of human rights due diligence is an integral part of Environmental and Social Impact Assessments (ESIA) for financing activities. The standards and processes applied in each business area's ESIA are explained in detail in the [→ chapter on banking business, from page 84](#).

It goes without saying that KfW Group also ensures the protection of human rights in relation to its staff and goes beyond merely complying with the ILO's core labour standards, as described above. In addition to providing a healthy and attractive working environment and fair remuneration, KfW Group is also committed to initial vocational training, offers numerous continuing education options, and places great value on diversity, inclusion and work-life balance. Detailed information on this subject is provided in the [→ chapter on employees, page 116](#).

KfW Group also ensures its compliance with social standards and the protection of human rights in its own banking operations, including by defining environmental and social criteria – also those relating to human rights – for its procurement processes (governed specifically in the 'Sustainability requirements for procurement at KfW'). Human rights is also regularly included in our ongoing surveys of service providers and suppliers as part of procurement management ([→ chapter on banking operations, page 108](#)).

3. Complaint mechanisms and countermeasures for suspected human rights violations

KfW's goal is to prevent human rights breaches as far as possible using established processes and preventive measures. Bank-wide complaint mechanisms are in place in order to give all persons the opportunity to submit a complaint if they are negatively affected by projects supported by KfW Group – despite comprehensive ESIA's and defined preventive measures. These mechanisms are tailored to the relevant business areas and the formats of the complaints received. A detailed description can be found in the [→ chapter on banking business, from page 89](#). In order to boost transparency with regard to complaints – also relating to human rights – KfW Development Bank published its first [→ Complaints Report](#) for 2020.

If human rights are breached after a supported project has commenced, countermeasures are initiated without delay. These vary depending on the form and scope of the complaint.



Transparency on the handling of human rights issues in KfW Development Bank's Complaints Report

»»» Climate reporting in accordance with TCFD

Climate reporting helps to identify possible impacts of climate change on businesses. In order to identify opportunities and risks for its portfolio, KfW is successively expanding its risk management of environmental, social and governance factors (ESG risk management) and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The third consolidated TCFD report presents KfW Group's most recent steps and most important structures for managing climate-related opportunities and risks.



Climate risks are most likely to affect credit risk at KfW.



As part of the tranSForm project, KfW is working to improve its management of climate risks on an ongoing basis.



A pilot study on climate litigation risks was conducted for the first time in 2021.

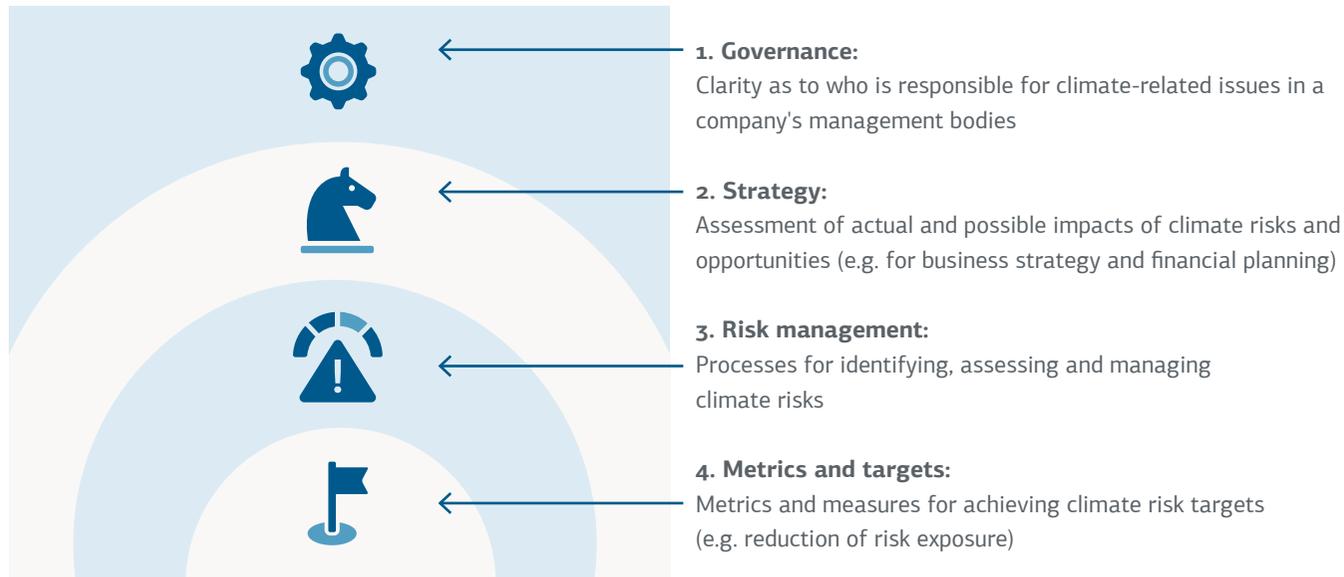
Transparency regarding the risks and opportunities of climate change

The [→ recommendations of the Task Force on Climate-related Financial Disclosures](#) (TCFD) of the Financial Stability Board have now become established as the standard for reporting on the risks and opportunities of climate change for enterprises. They are also increasingly being incorporated into new reporting requirements for companies. KfW Group has also adopted these recommendations and is reporting in line with the TCFD criteria for the third time.

As a public-sector institution we are doing this in order to present any risks to our stakeholders – owners, associations, investors and the general public – in a transparent manner, take responsibility for them and thus create trust.

The TCFD recommends reporting based on four building blocks:

Four TCFD recommendations and dimensions for climate reporting



Implementing the TCFD recommendations in their entirety still poses challenges for many enterprises as some of the calculations required are fraught with uncertainty. As a result, our TCFD reporting focuses on the aspect of risk for the time being without yet considering possible opportunities, for example with respect to sectors that could gain from particular scenarios. As the TCFD recommendations primarily apply to risks from an investor's perspective, this is also likely to be most closely aligned with the TCFD approach.

Our focus on the topic of risk also means that we look at climate risks primarily from the 'outside-in' perspective in the context of the TCFD report. In other words, we analyse whether and to what extent physical or transitory climate risks could impact on KfW Group's risk exposure. Physical climate risks can include damage to buildings or infrastructure, in particular that of our borrowers, caused by the consequences of climate change, such as flooding, storms and drought. Transitory climate risks, on the other hand, result from the transition from the currently prevailing economic systems, which are still largely based on fossil fuels (oil, coal, natural gas), towards a low greenhouse-gas economy. Transitory risks can also affect our borrowers and therefore impact our credit risks (the term 'credit risks' in this report always includes investment risks). As such, neither form of risk primarily reflects the damage caused by climate change, but rather its financial consequences for KfW.

The 'inside-out' perspective – in other words, the question as to how our banking activities affect the climate and how we can reduce greenhouse gas emissions – plays a prominent role for KfW as a promotional bank and applies to a large portion of our financing activities. This is described primarily in the [→ Banking business](#), [→ Corporate governance](#) and [→ Banking operations](#) chapters of this Sustainability Report. The greenhouse gas

accounting system for KfW's new commitments and portfolio to be developed as part of the tranSForm project is another relevant aspect ([→ page 23](#)).

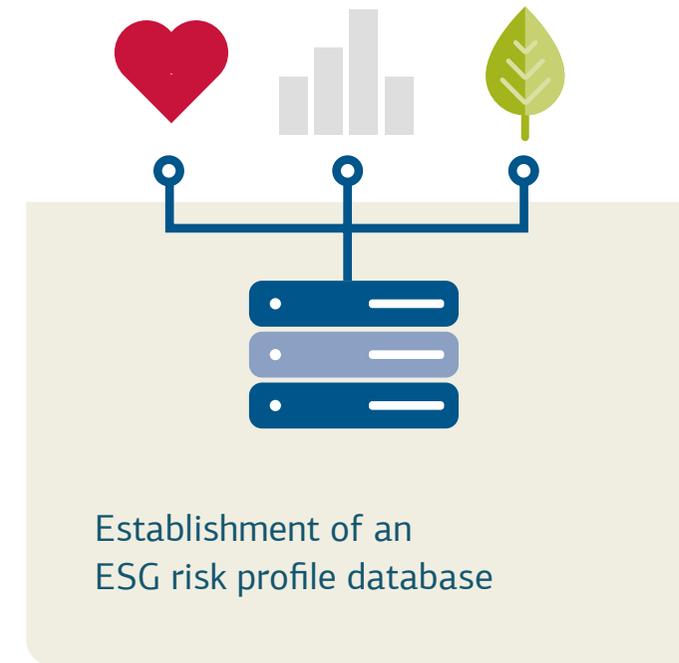
Our climate risk reporting includes the subsidiaries KfW IPEX-Bank, KfW Capital and DEG.

Further development of our reporting approach

The high level of interest our stakeholders have in climate risks is a key incentive for us to establish appropriate transparency both within the company and towards external target groups. As part of the group-wide sustainable finance project tranSForm, for example, a dedicated sub-project has been launched for ESG risks (sub-project 4) to further develop the management of ESG risks in the group over a period of three to four years. The aim is also to meet the evolving regulatory requirements on ESG risks.

The sub-project achieved a lot in 2021. For example:

- the types of risk material to KfW were systematically investigated in their relevant risk management cycles to identify key areas of action to improve ESG risk management,
- climate stress-testing capabilities were developed further and, most importantly,
- work started on constructing a database that will contain an ESG risk profile for each risk-relevant business partner. The aim is to be able to assess all business partners with regard to their ESG risk potential for KfW and to make these assessments available for other risk instruments. After a test phase, the objective is to be able to apply an initial version of the ESG risk profile in one to two years' time.





1. Governance

As part of the same sub-project, we have also launched a pilot study on climate litigation risks, the results of which are published in this TCFD report. Furthermore, the next stress-test scenario was finalised in the first quarter of 2022. It is based on a scenario borrowed from the central bank network NGFS (Network for Greening the Financial System), which provides for a rapid ("disorderly") adjustment of the climate targets over a medium-term period. The results will quantify the impact on KfW's capital resources. They will be published in the next TCFD report in early 2023.

KfW Group has been observing and taking into account the risks and opportunities associated with climate change for its business for some time. We take them just as seriously as other drivers of risk in our risk management approach, in our organisation and in our processes.

The Executive Board is responsible for central decisions regarding risk policy. In parallel with the business strategy, we define a risk strategy for each year and thereby determine the framework of our business activities with regard to risk tolerance and risk-bearing capacity. Compliance with this risk strategy is monitored continuously. For instance, we analyse the bank's overall risk situation in monthly reports to the Executive Board. The Board of Supervisory Directors is informed at least quarterly.

As soon as climate risks are classed as material, they are presented to the Executive Board for information purposes or decision-making as required. The business or risk strategy can subsequently be adjusted accordingly. Any targets related to substantial climate risks or opportunities can be included in the group's business sector planning and targets can be aligned.

Risk management within the group is exercised by closely interlinked decision-making bodies. Below the Executive Board, three risk committees prepare decisions to be passed by the Executive Board and make independent decisions within their own remit (see [→ chapter on risk management, page 47](#)).

Climate risks within KfW are coordinated by the Group Credit Risk Management department. This includes, for example, initiating studies, integrating the topic into relevant tools and processes within the group, and creating this TCFD report. In this task the Credit Risk Management department works closely with the Risk Controlling department, the risk units of the subsidiaries and the Group Development department.

Depending on which department is affected by a climate risk, decision-making chains ensure that an appropriate level of the hierarchy is made aware of the situation or makes any necessary decision. In the case of material risks, for example at sector level in the area of corporate and project financing, the reporting chain is as follows:

Decision-making chain in risk management*



* Depending on the severity of the risk, not all levels of this decision-making chain need to be involved.

Similar mechanisms exist for banking risks, country risks, market price risks and operational risks. Depending on the materiality of the topic, the necessary committee in the decision-making chain is brought in.

Significant climate risk issues are monitored depending on the impact at various points, for example:

- for individual exposures in the rating process that takes place at least once a year,
- for impacts on an entire portfolio, in the form of studies or analyses or
- as resubmissions in committees.



2. Strategy

KfW has set itself the goal of playing an active role in shaping the transition to a sustainable economic and financial system. Our strategic plans therefore contain ambitious targets for further expanding KfW's position as a sustainable bank. Our primary objective is the transformation of the economy and society with the aim of improving economic, environmental and social living conditions around the world. This is underscored, among other things, by our sustainability mission statement and the mapping of the portfolio based on the UN Sustainable Development Goals (SDGs). Key strategic decisions in the context of the targeted transformation process include the application of sector guidelines for the financing of greenhouse gas-intensive sectors and a group-wide exclusion list.

In recognition of the special importance of climate change, the environmental share of financing has been set at $\geq 38\%$ of total new commitment volume. In order to identify its own sustainability performance, KfW has also set itself the goal of determining its contribution to the Paris climate targets and SDGs, as well as being listed on average among the top five promotional and development banks in global sustainability ratings.

Operationalisation has been underway in the tranSForm project since the beginning of 2021, where climate risks are being addressed in the 'Strengthening ESG risk management' sub-project (see [→ chapter on sustainability strategy, page 23](#)).

Scenario analysis – objective

In accordance with TCFD recommendations, the aim of scenario analyses is to gain insights into how resilient our business model is to climate risks. The decisive question for KfW is whether an unacceptably high concentration of climate risks could be present in our loan and equity investment portfolio in the medium to long term.

Climate scenario analyses involve simulating a number of parameters across multiple sectors; these parameters are based on various scientifically supported possibilities for how the global climate could develop in future. Reciprocal effects are also considered and factored into the calculations. The result is an internally consistent worldview. It is important to note here that the likelihood of long-term scenarios based on a wide range of assumptions actually occurring can be very low or difficult to estimate. It is not until different scenarios and their results are examined and compared that significant new insights are gained. The results of the analyses carried out by KfW to date can be found under [→ 4. Metrics and targets](#).



Dedicated sub-project
for ESG risk management
as part of tranSForm

Pilot studies on climate litigation risks

Climate risks can arise due to successful climate-related lawsuits (climate litigation risks). In recent years, there has been an increasing trend towards climate-related litigation worldwide, with plaintiffs pursuing claims for damages or changes in the behaviour of economic and government players.

As the consequences of climate change become increasingly visible, no end to this trend is in sight. As the value of the losses and damage caused by climate change increases, so too does the risk of related legal disputes being launched. The materialisation or monetisation of a risk requires the lawsuit in question to ultimately be successful.

As a result, climate-related litigation risks and their potential impact on financial institutions are increasingly moving into the focus of regulators and supervisory authorities around the world. Leading financial industry initiatives such as the [→ UNEP FI](#) are also looking into the issue.

Like physical and transitory climate risks, climate-related litigation risks are not seen as a separate risk category at KfW, but rather are incorporated in the risk types already covered by the bank's risk management system. Any lawsuits against KfW borrowers would generally be classified as a form of credit risk, whereas future lawsuits against KfW – of which there are none at present – would be assigned to legal risk and, as a result, to operational risk.

With this in mind, KfW launched a pilot project with external support in 2021 to assess climate litigation risks and their potential impact on our business from a commercial perspective. Trigger events like the success of a major lawsuit relating to climate risks or the strategies adopted to tackle global warming have the potential to influence the number, likelihood of success and enforceability of climate-related legal action. Consequently, the aim of the pilot project was to conduct an initial analysis of the main trends in the area of climate litigation in order to better understand their significance for KfW.

Climate-related litigation risks and their consequences depend on a large number of factors, some of which are specific to certain sectors or countries, such as the likelihood of a lawsuit being filed, the likelihood of the lawsuit being successful in the specific case and the associated (potential) claims and effects. These can vary considerably based on industry and, in particular, on jurisdiction, as developments differ widely in content and direction between jurisdictions. There could also be different levels of impact within KfW.

As a result, three aspects were considered in the first step to define the framework for analysis:

- Type of impact
- Relevant sectors
- Relevant jurisdictions

Sectors were assigned priorities within KfW Group's loan portfolio, based on the extent of their exposure and the expected relevance of climate-related legal action for the industry concerned. Four sectors were selected for the purpose of the study:

- Financial services
- Oil and gas
- Automotive industry
- Cruise shipping

These sectors' exposures to individual borrowers were identified at the individual exposure level and, on this basis, four business partners were selected for an initial investigation. The companies investigated come from the following sectors:

- Banks
- Chemicals
- Industrial conglomerates
- Insurance

The pilot project has taken major current lawsuits and global trends into account in its analysis. In addition, Germany/EU and the US, two jurisdictions that are particularly relevant for KfW, were selected for a focus study.

Key results

The evaluation involved dividing the main climate litigation risks that could emerge from the loan portfolio into four pillars based on relevant current/pending lawsuits and current regulatory developments:

- Failure to minimise (physical) damage, particularly in connection with greenhouse gas emissions
- Failure to adapt to climate change
- Failure to disclose, or insufficient or incorrect disclosure of climate risks and climate-related information (greenwashing)
- Breaches of other frameworks and principles (e.g. fiduciary due diligence or sector-specific frameworks)

All in all, the number of lawsuits filed in all areas could increase over the next few years and it is impossible to rule out a scenario in which some of these lawsuits will also be successful, which is consistent with the forecasts of financial supervisory authorities (see also [→ NGFS report on climate-related litigation](#)). The sectors selected could be affected to varying degrees. The relevance, likelihood and potential impact of the four pillars vary from industry to industry. Working out further details of these pillars will require detailed investigations in future of individual lawsuits, the jurisdictions they were brought in, their chances of success and their evaluation by sector. In the course of the investigation at individual exposure level, an initial separate analysis profile was created in each case, describing potential sources of climate-related litigation risks for our business partners.



Risks associated with climate litigation in Germany, the EU and the US were investigated

The analysis of the industries selected produced the following main findings:

- There is an increasing trend towards claims for damages that could be related to high greenhouse gas emissions and other forms of climate damage. While plaintiffs are currently focusing on the oil and gas sector, the potential impact could spread into other sectors if the lawsuits are successful. If they prove successful, the lawsuits could have significant financial implications for the companies concerned, but proving a specific causal link between the carbon emissions attributed to a company and the alleged damage is just as challenging as proving the damage as such; consequently, the success of each individual lawsuit in court remains to be seen.
- Major legal actions relate to the government transition plans and the shift in strategy to net zero (in the EU by 2050). These actions are aimed at achieving more ambitious transitional measures or a faster exit from the business sectors that the plaintiffs have identified as being harmful to the climate. They affect all four sectors investigated and, if successful, could potentially have significant direct consequences, especially for the three non-financial sectors (for example, in relation to the business model), but also indirect implications for the financial industry, via credit risk.
- For the financial industry itself, a mounting litigation risk is emerging from the stringent and constantly evolving sustainable finance market regulations and the parallel trend towards more "green" products.
- For the automotive industry, tough state regulations on emissions (particularly in the EU and the US) fundamentally give rise to a risk that certain regulations cannot be complied with or, in the worst-case scenario, that the regulations are

illegally circumvented. If successful, lawsuits based on such scenarios could have a major impact in the form of financial penalties and claims for damages asserted by a large number of plaintiffs.

In all of the cases referred to above, the materialisation of the legal risk requires the lawsuit to be successful on the merits. But even if they are not successful, the opponent could still be burdened with the costs of the litigation. The details vary depending on the jurisdiction concerned. For example, the costs may be negligible in jurisdictions where the opponent has to bear the litigation costs in the event that the legal action is successful and, as is the case in Germany, the costs are generally regulated by law. On the other hand, in those jurisdictions where there is no obligation for the party that loses to reimburse the costs and, as is the case in the US, lawyers' fees are traditionally very high, the costs involved can become significant.

Conclusion

The pilot project did not identify any significant risks from climate litigation for KfW. The study forms a solid basis for further analyses that extend beyond the primarily commercial investigation of climate-related litigation risks.



3. Risk management

Climate risks are not classed as an independent category of risk, but may be part of several other categories of risk. For KfW, this relates particularly to

- credit risks,
- reputational risks and
- operational risks (OpRisk), especially physical risks in this case (e.g. property damage caused by the consequences of climate change). OpRisk management already considers these events 'climate risks', albeit using different terms.

Over the short to medium term, the transitory risks are more relevant to our portfolio than the physical risks because the risks arising from climate change have reached the national, European and international level in the legislators' perception, as illustrated by the debate about reasonable CO₂ prices, for example. The transition to a climate-neutral economy is also increasingly taking the form of concrete action (as with the Green Deal in the EU), and this process could be a challenge for the economy and thus for some of our customers as well.

In managing climate risks, we distinguish between individual exposure and portfolio level.

Climate risks at individual exposure level

If we regard a climate risk as an essential aspect in risk-relevant transactions, we take this into account at two points in the credit process – as we do other risk drivers:

- **Identification of the customer's probability of default:** Depending on the severity and materiality of the climate risk, it is incorporated into a rating via the quantitative aspect (climate risks have already affected the customer's business figures) and/or the qualitative aspect (e.g. in the case of regulatory risks or via manual upgrades or downgrades).
- **Evaluation of the transaction structure and its terms and conditions:** The front office and risk management offices perform a credit appraisal in a two-stage process (first and second decision recommendations) that focuses primarily on the structure of the transaction, such as the term of the loan. If a climate issue appears to be unfavourable (risk) or particularly positive (opportunity) in its interplay with the structure, this is assessed during the credit appraisal and the results are incorporated into the recommendation for decision. In the case of a risk, this may lead to the loan being denied or subjected to additional conditions.

The approval of a new loan or a loan follow-up decision is then made by the relevant decision-making level (management levels and committees) depending on the severity of the risk (risk exposure).



In managing climate risks, we distinguish between individual exposure and portfolio level

Climate risks at portfolio level

A wide range of formats are already in place within KfW Group for dealing with climate risks at portfolio level. We are continuously developing and extending these formats by:

- Examining risks in the context of studies or analyses, particularly if there is a link to entire industries. These are presented and discussed in various committees (e.g. the Group Committee for Sector Risks or the Group Credit Risk Committee). There are separate departments for financial industry risks and country risks, and they also submit analyses to the Group Credit Risk Committee.
- Including risks in different 'heat maps', e.g. the general Risk Report Heat Map or the Environment and Climate Risk Heat Map.
- Discussing risks in the Expert Committee for stress tests and, where appropriate, subsequently performing a stress test which is then presented to the Group Credit Risk Committee for information purposes.

If the security evaluation or rating method demonstrate climate risks to be relevant enough to be explicitly included as their own criterion within the methodology, the risks are examined by the security or rating systems working groups set up for this purpose. Measures derived from the analyses performed by the various committees are then discussed and decided upon by the Group Credit Risk Committee.

We also addressed climate risks during our regular risk inventory process in 2021. This confirmed our previous finding that these risks are not a separate category of risk – an opinion shared by BaFin in its [→ Guidance Notice on Dealing with Sustainability Risks, from December 2019](#). The Group's procedural rules were amended accordingly in early 2020 to include a definition of climate risks.

In addition to operational and reputational risks, climate risks could have a particularly large impact on KfW's credit risk. In contrast, their influence on other categories of risk (e.g. business and operational risks) still appears to be limited at the moment. Climate risk as a factor in the context of credit risk is therefore the main focus of our work.

Climate risks as reputational risks

Climate risks are also linked to reputational risks and therefore regarded as 'non-financial risks'. KfW has an overarching strategy and specific sub-strategies for these forms of risk.

Non-financial risks arise from KfW's primary business activities. They comprise operational risk as well as reputational and project risks. For KfW, the main operational risks are compliance risks, information security risks and legal and payment risks.

As a public-sector institution with high ethical, governance and compliance standards, KfW Group regards reputational risks as material even though significant adverse effects to its assets, income or liquidity situation as a result of a negative reputation have not yet been observed or measurable.

Sub-risk strategies for this topic could limit or prevent the impact created by these risks. For example, KfW focuses particularly on using training courses to raise employee awareness (e.g. in-house events to explain climate risks) so that risks can be identified at an early stage.

4. Metrics and targets

In the area of climate-relevant metrics and targets, the TCFD recommendations apply primarily to the 'outside-in' perspective, which looks at the financial impacts of climate change on KfW as a business, but also to the 'inside-out' perspective – in other words, how our business activities affect the climate.

The development of metrics for the 'outside-in' risk perspective is still in the planning stage. Over the medium term we aim to generate multiple metrics and, if required, targets for the 'outside-in' risk perspective. The ESG risk profile described above, which is in the process of being developed, is also designed to contribute to this. Metrics in a broader sense include the findings from the scenario analyses and stress tests, which represent findings obtained over the years and are to be combined to form a single picture:

Results of KfW scenarios and stress tests

Year	Scenario	Climate risk category	Focus	Timescale	Result
2019/2020	IEA 2017 2° scenario	Transitory risk	Oil and gas sector	2030	No major risks to portfolio business identifiable
2020/2021	IPCC RCP 8.5	Physical risk	US and Germany; automotive, chemicals, electric utilities sectors	2030, 2050	No major risks to portfolio business identifiable
2020/2021	IPCC RCP 8.5	Physical risk	US, China, Vietnam	2050, 2100	No major risks to portfolio business identifiable, to be monitored for new business
2020/2021	2° stress test/worst case calculation	Transitory risk 'disorderly'; simplified simulation for CO ₂ price	Sections on corporates and major banks	2030 and beyond	Considerable risks exist – generally manageable for KfW
2021/2022	Climate litigation scenario	Transitory risk, particularly climate litigation risks	Oil and gas, banking, cruise shipping and automotive sectors		No major risks identifiable at present

Metrics for the inside-out perspective include KfW Group's own carbon emissions in addition to the carbon footprint of KfW's financing activities ([→ chapter on sustainability strategy](#)). They are recorded in accordance with the Greenhouse Gas Protocol for scope 1 and 2 and on a selective basis for scope 3. Scope 3 emissions make up the majority of KfW's carbon emissions and

are mainly generated by our business trips. In absolute terms, emissions have risen over recent years, but the per capita rate has remained more or less the same. KfW Group's carbon emissions are listed in detail in the [→ chapter on banking operations](#).



Banking business

Banking business

How we promote sustainable development

Review

2021 was an exceptional promotional year for KfW Group, with strong demand for support in the field of climate change and the environment and, encouragingly, dwindling demand for coronavirus aid. While KfW's promotional business volume remained at a high level of EUR 107 billion in 2021, it is lower than in the crisis year of 2020.

Highlights

Environmental share of financing in 2021 higher than planned at 53%

37 green bonds issued by KfW for the equivalent of EUR 16.2 billion in 2021

KfW responded to around 1.1 million **questions in writing and by telephone** in 2021

Outlook

The development and implications of the coronavirus pandemic come hand - in - hand with economic risks. As a result, KfW Group will continue to provide support with appropriate promotional offerings. To emerge from the crisis stronger overall, KfW will be forging ahead with the digital and climate-friendly transformation of the economy and society.

Goals

Long-term funding via the capital markets on a scale of EUR 80 to 85 billion is planned for 2022. At least EUR 10 billion of this amount is to be raised by issuing large-volume green bonds in various currencies.

Further development of the **Paris-compatible sector guidelines** for greenhouse gas-intensive sectors with new conditions for KfW promotional business

Promotional priority areas

Based on promotional principles

KfW Group's primary goal is the transformation of the economy and society with the aim of improving economic, social and environmental living conditions. As a public promotional bank, it is guided by the two promotional principles of subsidiarity and sustainability – in addition to its focus on megatrends and German SMEs. The principle of subsidiarity means that KfW concentrates on addressing market weaknesses without encumbering or crowding out private enterprise. KfW and commercial banks work together as partners and do not compete with each other. KfW supports commercial banks in financing projects that otherwise would not get off the ground. With regard to the principle of sustainability, KfW aims to be a sustainable bank in a holistic sense: in its business, in its operations and in its role as an employer. KfW's promotional work is geared towards long-term and sustainable success. Its financing activities are driven by the highest environmental and social standards as well as key megatrends (see → [Development of promotion by megatrend, page 68](#)). The promotional principles are explicit components of KfW Group's 2026 Strategic Objectives (→ chapter on sustainability strategy, page 19).

Three reporting formats are used to control and steer the strategic target variables over the course of the year. These formats are used to report to the Executive Board on a monthly basis and the Board of Supervisory Directors on a quarterly basis.

- Strategic performance report (primary target promotion; Group Planning and Control is responsible for this report)
- Risk report (secondary target risk and liquidity; Risk Controlling is responsible for this report)
- Financial controlling report (secondary target profitability and efficiency; Controlling is responsible for this report)

A measurable contribution to the SDGs

To make its diverse contributions to the global Sustainable Development Goals transparent, KfW Group has been mapping all of its new annual business to the 17 Sustainable Development Goals since 2019. It discloses which funding volumes it invests in the individual SDGs together with contributors. The innovative approach offers important points of departure for KfW's further development as a transformative promotional bank that focuses on its impacts so as to drive environmentally, economically and socially sustainable solutions.



Every new KfW financing activity contributes to at least one SDG

Building on its broad statutory mandate, KfW Group again covered all 17 SDGs in 2021. Once again, the mapping quota was 100%, meaning that every new KfW financing activity is expected to contribute to at least one SDG. Above all, however, the 2021 SDG mapping shows how KfW has contributed to economic stabilisation in Germany and around the world against the backdrop of the coronavirus pandemic. At the same time, KfW has ensured that its new financing activities also benefit other sustainability goals: funding for sustainable cities and communities (SDG 11) was increased from EUR 46.0 billion in 2020 to EUR 55.1 billion in 2021. And KfW also recorded a

year-on-year increase of over 23% in climate action (SDG 13) in 2021, with EUR 53.3 billion. This underscores KfW's unwavering commitment to a greenhouse gas-neutral future, while the bank fulfils its broad statutory promotional mandate beyond climate action.

Detailed information on each business sector's contribution to the SDGs and details on the methodology are provided on the [→ KfW website](#).

How KfW Group's promotional business contributes to sustainable development*



* Volume-weighted presentation for 100% of new commitments. The figures are available online at [→ KfW and Sustainable Development Goals \(SDGs\)](#).

Addressing the EU taxonomy

According to the EU action plan on financing sustainable growth, the EU taxonomy pursues the goal of redirecting capital flows towards environmentally sustainable activities. For this purpose, it describes a classification system which, with the help of verifiable criteria, allows economic activities to be classified as environmentally sustainable.

KfW is using its tranSForm project to address the proactive design and establishment of the EU taxonomy within KfW (see → page 23). The reporting obligations relating to the EU taxonomy are set out in particular in Regulation (EU) 2020/852 ("EU taxonomy regulation"). As a public-law institution and non-reporting company under the Non-Financial Reporting Directive ("NFRD"), KfW does not fall under the scope of Article 8 of the EU taxonomy, although part of the group, KfW IPEX-Bank, is subject to the disclosure requirements. KfW IPEX-Bank publishes its reports under the EU taxonomy on its → [website](#).

Context of the EU taxonomy

The requirements set out in the EU taxonomy serve to enable a generally valid classification of economic activities within the European Union. Special features of the business model of a public promotional bank with international operations like KfW are not taken into full account in the EU taxonomy. By way of example, the taxonomy does not cover transactions with sovereigns, central banks and supranational issuers, nor does it cover transactions with small and medium-sized enterprises (SMEs), i.e. the majority of financing for the special purpose vehicles (SPVs) used to process a large proportion of renewable energy projects. Based on the current interpretation, the regulations also stipulate that, in cases involving on-lending

promotional programmes, it is not these programmes that are examined for their taxonomy-eligible share; rather, the key figures reported by the on-lending banks are to be taken as the basis. These are not yet available due to the fact that the reports are being made for the first time.

All in all, this considerably restricts the informational value of the taxonomy indicators relevant at present for evaluating KfW's environmentally sustainable business activities, as a large part of its business would be left out of the equation.

Within KfW Group, the established → [environmental share of financing](#) serves as a central control variable for the environmental dimension of sustainability. It indicates how much of our commitment volume across the group is attributable to the "climate change and the environment" megatrend – expressed in relation to the group's total commitment volume over the same period. The environmental share for 2021 came to 53%, outstripping the strategic target of 38% by a wide margin.

Outlook for the EU taxonomy

Programmes based on the EU taxonomy are already being established in the area of domestic promotion, and KfW will continue to evaluate its financing business with regard to the EU taxonomy. Contributing to the transformation of the economy and society to improve economic, environmental and social living conditions remains one of KfW's key priorities. KfW plays an active role in supporting current developments in the EU taxonomy through consultation sessions and statements, as well as in discussions at association level. The evaluation process planned by the European Commission for the further development of the EU taxonomy plays a key role in this regard.

Development of promotion by megatrend

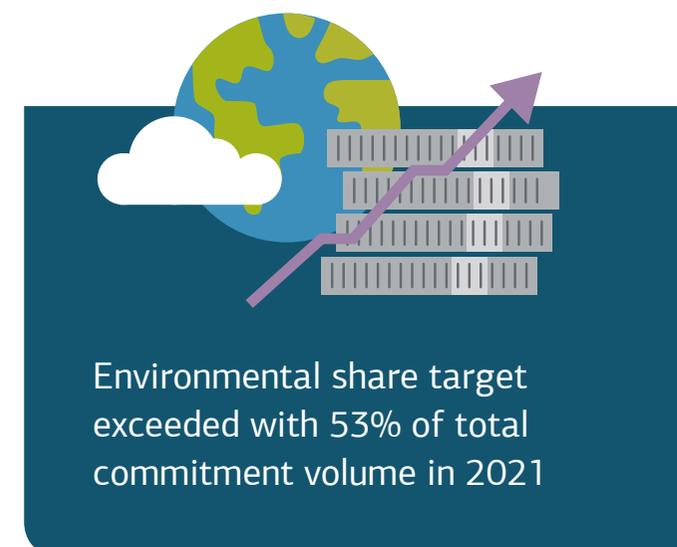
Focus on global challenges

In 2021, KfW Group focused most of its promotional activities on what KfW believes to be the socially and economically important megatrends of "climate change and the environment", "globalisation", "social change" and "digitalisation and innovation", all of which are embedded in its strategic objectives. KfW Group also supported further promotional areas that are not tied to any trends. 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 entrepreneurs in Germany. The non-trend-related promotional area also includes the KfW coronavirus aid, which was also continued in the 2021 reporting year. One exception is KfW Capital's coronavirus aid, which falls under the megatrend of digitalisation and innovation.

In order to address the particular importance of the "climate change and the environment" megatrend, an ambitious target has applied to these promotional areas since 2012. Since 2020, the aim has been for this area to account for 38% of the total promotional business volume. This value was exceeded by far in 2021 with a figure of 53% (58% after adjustments for coronavirus emergency measures).

The → [table on page 69](#) shows how the 2021 commitment volumes of KfW's individual business sectors were distributed among the megatrends defined in the strategic objectives.

The categorisation of the main products offered by KfW Development Bank, KfW IPEX-Bank, DEG and KfW Capital under the four defined megatrends depends on their financing purpose. In the case of KfW Development Bank, for example, climate action and environmental protection projects are categorised under this megatrend. All other financing activities are categorised under the priority area of "poverty alleviation", one of the promotional issues not tied to a trend. Similarly, any financing by DEG and KfW IPEX-Bank from areas other than climate action and environmental action are mainly categorised under the globalisation megatrend. KfW Capital's business, on the other hand, is geared towards the megatrend of "digitalisation and innovation".



KfW Group commitment volume according to business sector and megatrend in 2021, in EUR billion¹


	Business sector: Domestic promotion			Business sector: Export and project finance	Business sector: Promotion of developing countries and emerging economies		Total commitment volume
	Business sector: SME Bank & Private Clients	Business sector: Customised Finance & Public Clients	Business sector: KfW Capital		KfW Development Bank	DEG	
Total commitments	73.0	9.5	0.5	13.6	8.6	1.5	107.0 ²
Including climate change and the environment (environmental share) ³	47.6 (65.2%)	2.3 (24.3%)	0%	2.1 (15.0%)	3.7 (43.1%)	0.4 (26.6%)	56.4 ⁴ (52.7%)
of which globalisation	n/a	0.7	n/a	10.4	n/a	0.7	11.8
of which social change	10.5	1.1	n/a	n/a	n/a	n/a	11.6
of which digitalisation and innovation	1.1	0.7	0.5	1.2	0.1	0.4	4.0
of which non-trend-related promotional issues ⁵	13.8	4.6	n/a	n/a	4.8	n/a	23.2

¹ Differences in the totals are due to rounding.

² Also includes commitments in the Financial markets business sector in the amount of EUR 0.53 billion, of which EUR 0.53 billion is attributable to climate change and the environment, adjusted for the export and project finance commitments from KfW's programme loans.

³ Percentage of total commitments for the business sector or area

⁴ Also includes commitments from the Financial markets business sector in the amount of EUR 0.53 billion

⁵ Including KfW coronavirus aid commitments

The product range for domestic promotional business mainly consists of promotional programmes focused on specific topics. The [→ table on page 70](#) shows the particularly high-volume promotional products for domestic promotional business and lists the respective megatrends to which they are assigned based on the promotional approach.

KfW's largest-volume domestic promotional programmes in 2021 (commitments in EUR billion)


Megatrend	SME Bank & Private Clients	Customised Finance & Public Clients	KfW Capital
Climate change and the environment	Energy-efficient construction and refurbishment programmes (total 41.7): Energy-efficient Construction and Refurbishment programme range (until June 2021) (21.0) Federal Funding for Energy-efficient Buildings (BEG) (as of July 2021) (20.7)	IKK/IKU – Investment Loans for Municipalities/Municipal and Social Enterprises (0.97)	
Globalisation		Refinancing export loans covered by Federal guarantees (0.73)	
Social change	KfW Home Ownership programme (4.0)	IKK/IKU – Investment Loans for Municipalities/Municipal and Social Enterprises (0.99)	
Digitalisation and innovation	ERP Digitalisation and Innovation (1.1)	Smart City financial contribution (0.26)	ERP Venture Capital (0.19) EIF Growth Facility (0.18)
Non-trend-related promotional issues	KfW Entrepreneur Loan (coronavirus aid) (5.5)	Global funding of the promotional institutions of the German Federal States (1.63)	

Non-trend-related promotion

In 2021, KfW again placed a special focus on tackling the coronavirus crisis. Companies, self-employed professionals and freelancers from Germany who needed additional funds during the coronavirus pandemic improved their liquidity with the help of various loan programmes and equity capital support from KfW Group. This also includes KfW Capital's coronavirus aid, which falls under the megatrend of digitalisation and innovation. One focus in international business among non-trend priorities is poverty alleviation through KfW Development Bank.

KfW's flood aid in the reporting year also largely falls into the "non-trend-related promotion" category. In July 2021, KfW prepared an aid programme for municipalities in those Federal States hit by the floods in the amount of up to EUR 500 million at short notice. Cities and municipalities in North Rhine-Westphalia, Rhineland-Palatinate, Bavaria and Saxony were able to take advantage of KfW's "Investment Loans for Municipalities" with a subsidised interest rate of -1.00% to help them repair damage caused by the flooding. Applications from the "IKK Special Programme for Eliminating Flood Damage 2021" can be submitted until 30 June 2022. The programme also provides access to a working capital loan from KfW's "Investment Loan for Municipal Enterprises" programme with a term of ten years for municipally funded companies and non-profit organisations to eliminate flood damage.

A total promotional business volume of EUR 18.4 billion (2020: EUR 59.4 billion) was allocated to non-trend-related promotion in 2021.

SME Bank & Private Clients

The KfW Entrepreneur Loan from the SME Bank & Private Clients business sector provides low-interest financing for projects in Germany to small, medium-sized and large companies, sole traders and freelancers who have been operating their business for at least five years. One exception is the ERP Start-up Loan, which provides low-interest financing for young companies that have been in operation for at least three years but less than five years.

The significantly expanded loan offering due to the coronavirus crisis and the corresponding package of measures put together by the German Federal Government continued in 2021. In 2021, the Instant Loan once again offered all companies that have been in business since 2019, scaled according to number of employees and revenue volume, a loan of up to EUR 800,000 for acquisitions and running costs, for which KfW assumes 100% of the risk.

In this context, it was still possible to apply for an Entrepreneur Loan of up to EUR 100 million for purchases and working capital. KfW assumed up to 80% of the default risk for large companies and up to 90% for smaller companies.

KfW continued to use the ERP Start-Up Loan – Universal to provide loans of up to EUR 100 million with 80% risk assumption for larger companies and 90% risk assumption for smaller companies.

In addition, the interest rate of the KfW Student Loan was set at 0.00% as of 1 May 2020 – limited until 31 March 2021 – and the group of applicants was expanded to include all foreign students.



Customised Finance & Public Clients

As part of the "Direct participation for syndicate financing" special programme, KfW supports domestic and foreign companies that have encountered financing difficulties as a result of the coronavirus pandemic and are looking to finance a project in Germany. EUR 15 billion has been committed since the programme was launched in March 2020. The programme has a fixed term and will run until 30 June 2022.

Small and medium-sized enterprises as well as freelancers can benefit from KfW's favourable refinancing terms for new business acquisitions under the global loan for lease finance.

General funding helps promotional institutions of the Federal States to fulfil their promotional mandates, insofar as these also fall within KfW's statutory mandate. In the dedicated variant of general funding, selected loan purposes are granted special terms and conditions.

KfW also provides the promotional institutions of the Federal States with liability-free global loans as temporary coronavirus special programmes. There are plans to continue with the global loans to support start-ups and small SMEs in the future. KfW also provides working capital financing under the Investment Loan for Municipal and Social Enterprises (IKU) programme.



Promoting urban mobility

At the United Nations Conference on Housing and Sustainable Urban Development – HABITAT III in Quito back in 2016, the German Federal Ministry for Economic Cooperation and Development (BMZ) had launched the "Transformative Urban Mobility Initiative (TUMI)" to promote the expansion of sustainable transport systems in cities in developing countries and emerging economies. Since its establishment, TUMI has evolved into a leading global implementation initiative for sustainable mobility, with other renowned partners joining the initiative alongside KfW and Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ). KfW has since financed projects worth more than EUR 3 billion in a large number of cities in Asia, Africa and South America. 27 million people benefit every day from the transport systems created using these funds. TUMI expects this will save around 1.5 million tonnes of CO₂e emissions every year. One example is the support provided for a transport transition in Lima, the capital of Peru. During the first phase, KfW Development Bank contributed a promotional loan volume of around EUR 200 million to help finance the construction of the Lima metro network, giving the city a high-performance public transport system. The next stage agreed with the city authorities in November 2021 will see KfW contribute EUR 10 million to the construction of cycle path infrastructure in a quest to make cycling more appealing.

Business sector Promotion of developing countries and emerging economies

In order to reduce global poverty, KfW Development Bank has been supporting the German Federal Government in financing and implementing development projects. More than 25% of the funds flowed into projects in the region of Sub-Saharan Africa to combat poverty directly. The measures ranged from investments in modern infrastructure through agriculture to promotion of healthcare and social systems. After a record commitment of EUR 11 billion in 2020, a year dominated by the coronavirus pandemic, commitments in 2021 amounted to EUR 8.6 billion. EUR 2.7 billion of this amount was attributable to the Federal Ministry for Economic Cooperation and Development's Emergency COVID-19 Support Programme. This means that KfW Development Bank once again made a key contribution to stabilising the living conditions of people in developing countries and emerging economies in the reporting year.

In 2021, DEG provided financing for 98 projects in developing countries and emerging economies with a volume of EUR 1.5 billion. Furthermore, more than EUR 62 million was committed for promotional projects, including EUR 23 million for 40 entrepreneurial initiatives to prevent and combat the coronavirus pandemic.



Combating the coronavirus pandemic in eastern India

DEG has already been working with the hospital chain Medica in the east of India since 2014 as part of a site and capacity expansion project. To support Medica's acute pandemic response, DEG pledged financial assistance of EUR 2.9 million to the hospital chain in 2020 and 2021, primarily through the develoPPP programme. These funds are being used to help Medica build the necessary infrastructure and purchase equipment to treat COVID-19 patients. The support allows Medica to create further capacities to treat patients and, at the same time, ensure the necessary safety precautions for its staff. In spring 2021, for example, DEG helped the hospital chain to refurbish a police hospital in Kolkata that had stood empty for 15 years. Renovated in just two weeks, the 300-bed building now serves as a treatment facility for moderate and severe cases of coronavirus. With DEG's help, Medica also converted the site of a sports stadium in Kolkata into a fully equipped, temporary coronavirus hospital for 300 patients.

Climate change and the environment

KfW Group's business activities focus on content related to climate and environmental protection. In 2021, new commitments in this area accounted for 53% of the total promotional business volume at EUR 56.4 billion (2020: EUR 44.4 billion). This makes KfW one of the largest financing partners worldwide for projects that promote climate action and environmental protection. Across all business sectors, KfW supports measures to expand renewable energy, improve energy efficiency and adapt to climate change, as well as to prevent and reduce pollution.

Business sector: SME Bank & Private Clients

The promotional priority area of energy efficiency and renewable energy accounted for the largest share in the Mittelstandsbank (SME Bank) business segment with a promotional business volume of EUR 11.8 billion, followed by corporate investment at EUR 9.9 billion, EUR 5.5 billion of which related to the provision of coronavirus aid.

In 2021, the Private Clients business segment recorded new business volume of EUR 43.4 billion. The promotional business volume in this area related first and foremost to the programmes for energy-efficient refurbishment and construction. Until 30 June 2021, funding was offered as part of KfW's Energy-efficient Construction and Refurbishment (EBS) programme range. It was replaced by the Federal Funding for Energy-efficient Buildings (BEG) with effect from 1 July 2021. The measures aimed at promoting energy efficiency in buildings also include the promotion of the use of energy consultants, who are deployed in energy-efficient construction and refurbishment projects for residential and non-residential buildings and advise and support customers with their investment projects. Their involvement is mandatory in energy-saving funding programmes for buildings.

Business sector: Customised Finance & Public Clients

On behalf of the Federal Ministry for Housing, Urban Development and Building (BMWSB), KfW's Energy-efficient Urban Rehabilitation programme awards grants to municipalities to promote the creation of neighbourhood-based refurbishment strategies and their implementation with refurbishment managers. This programme thus primarily prepares the building-related investments that are supported by the Federal Funding for Energy-efficient Buildings programmes. In addition, the range of loans offered as part of the Energy-efficient Urban Rehabilitation programme promotes investment measures such as the construction and rehabilitation of heating networks and efficiency measures in water supply and wastewater disposal. Since 1 April 2021, funds have also been provided for measures to create and upgrade green infrastructure, water-sensitive design measures and climate-friendly mobility measures in the neighbourhood.

As part of the Federal Funding for Energy-efficient Buildings programme aimed at municipalities, KfW financed the construction of new energy-efficient buildings with low energy requirements and carbon emissions, as well as energy-efficient refurbishment at municipal level in 2021. Overall, the Energy-efficient Urban Rehabilitation and the IKK/IKU Energy-efficient Construction and Refurbishment and Federal Funding for Energy-efficient Buildings programmes accounted for EUR 1.1 billion in new commitments in 2021.

Business sector: Export and project finance

The highest commitments in the business sector Export and project finance – for which KfW IPEX-Bank is responsible – that are attributable to the megatrend of climate change and the environment were EUR 1.31 billion in the Power and Environment sector department. A significant portion of this amount was used to finance wind farms. All in all, the business sector contributed EUR 2.05 billion to the megatrend. This underscores KfW IPEX-Bank's efforts to make a significant contribution to environmental protection and climate action.

Business sector: Promotion of developing countries and emerging economies

In 2021, EUR 8.6 billion in financing was provided to developing countries and emerging economies on behalf of the German Federal Government (2020: EUR 11 billion). 43.1% of financing was earmarked for climate action and environmental protection projects. This underscores the fact that climate finance also remains one of the priority areas of Financial Cooperation. The percentage share has, however, lagged behind the level achieved in previous years in the past two financial years due to the coronavirus programmes.

DEG financed climate action and environmental protection projects totalling EUR 409 million in 2021 (2020: EUR 508 million). One focus was renewable energy projects in Africa, Asia and Latin America designed to promote the generation and use of green electricity in developing countries.

Globalisation

High pressure to innovate, international markets, new partnerships and competitors as well as open labour markets are the characteristics of the globally networked economy. KfW Group pursues the goal of securing the long-term competitiveness of the German and European economy – and therefore growth and employment. To this end, it finances innovative business ideas, supports investments in modern production facilities and finances projects that enable companies to access international markets. In 2021, EUR 11.8 billion (2020: EUR 15.0 billion) in new commitments were related to the megatrend of globalisation.

Customised Finance & Public Clients

KfW provides interested banks with long-term funds for refinancing export loans through the "Refinancing export loans covered by Federal Guarantee" programme – with a volume of EUR 0.8 billion in 2021. It thereby supports German exports and

secures long-term growth and employment in Germany, while giving the partner countries a helping hand with investments – among other things in projects aimed at energy provision and improved health care.



2021 KfW Construction Award for rural housing in Upper Bavaria

KfW Group honours outstanding construction projects with the KfW Construction Award. Successful architecture, cost and energy efficiency, accessibility, comfort and convenience play a decisive role. The [→ first prize in the New Construction category](#) in 2021 went to a project in Münsing on Lake Starnberg in Upper Bavaria. Here, a joint building venture succeeded in replacing a planned conventional single-family residential complex with a concept featuring only two compact structures. Its large roof is reminiscent of the old farmhouse that previously stood on the site and offers space for 24 terraced houses and flats between 72 and 184 square metres in size. Gardens and meadow orchards now enrich the urban landscape, which would otherwise have given way to roads and houses. The work was contracted out by 55 adults between the ages of 30 and 70 who set up a joint building venture for this purpose. The energy for the wooden structure is supplied by a cogeneration unit and a solar energy system.

11.8

7 AFFORDABLE AND CLEAN ENERGY



billion EUR for the priority area of energy efficiency and renewable energy

Business sector: Export and project finance

KfW IPEX-Bank pursues the goal of securing the long-term competitiveness of the German and European economy – and thus growth and employment. With a total volume of EUR 13.6 billion in 2021 (2020: EUR 16.6 billion), it provided project and export finance for medium-sized and large enterprises in key industries. Of this sum, EUR 10.4 billion was related to the megatrend of globalisation.

Social change

Demographic change will pose major challenges for Germany in the decades to come. The aim is not only to maintain the well-developed social protection systems and to adapt infrastructure to the needs of different age groups; it is also a matter of preserving the current level of prosperity with fewer and fewer, but well-qualified workers. KfW Group's education financing helps to prepare young people for the professional demands of the future – and thus to secure Germany's economic strength in the long term. In addition, the bank supports age-appropriate housing modernisation.

SME Bank & Private Clients

In 2021, the main contribution to the megatrend of social change was made by the homes and living priority area with a commitment volume of EUR 6.1 billion. In addition to the Home Ownership programme and the Age-Appropriate Conversion programme, this priority area includes the new Baukindergeld grant introduced in 2018.

Thanks to the Baukindergeld programme, families received support in purchasing their own homes with a commitment volume of EUR 1.8 billion in total in 2021.



Infrastructure for green hydrogen

The use of green hydrogen from wind or solar power facilitates both the transportation of renewable energy over long distances and its storage in large quantities, making it a key component for a successful transition to a more sustainable energy set-up. In line with the Federal Government's national hydrogen strategy, the transportation, distribution and storage of hydrogen is mainly to be achieved using the extensive system of gas grids and gas storage facilities, which are to be converted and expanded to make them fit for purpose. In early 2021, KfW IPEX-Bank concluded a financing agreement for the expansion and operation of the gas transport pipeline network of the German operator Nowega GmbH, providing debt capital of EUR 40 million. The Münster-based company Nowega GmbH is the transmission network operator of a 1,500-km-long gas pipeline system located in the Federal States of Lower Saxony and North Rhine-Westphalia. The financing provided by KfW IPEX-Bank will enable investments to secure the gas supply during peak load periods and to increase efficiency during network operation.

The ERP Start-up Loan can also finance business successions – the programme thus contributes to supporting social (and demographic) change.

Customised Finance & Public Clients

KfW supports social change in the business sector Customised Finance & Public Clients by financing municipal and social infrastructure in Germany. Social infrastructure measures are supported, for example, in the form of direct loans to municipalities for their long-term financing needs via the IKK Investment Loan for Municipalities programme or through on-lending via the IKU programme. In the segment for customised finance for banks and promotional institutions of the Federal States, KfW refinanced promotional institutions of the Federal States through programme-based global loans to help customers purchase residential property in Germany.

Digitalisation & innovation

Digital technologies are an important source of innovation in broad areas of the economy. They are therefore considered a key driver of competitiveness and growth, changing the way people today live, work and communicate with each other. Digital technologies essentially have the potential to trigger social and economic development processes and make them more efficient.

SME Bank & Private Clients

With ERP digitalisation and innovation loans of EUR 1.1 million, the SME Bank & Private Clients business sector financed digitalisation and innovation projects as well as investments and working capital of innovative companies in 2021. KfW can assume up to 70% of the credit risk from the regular bank for these loans, thereby facilitating access to credit funds.

**Improving accessibility in the housing sector**

The Federal Ministry of the Interior and Community (BMI) and KfW provide support for structural measures to improve accessibility in existing residential buildings. Since 2009, almost 500,000 homes have undergone conversion work with the help of the funding, with a commitment volume of EUR 4.1 billion. Typical modernisation measures include the installation of a walk-in shower, the removal of door thresholds or the installation of lifts. The Ministry earmarked EUR 100 million to fund measures to improve accessibility in 2021. EUR 100 million had also been made available for this purpose in 2020; the funding was increased by a further EUR 50 million in connection with the Federal Government's stimulus package.

With the ERP Mezzanine for Innovation product, KfW supports investments and working capital of private companies and freelancers with up to EUR 5 million in each case so that they can carry out innovative projects

6.1

billion EUR for the residential and housing priority area

Customised Finance & Public Clients

Through the KfW Loan for Growth, the business sector promotes investments and working capital for larger projects involving innovation and the digitalisation of commercial enterprises. The Venture Tech Growth Financing product is designed to give young, fast-growing technology companies access to venture debt to scale their business models, thereby providing crucial support for the development of the venture ecosystem in Germany.

Since 2020, the Digital Infrastructure Investment Loan has been promoting broadband expansion on the basis of fibre-optic networks on behalf of the Federal Ministry of Transport and Digital Infrastructure from federal funds at attractive financing terms.

Overall, the megatrend of digitalisation & innovation accounted for EUR 0.7 billion in new commitments in the business sector Customised Finance & Public Clients.

KfW Capital

As a wholly owned subsidiary of KfW, KfW Capital aims to sustainably improve the provision of venture and growth capital to innovative technology companies in Germany. KfW Capital invests in German and European VC funds with support from the ERP Special Fund and the Federal Government's Future Fund, indirectly giving innovative German technology companies better access to growth capital by strengthening the funds' capital base and bolstering Germany's status as a hub for innovation in the process. In addition to its own market business, KfW Capital manages funds of the Federal Government on a fiduciary basis. This includes, for example, business activities conducted for equity investments that KfW enters into on a fiduciary basis for the Federal Government's Future Fund ([→ see box on page 79](#)).



Expansion of the fibre optic network in rural areas

KfW IPEX-Bank finances telecommunications and core infrastructure projects in Europe and around the globe. In financing Unsere Grüne Glasfaser (UGG) – a joint venture between Allianz and Telefónica – KfW IPEX-Bank is driving expansion of the network in Germany. The financing provided for UGG as part of a banking syndicate in 2021 in the amount of EUR 1.65 billion is being used to lay a fibre optic network covering around 50,000 km in rural and semi-rural areas in Germany. It is aimed at providing over two million households with high-speed internet connections. In 2020, KfW IPEX-Bank granted a loan of EUR 104.5 million to finance 'Asterix', a 'fibre to the home' (FTTH) project in France. FTTH networks in France are being expanded in areas with medium-sized populations. KfW IPEX-Bank is thus paving the way for stable Internet and connecting rural areas to the digital infrastructure.

In 2021, commitments by the KfW Capital business sector amounted to a total of EUR 502 million (including commitments made by the European Investment Fund (EIF) under the Federal Government's coronavirus measures package for start-ups and the Future Fund). The commitment volume of the ERP Venture Capital Fund Investments programme, which KfW Capital is implementing with support from the ERP Special Fund, was on a par with the previous year's level of EUR 187 million as planned. Since June 2021, KfW Capital has also been investing in European VC funds, focusing on Germany, via the "ERP/Future Fund – Growth Facility", which was launched as part of the Federal Government's Future Fund. EUR 111 million had already been invested by the end of the year. The EIF also made its very first investments in the context of the Future Fund in the second half of 2021 through the GFF-EIF Growth Facility (GFF = German Future Fund), which was also launched in June, committing EUR 183 million by the end of the year. The capital committed as part of these three programmes will benefit start-ups and young, innovative technology companies in Germany.

Business sector: Export and project finance

The business sector Export and project finance, for which KfW IPEX-Bank is responsible, contributed EUR 1.2 billion to the megatrend of digitalisation and innovation in 2021. The financing is channelled, for example, into digital infrastructure projects and broadband expansion.

Business sector: Promotion of developing countries and emerging economies

The potential of digitalisation is also being increasingly exploited in the FC portfolio. According to an internal estimate, the number of digitalisation projects in FC is around 147, with a total volume of approximately EUR 4 billion (as of 30 June 2021).

Around 10% of the funds are used for what are known as digital components. However, KfW sees itself not only as a financier of digital projects, but also as a source of ideas and a developer of independent innovative solutions. For example, it launched TruBudget, a blockchain application for transparent implementation of public investments. The digital support system for decision-making OSCAR, which was initiated and developed by KfW before the outbreak of the coronavirus pandemic, has established itself as an integral component of the pandemic response in the partner country Nepal, and is likely to also be used in other countries in Southeast Asia in future in cooperation with the WHO.



Start-up financing in Germany

The German government provided a further EUR 10 billion to an investment fund for forward-looking technologies ("the Future Fund") in 2021 and commissioned KfW Group with implementing and managing it. At KfW, it is KfW Capital that is responsible for coordinating the Future Fund, which will primarily benefit start-ups in the growth phase that require substantial capital. KfW Capital will increase the commitment volume for VC funds, growth funds and venture debt funds by EUR 2.5 billion over the next ten years with support from the ERP Special Fund and the Future Fund. This will enable the company to expand its investment focus to include growth financing for start-ups in particular.

KfW in the capital market

KfW Group's very good reputation on international capital markets is based not only on its excellent credit and sustainability ratings, but also on its sense of environmental and social responsibility. 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 and its sound, transparent capital market strategy make it a reliable partner for investors.

The Financial markets business sector activities specifically aimed at sustainability objectives include the following:

- The green bond portfolio
- Sustainability-oriented management of the liquidity portfolio
- Funding via green bonds

The first-named activity is to be classified as promotional business.

Green bond portfolio

KfW began to establish a green bond portfolio under a mandate by the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) in April 2015. The objectives of this portfolio are to finance climate action and environmental protection measures through an instrument based on the capital market, and to contribute to the qualitative development of the green bond market.

The KfW green bond portfolio is a pure fixed-income portfolio with a buy-and-hold approach. In 2021, a target volume ranging from EUR 2 to 2.5 billion was set for green bond portfolio fluctuation until 2023.

The promotional mandate of the Federal Ministry for the Environment stipulates compliance with minimum criteria that align with the [→ Green Bond Principles \(GBP\)](#). The minimum criteria refer to the project categories (for example, renewable energy, energy efficiency, environmentally friendly transport projects and biodiversity), including the statement of objectives and expected impacts from projects, the process of project selection, funding delimitation, reporting and qualified verification by a third party (for example, in the form of a "second-party opinion"). No funds are provided for measures intended for commercial electricity generation from nuclear energy or coal, and [→ KfW's bank-wide exclusion list](#) is upheld.

To ensure compliance, KfW checks for adherence to the minimum criteria before each investment and uses an internal assessment scheme to categorise green bonds. In the year under review, the assessment scheme was expanded to also better consider the all-encompassing focus of green bond issuers on climate protection and sustainability. KfW also analyses reporting after each investment. Based on the information provided by the respective issuer, KfW examines whether the use of funds is explained in a transparent manner and indeed fulfils the promotional purpose. If the issuer fails to use the funds appropriately, KfW reserves the right to terminate the investment.



Beyond that, KfW supports the qualitative development of the green bond market. The objective is to advance the establishment of ambitious market standards for green bonds in dialogue with other market participants such as issuers, independent third parties or market initiatives. The GBP play a particularly important role here. As an investor, KfW is a member of the GBP Executive Committee, a coordinator of the Impact Reporting Working Group and a member of the Climate Transition Finance and Sustainability-linked Bonds Working Groups.

The Federal Ministry for the Environment receives an annual report about market and portfolio development and the accompanying activities. KfW's Executive Board is informed about the portfolio's development on a monthly basis. As of 31 December 2021, the volume of the green bond portfolio was EUR 2.2 billion.

The liquidity portfolio

KfW's liquidity portfolio is part of its bank-wide liquidity management activities. This portfolio is a pure bond portfolio, which comprises only bonds from public-sector issuers and supranational organisations as well as bank bonds, Pfandbriefe (German covered bonds) and asset-backed commercial papers (ABCP)/asset-backed securities (ABS), which have an investment-grade rating. As of 31 December 2021, the liquidity portfolio amounted to EUR 32 billion.

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

1. Integration of ESG criteria

When selecting investments for the liquidity portfolio, KfW has taken into account the issuers' sustainability assessment based

on environmental, social and governance (ESG) criteria in addition to their credit rating since 2008. This sustainable investment approach for the liquidity portfolio is based on a best-in-class approach. All issuers are assigned to the respective sectors in the liquidity portfolio (financial institutions, countries and automobiles for ABS) and evaluated in comparison with other companies against ESG criteria. This evaluation is based on the sustainability assessments performed by an SRI rating agency. According to the best-in-class approach, bonds are purchased only from issuers whose sustainability rating is among the top 50% of their sector.

2. Exclusion criteria

In addition to the ESG criteria, exclusion criteria are also considered in the process for investment decisions. This is intended to ensure that no funds provided by KfW to issuers can flow into projects which, from our perspective, are likely to have an unacceptable negative impact on certain environmental and social aspects. The exclusion criteria are aligned with the [→ IFC Exclusion List](#) (an exclusion list issued by the International Finance Corporation (IFC), a member of the World Bank Group) and with [→ KfW's bank-wide exclusion list](#). Exclusion criteria are not considered for bonds of sovereign issuers or bonds issued by central, regional or local authorities.

3. Engagement

Since KfW does not hold any shares relating to its securities investments and therefore is not able to actively exercise any voting rights to steer these companies towards more sustainability, its primary approach when dealing with these issuers is to focus on voluntary dialogue. As part of this strategy, KfW provides issuers with regular information on their sustainability ratings and their standing compared with other companies in their sector. The aim is to send a strong signal to these issuers that their sustainability rating is a relevant criterion when considering potential investments in KfW's liquidity portfolio.

"Green Bonds – made by KfW"

With its many years of experience and excellent reputation as an issuer, KfW provides important new impetus on the capital markets. KfW has been issuing green bonds in different currencies since 2014, offering investors the opportunity to specifically combine the typical security and liquidity features of KfW bonds with promoting climate action and environmental protection.

As a pioneer in the market, KfW aims to continue to reinforce the "green" market environment internationally and attract sustainability-oriented investors. KfW uses its "Green Bonds – made by KfW" to encourage investments in sustainable and climate-friendly projects in order to make a quantifiable contribution to climate protection and as a result also achieve its sustainability objectives.

The second update to its KfW Green Bond framework, which has applied since January 2022, has allowed KfW to expand its underlying project categories. The framework's two existing project categories – "renewable energy" and "energy efficiency" – have been joined by the project category "sustainable mobility". This includes investment loans for companies and municipalities to finance sustainable mobility and as a result entails a high level of ambition for sustainable investments. Climate-friendly passenger cars and heavy vehicles, carbon-free public transport and even infrastructure for climate-friendly transport are all examples of projects eligible for support.

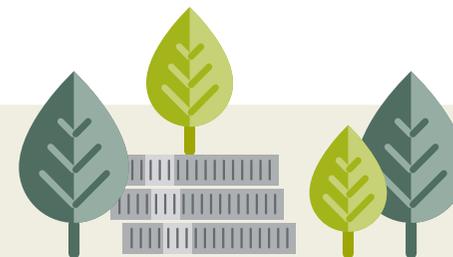
The new KfW Green Bond framework also takes into account the GBP published in June 2021 and carries a second-party opinion from CICERO Shades of Green. In view of the potential introduction of a regulated European green bond standard and an EU taxonomy for environmentally sustainable economic activities, statements regarding the respective status of implementation of the EU taxonomy have been incorporated into the new framework for the underlying credit programs.

In 2021, KfW issued 37 "Green Bonds – made by KfW" in 13 currencies with an equivalent value of EUR 16.2 billion (including 15 top-ups of existing bonds). This accounted for 19.6% of the total new issue volume in financial year 2021 – a new record. KfW is one of the largest issuers of green bonds worldwide, with a total outstanding volume of around EUR 38 billion by the end of 2021.

Transparency in how funds are used

KfW offers the highest degree of transparency with its "Green Bonds – Made by KfW": the use of the funds, which correspond to the net proceeds from the green bonds, is regularly monitored and annually [published](#). KfW also reports regularly on the environmental and social impact of its projects that are part of the green bond framework.

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



37 green bonds issued for the equivalent of EUR 16.2 billion in 2021

Environmental impacts

Based on existing environmental and social impacts of projects financed by KfW in the years 2014 to 2020 and subsequently evaluated by an independent external research institute, KfW estimates the environmental impacts of its green bonds as follows (based on the pro-rata financing share):

- The green bonds issued in 2021, with net proceeds of EUR 16.2 million, contribute to reducing greenhouse gas emissions by an estimated 1.8 million tonnes of CO₂ equivalents annually. This represents a reduction of 109 tonnes of CO₂ equivalents for every EUR 1 million issued.
- The financed renewable energy projects will create new electrical power generation capacity of an estimated 2,000 MW_{el} per year (0.1 MW_{el} per EUR 1 million), which will supply an estimated 3.3 million MWh of electricity per year (206 MWh per EUR 1 million).
- In addition, the projects financed contribute to estimated annual energy savings of 150,000 MWh. This means that 9.3 MWh are saved with an issue volume of EUR 1 million.

Moreover, the projects financed contribute to securing or creating an estimated 190,000 jobs or thereabouts per year. This translates into 12 jobs per year for every EUR 1 million of issue volume. The actual environmental and social impacts may differ from these estimates. The impact report slated for the end of June 2022 will provide further details.

All projects associated with KfW green bonds issued in 2021 share the common feature that they contribute to at least one of the following three United Nations SDGs: "Affordable and clean energy" (SDG 7), "Sustainable cities and communities" (SDG 11) and "Climate action" (SDG 13).

Environmental and Social Impact Assessment (ESIA)

In order to fulfil KfW Group's promotional mandate 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 all export and project financing, to an Environmental and Social Impact Assessment (ESIA). This commitment is set out in the sustainability guidelines issued by [→ KfW Development Bank](#) and [→ KfW IPEX-Bank](#) and is also a mandatory requirement under the [→ DEG Guideline for environmental and social sustainability](#).

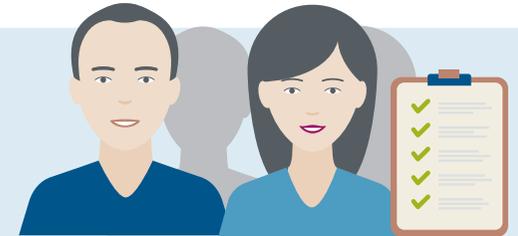
The ESIA is an integral part of preparing, appraising and monitoring projects at KfW Group and is performed according to similar processes and standards in the three organisational units mentioned above.

One component of the ESIA is risk screening, which assigns the risks to risk categories. The screening is followed by an in-depth appraisal. If this shows that international environmental and social standards in some areas have not yet been adhered to, measures for action to rectify the situation are defined. The implementation of the measures as well as regular reporting and review of their implementation are contractually agreed with the partners.

KfW Group's ESIA process is based on environmental and social standards that are consistent with internationally recognised benchmarks. These include the following:

- For public-sector borrowers and project-executing agencies: the most recent version of the [→ World Bank Group's Environmental and Social Standards \(ESS\)](#)
- For cooperation with the private sector, the Green Climate Fund and financing under the International Climate Initiative (IKI) the [→ International Finance Corporation's Performance Standards \(IFC PS\)](#)
- For commercial export and project finance: the [→ Equator Principles](#) and the [→ International Finance Corporation's Performance Standards \(IFC PS\)](#)

In addition to the mentioned standards, the assessment of human rights also forms an integral part of the ESIA for all types of project. In the case of co-financing projects, other standards can be applied provided they are at least equivalent to the aforementioned standards at the corresponding sub-bank within the group.



There are 59 experts responsible for ESIA's at KfW Group.

Overall there are currently 59 experts (FC: 46, of which 24 are in the Environmental and Social Impact Competence Centre (including for IPEX ESIA), DEG: 13) responsible at KfW Group for implementing the ESIA requirements from the respective sustainability guidelines. In 2021 KfW Development Bank started its extensive restructuring efforts, as announced the previous year, to increase the number of environmental and social experts for reviewing and monitoring environmental and social risks. Out of a total of 46 experts, 24 work in the Environmental and Social Impact Competence Centre. In FC projects with high and significant ESIA risks, they work in the project team and in close cooperation with the current 22 environmental and social experts in operational project teams. At the same time, the competence centre conducts comprehensive training for the growing number of employees at the development bank. In addition, the experts from the competence centre advise the operational units of IPEX-Bank on compliance with their Sustainability Guideline.

All new employees and graduate trainees at KfW Development Bank, KfW IPEX-Bank and DEG receive training in the processes and standards for ESIA. Refresher courses are held every three years for employees responsible for the ESIA under the credit process; follow-up training is provided in the event of significant changes. Furthermore, there is a separate mandatory training course on protecting human rights as part of the orientation events for new KfW Development Bank employees; the course is held four times a year. In 2021, KfW Development Bank trained its managers (team leaders and department heads) in ESIA once again. The team leaders are kept up - to - date in a regular key subject group on the latest environmental and social issues and

they in turn contribute their questions from the field, thereby further contributing to ongoing joint learning. A total of 418 KfW Group employees received ESIA training in the year under review.

The 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 and C (or B+ or B at DEG and for FC, or B as appropriate and B at IPEX-Bank) according to international standards. The results are subject to an internal review that is independent of the respective front-office department. The categorisation determines the content and extent of the assessment.

The assessment by KfW is based on environmental and social impact studies, any requisite sectoral studies (for example, on resettlement requirements or biodiversity conservation), and documentation of compliance with national legislation. These documents must be submitted by the borrowers. To assess social concerns 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.

Human rights due diligence in supply chains as a requirement of the National Action Plan on Human Rights (NAP) is assessed and tracked through the application of international environmental and social standards.

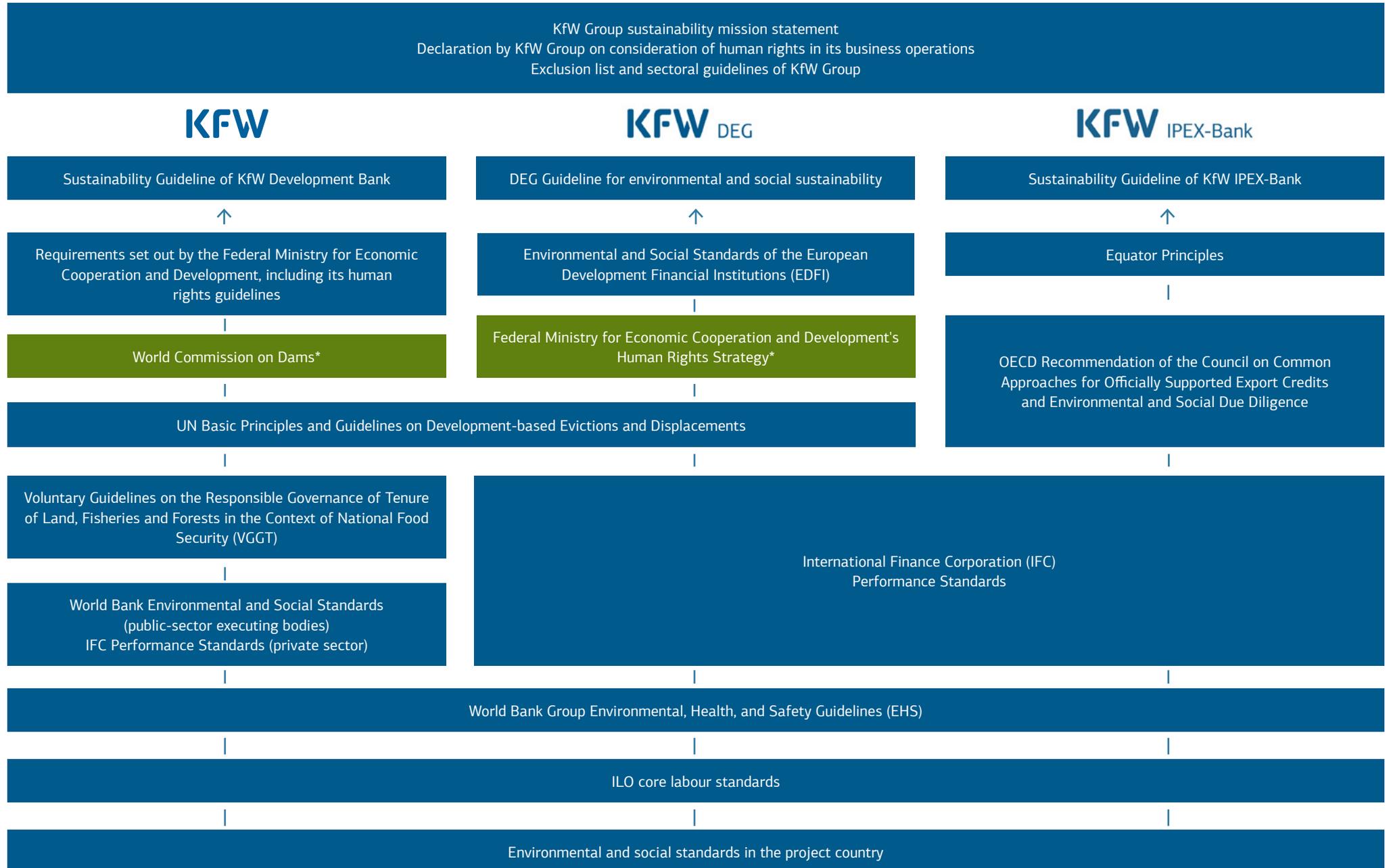
Measures are usually defined in an action plan if shortcomings are identified during the assessment. These then have to be implemented by the project partner or financed enterprise in an effort to prevent unwanted environmental or social impacts or at least bring them down to an acceptable level or balance out any residual effects. If resettlement measures cannot be avoided, a Resettlement Action Plan (RAP) must be drawn up for those affected. At the very least, the RAP must ensure that the livelihoods of these people are restored. KfW requires the project partners or financed enterprises to regularly provide detailed reports about the implementation of the agreed measures.

As part of the transparency initiative, KfW Development Bank has further increased the amount of information it makes available to the public. The information on the environmental and social risk classification of all projects has been published on the transparency portal since mid-2019. A brief summary of the results of the Environmental and Social Impact Assessment has also been published since the beginning of 2020. DEG's publication guidelines revised in 2020 stipulate that for larger land-based projects in the renewable energy and agriculture sectors, a summary of the environmental and social action plan must be published on the respective company's website.



585 projects planned by the KfW Development Bank, IPEX-Bank and DEG are subject to ESIA risk categorisation

Standards to be applied in KfW Group's Environmental and Social Impact Assessments



*Standards flagged with an asterisk are used for orientation. The other standards must be used in the ESIA.

Climate assessment

In addition to the ESIA, KfW Development Bank applies climate mainstreaming to all projects, looking at adaptation to climate change and climate action. Climate mainstreaming was introduced in 2020 to replace the assessment of climate change adaptation and mitigation previously employed until 2019.

Climate mainstreaming aims to incorporate climate change into the design and implementation of all projects and to address the challenges of climate change mitigation and adaptation more effectively. Climate mainstreaming is applied to all FC projects and is described in detail in KfW Development Bank's updated Sustainability Guideline. Similar to other parts of the Sustainability Guideline, climate mainstreaming has been transposed into an internal process and employees are trained on an ongoing basis in how to apply it.

Project categorisation of potential environmental and social risks of newly committed financing in 2021

	Risk category A (high)	Risk category B (medium)	Risk category C (low)
KfW IPEX-Bank	11	41	158
KfW Development Bank	24	198¹	57
Non-financial sector	9	152	46
Financial sector	15	46	11
DEG	25	63	10
Non-financial sector	11	31 ²	2
Financial intermediaries	14	32	8

¹ A total of 59 of the 198 projects in risk category B (moderate risk) were assigned to sub-category B+ or FI/B+ (significant risk).

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



All projects planned by KfW Development Bank undergo a climate assessment

Complaint mechanisms

KfW Group uses incoming complaints as a vital customer-feedback tool to optimise processes and services. In this approach, KfW bases its work on the BaFin minimum requirements for complaint management. Individuals – be they customers, potential customers or financing partners – who are not satisfied with a KfW service are able to submit critical feedback to KfW either by telephone, in writing or online using a complaint form. Each complaint is responded to individually. The central Complaint Management team coordinates clarification of the matter involving all necessary departments at the bank and makes sure the case is dealt with immediately. Complaints are evaluated quarterly and reported in the form of key findings to the Executive Board. Should the analysis process uncover any recurring problems, these are addressed to make KfW's services even more customer-friendly.

An external ombudsman serves KfW Group as a point of contact for all employees of KfW Group and third parties where they can submit information about possible compliance violations → [KfW whistleblower system](#).

KfW IPEX-Bank complaint mechanism

KfW IPEX-Bank offers the option of submitting a complaint to this e-mail address: → ComplaintsOffice-KfWIPEX@kfw.de or via the → ["Principles of complaint management at KfW-IPEX Bank" web page](#).

For complaints that can be classified under sustainability or as environmental and social concerns, the complaint form on this web page offers assistance and classification in various languages. The complaint can be submitted anonymously.

Furthermore, a whistleblower system is in place for potentially criminal activities (ombudsperson). KfW IPEX-Bank provides information to the Management Board on an ad hoc basis. Any sensitive cases, in particular potentially criminal activities or misconduct by KfW IPEX-Bank employees, can be raised – also anonymously – with the external ombudsperson.

IPEX-Bank received one complaint in 2021 about the Coastal Gaslink project in Canada. The complaint mainly concerned the lack of "free, prior and informed consent" of those affected and the impact of natural gas on the climate. Processing of the complaint was completed in 2021.

KfW Development Bank complaint mechanism

KfW Development bank has been working on further improving its procedures since 2020, revising its complaints management system in this process. Its revision is based on the United Nations Guiding Principles on Business and Human Rights (UNGPs). The initial results of this revision are described in [→ KfW Development Bank's first complaints report](#), published for 2020. In publishing the complaints report, KfW Development Bank contributes proactively to greater transparency. The complaints report is to be published annually from now on. In addition to information on the complaint mechanism, the report also contains an overview of all complaints received in 2020 and their processing status. It also contains selected complaint examples besides statistical evaluation of complaints by issue, sector and country. In light of comprehensive complaints reporting, the sustainability report will refer in this context to the complaints report in future. KfW Development Bank will continue to report on the development of its complaints management.

DEG complaint mechanism

DEG has an independent complaint mechanism. This option can be used by any person who believes they have been adversely affected by a project co-financed by DEG. An external committee of three independent, international experts (independent expert panel (IEP)) assesses the situation and decides whether arbitration proceedings are initiated in permitted cases or if a compliance assessment should be carried out. DEG set up this mechanism together with the Dutch development financier FMO in 2014. The French development bank Proparco joined in 2018. One new complaint was filed and accepted in the 2021 reporting year. Information on existing complaints is available on the [→ DEG website](#). The IEP also publishes an annual report on its work.

KfW Capital complaint mechanism

The central Complaint Management team, created in 2021, coordinates clarification of cases, involving all relevant departments at KfW Capital; it also ensures the issues are promptly handled. The central Complaint Office can also be contacted by post at the KfW Capital business address or online at the central e-mail address: [→ beschwerde-kfw-capital@kfw.de](mailto:beschwerde-kfw-capital@kfw.de). KfW Capital received no complaints in 2021.

Moreover, KfW Capital introduced a confidential whistleblower system. This allows confidential reporting and receipt information on suspected compliance violation. The heart of this whistleblower system is appointment of an external ombudsman whom whistleblowers can confidentially contact to report any suspicious circumstances. Information directly referring to KfW Capital is forwarded to KfW Capital's Compliance department in anonymised form, if necessary. This permits KfW Capital to systematically handle such information.

Project evaluation

KfW Group has select domestic promotional programmes regularly evaluated by external independent research institutes to determine their promotional effectiveness. The most relevant promotional programmes in terms of volume and focus are usually selected for evaluation. The aim of the evaluations is to determine the promotional impacts and the effectiveness of the respective programme. The evaluation results are 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 impacts to be measured. This often includes comprehensive empirical surveys.

At KfW Development Bank, Financial Cooperation projects are evaluated by a staff unit that reports directly to the Executive Board. The framework for the actual evaluation process is defined by work instructions, technical notes, and sample outlines and processes. Each year, around half of all FC projects that have been completed in the past three or so years undergo an ex post evaluation. The projects are selected in the form of a sectorally layered, 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, coherence, effectiveness, efficiency, development impact and sustainability.

The projects are assessed on the basis of an evaluation strategy drawn up at the beginning with an adapted methodology as a rapid appraisal with on-site missions for data collection. If sufficient information is available, desk assessments can be performed. If, for instance, on-site missions are not possible due to travel bans, remote methods are developed. Selected projects are already evaluated during implementation. The [→ evaluation reports](#) are available to the public. The Executive Board is also informed of the results of each individual evaluation.

Due to the coronavirus pandemic, the majority of all evaluations are currently being conducted remotely, with increasing use of open source and open data to plan evaluator field inspections and to triangulate the results of ex post evaluation. One focus is on the evaluation of geodata, in which satellite data is mapped to project sites, allowing observation of the actual on-site situation over long periods of time (> 20 years). Also, virtual project inspections and hybrid meetings with project stakeholders are carried out in cooperation with local evaluators. Furthermore, the evaluation department analyses evidence for the operational areas that is relevant for the design of new projects in the context of the pandemic. A new digital knowledge portal (QUER) has made evaluation results as of 2007 easier to access and assess for all staff. The aim is quicker access to learning experiences.

DEG uses the Development Effectiveness Rating (DERa) system to rate the effectiveness of its projects in terms of promoting local development and contributing to the SDGs. The rating builds on international best-practice approaches by mainly using quantitative and harmonised indicators. The development contributions made by each client are evaluated in five effectiveness categories based on the SDGs: fair and decent jobs, local income, market and sector development, environmental stewardship and community benefits. The results of the evaluation are annually published [→ online](#). In 2021, the DERa score for the DEG portfolio was 78 points, which is above the 75-point average that is considered a good score.



Due to the coronavirus pandemic, all evaluations are currently being successfully conducted remotely.

Customer orientation

KfW Group uses a number of different channels to meet the high information requirements of its customers and other interested parties. KfW's infocentre answered a total of 1.1 million enquiries in writing and by telephone in 2021. This is proof of the customers' high degree of interest in KfW domestic financing offers.

A total of 36% of all queries concerned education, 55% related to housing and 9% to commercial financing.

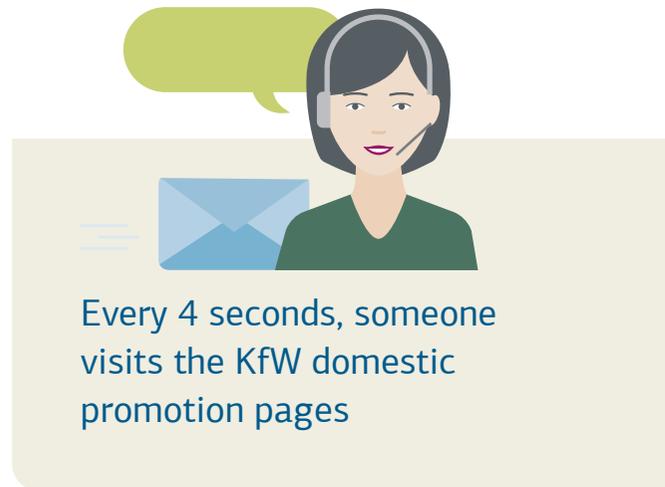
The kfw.de website is the first port of call for obtaining information on promotional opportunities. 93% of all kfw.de hits are attributable to the domestic promotion pages (including the grant portal). Whether private individuals, companies, public institutions or business partners – all interested parties can find information on our products and services of relevance to them by target group and topic.

By the end of 2021, more than 12.6 million users had accessed the kfw.de domestic promotion pages and visited the website twice on average, boosting visits by more than 8% over 2020, even though last year's figure was already an all-time high due to the coronavirus aid offering. Hits even surged by 31% over the previous year.

This increase was driven by strong interest in the new promotion of charging infrastructure and a significantly greater interest in photovoltaic systems. The Federal Funding for Efficient Buildings topic also generated a considerable upsurge in website visits in mid-year. Interest in coronavirus aid pages declined in contrast. In addition to the grant portal for KfW grant products, interested parties also have the option of preparing loan applications.

The preliminary application app – "KfW promotional assistant" – developed for the KfW Special Programme helps customers prepare for bank consultation. It helps them select the promotional program, structure the promotion they desire and furnish the customer information required. More programs from the commercial promotional environment were added to the KfW promotional assistant last year. To date, more than 145,000 preliminary applications have been filed using the KfW promotional assistant, amounting to a total volume of EUR 35.1 billion.

What is more, the online consultation appointment request system (BAN) has been available since 2013 to smooth the way to a financing partner. Thanks to the KfW's digital on-lending system Bankdurchleitung Online (BDO), KfW's financing partners can confirm the eligibility of an investment project to the customer electronically, even during the consultation, and reserve the prevailing interest conditions. By year-end 2021, over 14,000 customers used this option to request an appointment with up to three KfW financing partners online for the majority of on-lent promotional products. After the coronavirus-induced peak in 2020, when many corporate clients used BAN right at the start of the pandemic, usage figures declined again in 2021 by 63% and are thus just below the 2019 level. There were, in particular, fewer queries regarding corporate financing. However, this can be regarded as a positive development in light of the recently launched promotional assistant, which has meanwhile replaced the online consultation appointment request system on many web pages as the recommended next step on the road to promotion.





On 30 October 2019, KfW's website was extended to include a chat bot function, enabling the bank to hold digital conversations with its customers on the website. It automatically responds to standard questions on kfw.de – particularly those related to the high-volume business – round the clock (including Sundays and public holidays) without users having to wait. The application was developed in cooperation with customers in "use labs" and has been continuously optimised to meet customer needs.

Customer satisfaction with the domestic promotional business is assessed in [→ KfW new customer monitoring](#) (German only). 1,500 sub-borrowers and grant recipients are surveyed every month to yield a representative picture of their opinions. Along with the external evaluations of the promotional programmes (see [→ Project evaluation, page 91](#)), their feedback provides valuable information on how products, processes and services can be aligned more closely with market requirements. Once again, the 2021 results show that KfW scores far higher than the industry average in the categories of customer satisfaction and loyalty for the private customers of banks and savings banks. It received particularly positive feedback from recipients of "Charging stations for electric cars on residential buildings" grants. More than 80% responded that they were completely, or very, satisfied with KfW overall.

They commended in particular the user-friendliness of KfW's grant portal, via which they filed their application. With the launch of KfW's coronavirus aid, the scope of the customer survey was expanded in cooperation with KfW Research to include [→ standardised monitoring of coronavirus aid customers](#) (German only). Customer satisfaction with KfW's coronavirus aid programmes (Entrepreneur Loan, Start-up Loan, Instant Loan) was again very high in 2021: nearly 90% gave KfW the highest satisfaction ratings. The fast and streamlined application processes were particularly impressive. The feedback from more than 6,000 online interviews shows that simplifying the products and speeding up the digital application processes made it possible to respond exactly to the needs of coronavirus customers.

Barrier-free service

KfW Group pressed ahead in 2021 with its efforts to remove all barriers. The group focused in particular on its website kfw.de:

- the KfW website was designed in plain language by translating main content into an easily comprehensible style and publishing it on a [→ page especially designed](#) (German only) for that purpose.
- Any significant programming weak points were eliminated and the code successfully applied.
- A number of different KfW Group editorial teams continuously update and regularly monitor all content pages.
- Further improvements to accessibility are also ongoing, as are updates to the accessibility statement.

32 new tasks/criteria for auditing accessibility have applied since the previous year. This thus raised the accessibility target level. The Federal Monitoring Centre for Accessibility of Information Technology (Bfit-Bund) rated kfw.de as 76% barrier-free based on the pages it tested in the most recent audit in early 2021. KfW is in discussion with Bfit-Bund on the audit findings. Such dialogue is aimed at correctly interpreting the results, integrating accessibility into the work plan and fully incorporating them into targets. On the basis of the project's progress, the audit findings and the extended audit criteria, KfW will carry out further improvement measures in 2022, for example, putting the contrast-enhancing style guide developed in 2021 and the sign language video into operation.



Launch of the KfW website
in plain language



Other key business figures

Key corporate figures for KfW Group

	2017	2018	2019	2020	2021
Operating result after valuation (before promotional expense), in EUR million	1,669	1,834	1,503	691	2,575
Profit/loss from operating activities (before promotional expense), in EUR million	1,667	1,839	1,549	688	2,541
Consolidated profit, in EUR million	1,427	1,636	1,367	525	2,215
Total assets, in EUR billion	472.3	485.5	506.0	546.4	551.0
Volume of lending, in EUR billion	471.7	483.5	486.2	543.1	564.2
Volume of business, in EUR billion	572.2	590.7	610.7	674.1 ¹	686.9
Equity, in EUR billion	28.7	30.3	31.4	31.8	34.2
Tier 1 ratio, in %	20.6	20.1	21.3	24.1	23.9

Comparison of KfW Group's total commitment volume, in EUR billion

KfW Group²	76.5	75.5	77.3	135.5	107.0
Domestic promotional business³	51.8	46.0	43.4	106.4	82.9
SME Bank & Private Clients	42.4	36.3	36	86.3	73.0
Customised Finance & Public Clients	9.3	9.5	7.2	19.2	9.5
KfW Capital	0.1	0.1	0.2	0.9	0.5
Capital markets	1.3	1.5	1.5	0.4	0.5
Export and project finance	16.1	13.8	17.7	12.4	13.6
Promotion of developing countries and emerging economies	8.9	9.8	10.6	12.4	10.1
of which KfW Development Bank	7.3	8.2	8.7	11	8.6
of which DEG	1.6	1.6	1.9	1.4	1.5

¹The comparative figure for financial year 2020 was subsequently adjusted by EUR 332 million for full recognition of all trust activities.

²Adjusted for commitments made in Export and project finance with funding from KfW programme loans (2017: EUR 372 million, 2018: EUR 245 million, 2019: EUR 175 million, 2020: EUR 468 million, 2021: EUR 212 million)

³The restructuring of domestic promotion in 2020 has led to changes in the breakdown of corporate figures for the individual business sectors.



Banking operations

Banking operations

How we ensure in-house environmental protection

Review

KfW Group intends to implement its environmental and social standards in its own operations as well as in its core business. In so doing, we are focusing on our supply chain as well as further developing our own processes and reducing our consumption. KfW assessed its tier-A suppliers on their sustainability commitments once again in reporting year 2021.

Highlights

Expansion of **charging infrastructure for electric cars** at a total of 117 Frankfurt site charging stations

Optimisation of water consumption by upgrading the Frankfurt site outdoor irrigation systems and rainwater harvesting technology

Review of **sustainability commitments of 48 key KfW suppliers**

Outlook

Measures are planned for optimising energy and water consumption in order to reduce the environmental footprint of our daily work activities even further. KfW is also actively dealing with the new Supply Chain Act (Lieferkettensorgfaltspflichten-gesetz – "LkSG") in order to further develop its own supply chain management on the basis of external and internal standards.

Goals

Implementation of **risk and portfolio analyses** of KfW suppliers with a view to sustainability aspects

Revision of **sustainable banking governance structures**

Reduction of internal consumption in building operation at the Frankfurt, Berlin and Bonn offices by replacing technical equipment and lighting

A structured approach to environmental protection

For KfW Group, climate and environmental action in banking operations means minimising natural resource use, preventing waste and protecting air, water and soil.

The sustainability guidelines for in-house environmental protection at KfW Group have been a key component of environmental management at the group companies and offices since October 2012. KfW Group's environmental management is subject to ongoing evaluation and review by the responsible departments. The GEFMA 160 standard is thus used as the framework for documenting and assessing Central Services activities. An assessment and an update were carried out in the first quarter of 2021. Activities recorded in the framework were also mapped to the SDGs.

KfW coordinates its environmental activities across the group via a central sustainability management system; specific objectives and measures are laid down in the current Sustainability Programme ([→ chapter on sustainability strategy, page 31](#)).

KfW includes all its own buildings throughout Germany as well as all other rented buildings whenever possible in its in-house environmental data. The employee consumption figures are based on a different set of numbers than the figures in the "Employees" chapter. As such, the section on the company's operational impact on the environment considers both full-time KfW Group employees and long-term contractors at the company's offices as they also contribute, for instance, to energy and water consumption and waste creation. Therefore, the figures listed below relate to 8,435 people (2020: 7,946).

Negative environmental impacts directly caused by KfW's business activities tend to be limited. However, KfW is aware of its responsibilities for climate action and environmental protection and thus continually works to further reduce possible negative impacts caused by its banking operations. Furthermore, anchoring extensive internal environmental management as part of the group's overarching sustainability management system is a matter of course for KfW. This environmental management system applies to the entire group with all of its employees and for all of its offices.

Through the group's ongoing commitment to in-house environmental protection, the aim is to reduce the consumption of energy, water and paper, and the production of waste, while also cutting the number of business trips per employee.

A further focus is on KfW's contribution to local biodiversity at its sites. The company has created green spaces at all sites to this end; for example, KfW plants greenery on its flat roofs wherever possible. This creates not only important habitats for flora and fauna species in urban areas; green roofs also contribute to cooling urban climates. In 2022, KfW is investigating the possibility of converting the Berlin office roof into a green roof.

Five bee colonies have been established on the wildflower meadows sown at KfW and DEG in Frankfurt and Cologne. Managed by KfW Stiftung, this project is also accessible to the public.

Energy consumption

A core objective of in-house environmental protection is to continually increase the share of renewable energy sources – where economically viable. To achieve its objectives, KfW Group uses its own photovoltaic, solar and geothermal systems, cogeneration units and wood pellet systems. It taps any potential for expansion in the process. An assessment of expanding the photovoltaic system at the Bonn location was concluded in 2021. The 'Heating and cooling system conversion' project includes plans to create photovoltaic areas starting in 2023 for generation of around 450 kilowatts peak (kWp).

As an additional measure, all buildings owned or rented by KfW are fully powered with certified green electricity. The same goes for KfW's external data centre. The operating time of the cogeneration unit at the Frankfurt site was increased considerably by optimising system operation. This also resulted in a slight increase in natural gas consumption at that location in 2021.

Energy consumption of KfW Group in Germany in megawatt-hours

	2017	2018	2019	2020	2021
Green electricity (100%)	24,169	23,962	21,928	22,452	21,961
Cogeneration unit ¹ (electricity, own use)	2,023	1,549	2,486	2,984	3,635
Photovoltaic (own use)	8	15	14	15	13
Photovoltaic (fed into grid) ²	-68	-73	-71	-73	-66
Emergency power generators (diesel)	5	7	51	75	5
Natural gas	19,013	18,185	18,936	19,266	24,459
Heating oil	0	265	0	0	0
District heating	1,281	2,042	1,459	1,025	1,488
Solar thermal energy	11	12	0	0	0
Wood pellets	286	604	306	306	820
Total	44,773	45,092	42,694	43,139	48,746
Per employee	6.03	5.9	5.5	5.4	5.8

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.

Business travel

Only business trips which were absolutely necessary were taken in 2021. The number of kilometres travelled and related energy consumption declined further in the reporting year. This can be attributed particularly to the coronavirus pandemic and the resulting decrease in business trips as well as the increase in mobile working.

A total of 57 electric or hybrid cars were available in the fleet in the year under review. KfW Group aims to further strengthen the trend towards comparatively lower-emission modes of transport for business trips. The company car policy renewed in this context in 2020 was well received. We expanded the charging infrastructure at the Frankfurt site in 2021.

Business travel at KfW Group¹ in thousands of kilometres

	2017	2018	2019	2020	2021
Car (petrol) ²	301	278	231	375	1017
Car (diesel) ²	5,031	4,632	4,146	3,111	2,371
Car (natural gas) ²	0	32	79	130	130
Electric vehicles	95	176	207	n/a ³	n/a ³
Train ⁴	5,427	5,072	6,194	2,111	896
Flights (domestic) ⁵	5,077	5,253	4,172	795	263
Flights (continental) ⁵	5,697	5,464	5,184	899	757
Flights (intercontinental) ⁵	48,976	52,420	47,383	10,062	7,838
Total	70,605	73,327	67,596	17,483	13,272
Per employee	9.5	9.6	8.7	2.2	1.6

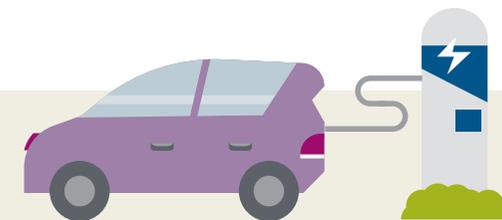
¹ Differences in the totals are due to rounding.

² These rows contain all the kilometres driven by cars in the KfW Group fleet in a year. Since only company cars issued to specific employees are also used for private purposes, it is assumed that the kilometres incurred during business trips with these cars as well as the kilometres not recorded by taxi, rental car or private car are thus roughly compensated for. It is not currently possible to make a more precise assessment.

³ No kilometre per hour information is available for electric cars for 2020 or 2021.

⁴ 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 tend to be the exception.

⁵ Annual kilometres of all internal and external employees as well as external experts paid by KfW and guests that were booked through in-house travel management; since 2020, flights of KfW Capital employees have also been included.



Expansion of charging infrastructure for electric cars: 117 charging stations in Frankfurt

The number of kilometres travelled and the modes of transport used by employees on the way to and from work are not documented and therefore are not included in the figures below. Employees are entitled to have their travel costs reimbursed when using public transport or can apply for a "job ticket" for German trains, for example. They also have access to charging stations for electric bikes and cars. Additionally, there is a large number of bike racks, as well as showers and lockers for employees who cycle to work.

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

	2017	2018	2019	2020	2021
Car (petrol and natural gas)	416	428	402	596	1117
Car (diesel)	5,953	5,506	5,305	3,837	2,872
Train	1,248	1,167	1,485	486	206
Flights (domestic)	4,626	4,785	3,800	724	240
Flights (continental)	2,587	2,481	2,354	408	343
Flights (intercontinental)	22,235	23,799	21,512	4,568	3,559
Total	37,065	38,166	34,858	10,619	8,337
Per employee	5.0	5.0	4.5	1.3	1.0

¹ Calculated on the basis of figures from the Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies (VfU); factors including upstream chain.

Emissions

KfW Group's banking operations generate carbon emissions as a result of the consumption of energy and heat, and the use of fuel during business trips and events. The goal is to ensure climate-neutral banking operations wherever possible.

Climate-neutral banking operations

KfW Group's banking operations are largely climate-neutral in the areas of energy (buildings) and business trips. KfW has been offsetting emissions that remain despite the conversion to renewable energy sources and the use of more environmentally friendly means of transport since 2006. Furthermore, it assigns a CO₂ factor to the total green energy it consumes, as the use of green power still generates emissions. Electricity consumption at the external data centre is also included in the offsetting process. KfW is continuously working to optimise emissions reporting and offset the emissions that cannot be prevented.

To offset its carbon emissions, KfW Group purchases high-value [Clean Development Mechanism \(CDM\)](#) credits on the market and discontinues them for good. In 2021, these originated from a wind power project in India for Scope 1 and 2 emissions and received the highest possible certification (Gold Standard).

The credits for offsetting business air travel and events stemmed from a project to generate electricity from crop residue in India. This also obtained Gold Standard certification. 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 accordingly. Emissions rose overall in 2021 compared to 2020, but were still low compared to the years prior to the pandemic. The increase in Scope 1 emissions was largely the result of optimising operation of the cogeneration units at the Frankfurt site. Scope 3 emissions declined further year on year due to the continued coronavirus pandemic restrictions (see table on [→ page 104](#)).



CO₂e emissions of KfW Group^{1,2} in tonnes

	2017	2018	2019	2020	2021
Emissions from direct energy consumption (Scope 1) ³	5,616	5,571	5,435	5,361	6,629
Emissions from indirect energy consumption (Scope 2) ⁴	1,368	1,898	1,348	1,240	1,345
Total business travel (Scope 3) ⁵	8,208	8,665	7,753	1,602 ⁶	1,186
Events (Scope 3) ⁷	87	101	96	15	3
Total	15,278	16,236	14,632	8,218⁶	9,163
Per employee	2.1	2.1	1.9	1.0	1.1

¹ Differences in the totals are due to rounding.

² Unavoidable CO₂e emissions of KfW Group have been offset since 2006.

³ Natural gas, wood pellets and own vehicle fleet

⁴ Green electricity, district heating, oil and emergency power generators (diesel)

⁵ Only flights; long- and short-distance rail travel is CO₂e-neutral per se.

⁶ An examination of the prior-year figures revealed that they had been stated incorrectly in the previous report; they have now been adjusted retroactively.

⁷ Emissions for participants' travel to and from KfW buildings for events

Resource consumption

Internal energy consumption at a financial institution such as KfW Group is low compared to that of a manufacturing company. KfW is striving to make material flows more efficient. It has successfully reduced consumption, 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. It significantly lowered paper consumption in the reporting year, with per-employee consumption down almost 52%. This was also due to reduced office utilisation and elimination of printed materials due to the coronavirus pandemic.

By far the largest percentage of paper used at KfW Group – over 74% – is recycled paper with the Blue Angel ecolabel. Publications intended for public use are printed exclusively on FSC® paper, which means that we do not use any ECF, TCF or virgin fibre paper bleached with elemental chlorine. Furthermore, the group only works with climate-neutral printing companies, making a further contribution towards climate neutrality at KfW.

KfW Group paper consumption in Germany in kilograms

	2017	2018	2019	2020	2021
Recycled paper (Blue Angel) ¹	196,084	213,000	165,035	125,911	66,666
Stationary (recycled paper – Blue Angel) ¹	2,635	1,865	1,802	2,061	3,115
Virgin fibre paper for promotional materials (FSC® mixed sources label)	32,528	39,704	63,728	50,500	20,220
Total	231,247	254,569	230,565	178,472	90,001
Per employee	31.2	33.3	29.5	22.5	10.7
of which: recycled paper (in %)	86	84	72	72	74

¹ Refers to 80g/m² A4 printer and copy paper.

Water management

In accordance with the sustainability guidelines for in-house environmental protection, KfW Group strives to continuously reduce water consumption within the group. All office sites feature rainwater harvesting systems. Recycled rainwater is used to water green areas and flush toilets, among other things. The Berlin site is the most advanced in this regard; ongoing optimisation measures are being carried out in Frankfurt and Bonn (see water consumption). The existing public infrastructure is used for wastewater. Separation systems ensure that the relevant statutory limits are met. KfW does not withdraw water from or discharge water into areas of water stress.

Water consumption

Per-employee water consumption fell by around 39% year on year in 2021. This was also the result of a number of measures to increase water efficiency, in addition to continued reduction in building usage due to the coronavirus pandemic.

The outdoor sprinkler and rainwater harvesting systems in Frankfurt were updated in the year under review. A water consumption saving of around 15% compared to the three-year average was achieved by means of these measures alone in 2021. The remainder of the reduction is due to the heavy increase in mobile working due to the pandemic. The first planned measures were also implemented in Bonn, with filtered surface water now being fed into the building's own water tanks.

In the next two years, we will replace open cooling towers with closed ones at the Frankfurt and Bonn locations, with the aim of further water savings.



Focus on optimising outdoor irrigation and rainwater use in 2021

KfW Group water use in Germany in cubic metres

	2016	2017	2018	2019	2020	2021
Drinking water	95,830	94,819	95,502	106,618	97,978	68,100
Other process water (rainwater and ground water)	18,313	12,912	17,750	15,264	17,004	6,758
Total	114,143	107,731	113,252	121,882	114,982	74,858
Per employee	17.2	14.6	14.8	15.6	14.5	8.9

Waste management

Wastewater

KfW Group discharges wastewater into the public sewage networks. This is common household wastewater. Compliance with thresholds is ensured by separation systems – further treatment of wastewater is not required.

Nothing is discharged directly into water bodies. In 2021 KfW discharged around 56,120m³ of wastewater into the sewage system from its four German locations. There was no unplanned discharge of wastewater. Apart from the groundwater in Berlin, the quantity of wastewater is not measured but instead is determined based on the amount of water consumed from the grid minus the amount of water used for outdoor irrigation.

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

Quantities of waste and methods of disposal

The quantity of non-hazardous waste, such as non-recyclable waste, organic waste and packaging waste, rose slightly in the year under review, while the quantity of hazardous waste was significantly reduced. The main reason for this is technical and cyclical maintenance work in the buildings.

Hazardous waste is always disposed of properly. As the owner of used electrical and electronic equipment subject to disposal requirements, KfW Group submits an annual report on any relevant waste data to the [→ stiftung elektro-altgeräte register](#) (national register for waste electrical and electronic equipment, German only). In addition to normal forms of waste, waste may also be generated from comprehensive construction and refurbishment work. This is not included in the data below to ensure comparability with previous years.

Waste generated by KfW Group in Germany¹ in tonnes

	2017	2018	2019	2020	2021
Non-hazardous waste	2,495	2,139	2,304	1,959	2,081
of which paper for recycling	396	206	340	272	307
Hazardous waste	109	84	138	95	54
of which electronic waste	60 ²	41	13	16	17
Total	2,604	2,222	2,442	2,054	2,135
Per employee (in kg)	352	290	300	258	253

¹ Differences in the totals are due to rounding

² Excluding Berlin; external service providers also ensured proper disposal there.

Procurement

KfW Group's procurement policy pursues the fundamental goal of sustainable procurement to meet as many of KfW's requirements as possible in future and to be able to report the purchasing volume based on sustainability aspects in a systematic and nuanced manner. To this end, a project-based initiative has been set up in conjunction with the group sustainability strategy, which will develop and gradually implement the corresponding leverage and specifications taking account of the requirements under the Supply Chain Act.

As a bank owned by the German Federal Government and the Federal States, KfW bears a great deal of responsibility and is required to uphold its status as a role model when it comes to procurement. The protection of human rights and compliance with internationally recognised environmental and social standards are equally as important as its commitment to using as many environmentally-friendly products as possible. These principles are reflected in the [→ Sustainability requirements for KfW procurements](#) (German only). The requirements are part of the KfW sustainability mission statement and apply across the group in addition to our general terms and conditions of purchase for all orders. The main focal areas of the sustainability requirements are "social responsibility", "anti-corruption", "conduct in competition" and "compliance with requirements for KfW's suppliers and service providers".

KfW Group's supply chain is distributed across personnel services, facility management (including office furniture and company vehicles), IT, marketing and communications. Food for KfW Group's catering is procured by KfW's canteen at the Frankfurt location – special attention is paid here to regional products.

Wherever possible, it focuses on organic and fair-trade products and short transport routes. KfW aims for around 50% of all its catering products purchased to be of organic quality or bear sustainability labels by 2025.

KfW also expects its suppliers and service providers to bear corporate responsibility for achieving sustainable development goals. KfW procurement strives to maintain a fair and responsible relationship between supplier and customer. KfW's invoice review has been actively supporting the further reduction of paper invoices by suppliers and service providers with the roll-out of electronic invoicing in the XInvoice format since November 2020. The percentage of invoices issued in this format as of the end of 2021 was 50%. The invoice review is subject to regular dialogue with the suppliers in order to increase the percentage.

As a public-sector contracting authority, KfW is obligated to issue a formal request for Europe-wide tenders for procurement contracts that exceed certain threshold values. In the process, it must adhere to the principles of transparency, non-discrimination and competition.

In its invitations to tender, KfW generally assesses whether sustainable and social aspects have been implemented depending on the subject of the tender. KfW regulations and requirements set out by the departments issuing the tender lead to consideration of the relevant criteria in the terms and conditions of the contract. In order to focus even more strongly on sustainability in EU-wide tenders, KfW introduced mandatory consideration of sustainability aspects as award criteria in five procurement processes in 2021. The effectiveness and continuation of measures were analysed and decided in Q1 2022.

The procurement volume under the responsibility of KfW Group's Procurement department was EUR 541.27 million in 2021 (2020: EUR 609.50 million). Of the approximately 1,420 active contractors (2020: 1,598), 88% are based in Germany and 12% in other OECD states.

Environmental and social criteria

As well as requirements under procurement law and market-driven conditions, one important criterion for selecting suppliers is their commitment to the environment. KfW Group attaches importance to how products are made and supplied. In assessing the sustainability of products or manufacturers, KfW focuses on the requirements and specifications of recognised certification schemes such as Blue Angel, Forest Stewardship Council (FSC®), Energy Star and the various Fair Trade labels.

Suppliers and service providers whose products and services have a major impact on the environment must have principles and management systems in place to minimise these effects. Their corporate policies should require an efficient approach to resources, minimal negative impacts on the environment and the development of innovative and environmentally friendly products. KfW also attaches value to compliance with social

principles and standards, including human rights, when awarding contracts. For example, according to the sustainability requirements for KfW procurements, KfW's contractors may not employ children or use forced labour. Workforce wages, benefits and working hours must at least comply with the local legal requirements. In addition, KfW expects its business partners to prevent bribery, price-fixing and other unfair practices and to actively oppose all manner of corruption. Corresponding contractual terms and conditions have been incorporated into KfW's sample documents. Checks to ensure compliance with regulations are integrated into the standard procedures (e.g. violations of minimum wage).

The sustainability requirements for KfW procurements constitute a framework for implementation of the German Supply Chain Act (LkSG). However, these do not fully cover the future statutory requirements. KfW thus plans to develop and implement the following items for KfW procurement within the meaning of the Supply Chain Act:

- Risk analysis and risk management for suppliers/supply chains
- Reporting (including involvement in KfW reporting to the Federal Office for Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle – BAFA).
- Portfolio analysis of suppliers and agreements based on the Supply Chain Act

In this regard, Procurement is involved in the company-wide activities to implement the Supply Chain Act at KfW.

Assessment of suppliers and service providers

KfW's central sustainability management team (with support from the Procurement department) also monitors the extent to which suppliers and service partners fulfil their contractually agreed duties of sustainable service delivery by means of a survey. If suppliers and service providers do not comply with KfW's contractually agreed environmental and social requirements, this can lead to their exclusion in serious cases.

In 2021, KfW Group's central sustainability management team worked with the Procurement department to assess 48 tier-A suppliers (gross invoice value > EUR 1.5 million per year or service providers of key strategic importance to KfW) – with a collective invoiced procurement volume of approximately EUR 295 million gross for 2020 – concerning their commitments to sustainability. The suppliers completed a standardised questionnaire, with the submitted responses and certificates checked and evaluated by the central sustainability management team. For example, the suppliers were asked whether they have environmental or sustainability management systems or if the companies exercise responsibility with subcontractors outside of OECD countries. They were also asked whether they implement the five core elements of human rights due diligence as part of Germany's National Action Plan for implementing the UN Guiding Principles for Business and Human Rights (see [→ page 49](#)).

The sustainability rating makes up 10% of a tier-A supplier's overall rating. Overall in 2021, the results on average were good or had improved – even compared to ratings from previous years – and no negative anomalies were found among the tier-A suppliers. After the supplier assessment, the central sustainability management team held further discussions regarding future improvements with various tier-A suppliers.



Good or improved sustainability performance for around 48 tier-A suppliers assessed



Employees

»»» Employees

How we shape our role as a responsible employer

Review

The coronavirus pandemic continued to affect the day-to-day work of KfW's approximately 8,000 employees in 2021. We are still providing them with as much mobility and flexibility as possible, such as by focusing on the further development of digital collaboration tools. It is evident that our employees accept the world of mobile working – and that productivity does not suffer as a result.

Highlights

Mobile working: KfW was able to maintain operations very well in 2021, without any loss in productivity due to staff working on a mobile basis.

The **staff survey also** revealed a high level of acceptance of mobile and flexible working.

Further training: A redesigned **KfW scholarship programme** is aimed at employees seeking to study part-time for a Bachelor's or Master's degree while continuing to work.

Outlook

The agile and digital transformation of the world of work will also affect future human resources work at KfW Group. At the same time, KfW strives to maintain and continue to promote a good work-life balance and equal opportunities for all employees. KfW is therefore positioning itself as an attractive employer for existing and potential employees.

Goals

Increasing the proportion of women in management and senior specialist positions: KfW's Equal Opportunities Plan includes target quotas of 40.0% female team leaders, 32.5% female heads of department and 25.0% female directors.

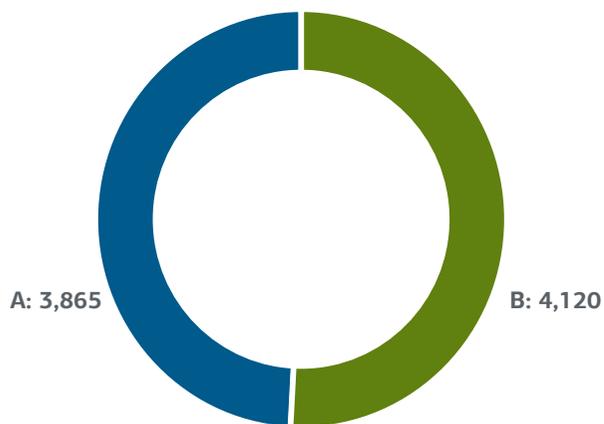
Incorporating a company-wide set of agile collaboration principles to encourage interdisciplinary work and self-organisation for all employees.

Human resources policy

The purpose of our human resources work is to systematically provide our staff with the best possible support in their roles with a diverse range of options and measures. To attract and retain employees, KfW Group cultivates an attractive and healthy working environment, is committed to initial vocational training and offers a wide range of development options. A healthy balance between work and family and equal opportunities for all employees are two key concerns at KfW Group. With this focus, the group is living up to its social responsibility and establishing a strong position in the increasingly tough competitive market for up-and-coming talent. In addition, Human Resources (HR) considers itself a proactive partner of the divisions with the aim of working together to effectively and efficiently shape the way we handle upcoming challenges

KfW Group employees by gender in 2021

7,985 total employees



A = women

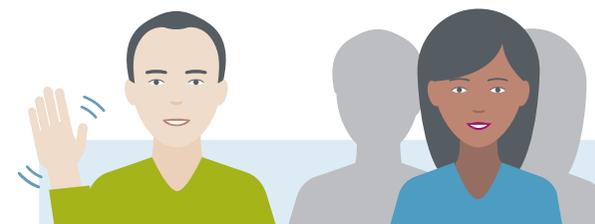
B = men

such as the agile and digital transformation, the associated management-related adjustments, and demographic change. The changes involved with the "new work" concept are managed actively at KfW. HR was able to fully meet these standards, even in the face of the pandemic, by responding flexibly and as needed to the rapidly changing demands. More information on KfW Group's human resources work is provided [→ online \(German only\)](#).

Personnel structure

As of the end of 2021, KfW Group employed a total of 7,985 people, 25.6% of whom worked part-time. The staff turnover rate in 2021 was 3.2% at KfW, 3.7% at KfW IPEX-Bank, 3.5% at DEG and 8.2% at KfW Capital.

To cope with peaks in the promotional business and its own operations, KfW also employs a small number of temporary staff. There were 117 such contracts at KfW Group in 2021. KfW provides temporary employment agencies with all the information required by law and necessary to enable them to offer temporary staff comparable working conditions and fair wages. In addition, KfW offers temporary workers comparable working conditions within KfW.



The turnover rate at KfW remains low at 3.2%.

Remuneration

In terms of working hours, holiday entitlement and remuneration, KfW Group staff are subject to the regulations of the collective bargaining agreement for the public and private banking sectors. The percentage of pay-scale employees (not including temporary staff and interns) is 28.7% at DEG, 23.0% at KfW IPEX-Bank and 28.5% 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 specifically reinforced 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. The remuneration of employees who are not covered by a collective bargaining agreement is regulated by a staff agreement at KfW and by appropriate works agreements at KfW IPEX-Bank and DEG. For each level not covered by a collective bargaining agreement, different salary ranges are prescribed and form the basis for remuneration. Furthermore, the variable component is based on performance assessments focusing on the achievement of qualitative and quantitative targets.

In terms of both content and substantive structure as a whole, the remuneration system of KfW 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 when compared with conventional

commercial banks. The variable remuneration is fixed using a three-pronged approach encompassing the criteria of promotional objective, earnings and risk, and takes particular account of the sustainability of business success pursuant to section 7 of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung – "IVV").

When assigning employees to foreign posts, KfW provides additional benefits which meet the local economic and safety requirements.

The principles of fair remuneration

Every year, KfW Group applies a structured procedure to assess its employees' performance. Employee target management and performance assessment are both important instruments for corporate management, leadership and motivation. Performance management results create the basis for determining remuneration at KfW Group.

Since 2018, all KfW Group employees have been able to assert their right to access information in accordance with section 10 of the German Transparency of Remuneration Act (Entgelttransparenzgesetz). To this end, they can learn about the criteria and procedures used to determine remuneration and make enquiries about median gross monthly remuneration and up to two salary components of a peer group of the other gender. All KfW Group companies have implemented this legislative requirement.

DEG launched the interdisciplinary "BesserMachen" project in 2020 to improve transparency and fairness in the remuneration system and performance appraisals. The aim is to develop a remuneration aligned with the current requirements by 2022.

Pensions and additional benefits

KfW Group employees gain entitlement to employer-financed pension benefits for the duration of their employment and are also entitled to disability benefits and benefits for surviving dependants. The scope, exact details and amount of the company pension are based on the pension regulations set by KfW and its subsidiaries. KfW Group also offers its employees voluntary deferred compensation for pension benefits, reimbursement for travel costs to and from work, private accident insurance and access to a low-interest building loan. A limited number of additional benefits, such as access to the low-interest building loan, are only available to permanent KfW employees.

Employee participation

Employees have full freedom of association and collective bargaining rights. This includes the right to form associations to protect and advance working and economic conditions.

The German Federal Staff Representation Act (Bundespersonalvertretungsgesetz – "BpersVG") governs the representation of staff interests for all KfW employees. Employee interests are represented by a General Staff Council, which is responsible for issues across all locations and generally meets once a month, and by the three Local Staff Councils in Frankfurt, Bonn and Berlin, which meet once a week. There are separate works councils at KfW IPEX-Bank and DEG in accordance with the German Works Council Constitution Act (Betriebsverfassungs-

gesetz – "BetrVG"). In addition, KfW IPEX-Bank and DEG have a Board of Supervisory Directors with elected staff representatives. The different laws on employee participation (BpersVG and BetrVG) make it impossible to create a works council for the entire group.

The responsible bodies and affected employees are involved as extensively as possible at an early stage, especially during change processes – such as internal restructuring, major new projects and decisions on corporate strategy. This inclusion process can take a number of forms, including face-to-face information from line managers, in-house information events and intranet notifications. An Equal Opportunities Officer and three deputies, elected by female employees at KfW, also represent their interests. Furthermore, the interests of disabled employees are represented by the relevant KfW, KfW IPEX-Bank or DEG representative for employees with disabilities.

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

- Shareholders are involved as stipulated in the KfW Bylaws through the Board of Supervisory Directors and the Remuneration Committee.
- Employees can exert influence through the employee representatives – in other words, the staff and works councils – in accordance with the German Federal Staff Representation Act or the Works Council Constitution Act.

Employees in foreign offices

For local KfW Group staff working in our foreign offices, the working hours and social benefits apply that comply with the respective national legal requirements and are based on the local benefit level of comparable international companies.

Furthermore, all contractors awarded KfW-financed contracts for consulting, delivery and construction services related to the implementation of Financial Cooperation projects are required to sign a declaration of undertaking that they will fulfil the applicable labour laws, International Labour Organization (ILO) core labour standards, and the national and applicable international standards for environmental protection and occupational safety. This commitment also includes taking measures to prevent sexual exploitation, sexual abuse and gender-based violence.

Diversity and equal opportunities

Diversity and equal opportunities are a matter of course for KfW Group. Discrimination based on nationality, ethnic origin, gender, religion, fundamental beliefs, disability, age or sexual orientation is prohibited. This is also reflected in KfW's mission statement: "Our behaviour is shaped by respect, esteem and integrity. Work-life balance is important to us. We want openness and diversity, and we collectively uphold decisions that have been made." To underpin its commitment to a diverse workforce, KfW signed the diversity charter in 2019, implementing it through a variety of internal and external measures (e.g. events and activities to promote diversity and respect, and employee articles on the intranet). Activities performed are published on an annual basis, including in this report. Employees are involved in the implementation of the charter, such as in the "Fathers' Network" and events on caring for family members.

The focus in the reporting year was on the challenges businesses face in the new world of work and the prerequisites for creating an open and respectful corporate culture. Staff had the opportunity to participate in an in-house campaign on the subject of "unconscious prejudice" in 2021. KfW also sent two teams to the Diversity Charter's "Diversity Challenge", with the objectives being to implement initiatives on the "ethnic origin" and "nationality" areas of diversity, and to introduce a "language exchange" platform on the intranet to enable employees to learn languages together.

In 2020, KfW IPEX-Bank also signed the Diversity Charter, and KfW Capital plans to do so in 2022. Regular dialogue between KfW IPEX-Bank and DEG ensures that all measures and initiatives in the area of human resources policy are based on shared corporate values. Many measures applied by KfW are therefore described below and supplemented by initiatives of 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 in the future as well
- Design of a sustainable working environment
- Creation of catalysts for further development of the corporate culture and shaping change processes within the framework of a modern, future-oriented, transformative promotional bank
- Continuous improvement of employer appeal to recruit the best employees and retain talent also in the future
- Compliance with regulatory requirements via appropriate tools, processes and structures

The measures, initiatives and instruments in the area of diversity and equal opportunities are described in the following section based on the issues of reconciliation of work and family life, inclusion and career prospects. External employer appeal is measured on the basis of Trendence market research results, and employee satisfaction on the basis of in-house surveys.

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 differing measures and target quotas, among other things. Regardless of this fact, a commitment to ensuring equal opportunities for men and women – including remuneration – is a key component of KfW Group's human resource policy for the entire group. KfW's fifth Equal Opportunities Plan is currently underway, having started in 2020 and with targets until 2023. KfW developed this plan together with the Equal Opportunities Officer and substantiated it with specific targets and measures.

The plan sets trends in line with the German Federal Equality Act (Bundesgleichstellungsgesetz – "BGleG"):

- removal of structural disadvantages and reduction of the underrepresentation of women or men at management levels and in senior specialist positions
- improved reconciliation of work and family life, particularly motivating men to make use of reconciliation offers
- particular consideration of women with disabilities

The first results of the Equal Opportunities Plan were registered in 2020 and the analyses carried out as planned in 2021.

Goals and measures of the Equal Opportunities Plan 2020–2023

<p>1 Increasing the proportion of women in management and senior specialist positions</p> <ul style="list-style-type: none"> – Increasing the percentage of female directors to 25.0% (+ 4 women), heads of department to 32.5% (+ 6 women), team leaders to 40.0% (+ 14 women) – Participating in agile positions/roles – Expanding the talent pool (for employees and managers) – Evaluating the application process 	<p>2 Improving the reconciliation of work, family, care and private life (women and men)</p> <ul style="list-style-type: none"> – Assessing new modules (including assuming childcare costs for business trips, short-term family care leave with continued social security contributions) – Considering women with disabilities – Establishing flexible working hours and locations – Motivating men to use work-life balance options 	<p>3 Identifying and eliminating structural disadvantages</p> <ul style="list-style-type: none"> – Implementing gender-sensitive remuneration policy (for new hires, transfers, salary reviews) – Introducing second-life careers (for employees who have made use of longer-term work-life balance options and have potential) – Analysing development opportunities (regardless of the use of reconciliation offers) 	<p>4 Making equal opportunities part of corporate culture</p> <ul style="list-style-type: none"> – Providing specific information (to managers and employees) – Reporting on a regular basis (to Executive Board and Heads of Department) – Incorporating and evaluating equality issues in the employee survey
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Review of the catalogue of measures after 2 years

KfW's 2020–2023 Equal Opportunities Plan



Ambitious targets for the proportion of women in management positions in the fifth Equal Opportunities Plan

Increasing the proportion of women in management and senior specialist positions

The recruitment processes and HR development tools to increase the proportion of women, particularly in management roles, have been successfully integrated into ongoing HR processes. Examples include:

- Mentoring: New team leaders are mentored by experienced managers.
- Part-time managers: 84 of the 517 managers at KfW (16.2%) worked on a part-time basis in 2021. We distinguish between part-time management on a stand-alone basis – where a unit is led by a single manager – and tandem management – where a team or department, usually large in size, is led by two managers who share the workload. KfW currently has 14 tandems; IPEX-Bank had five in 2021.

- The IT department has been taking part in the "Mentoring Hessen" scheme since early 2019. As part of this programme, ten experienced female IT employees mentor interested female STEM students.
- Forming two talent pools with more places for women than men.
- Establishing a forum for dialogue between female heads of department, team leaders and ambitious female employees.
- Establishing regular meetings of the "equal opportunities" focus group with HR representatives and the Equal Opportunities Officer.

A cross-media campaign is planned for 2022 to attract more women to management roles, along with two in-house panel discussions involving the Executive Board on "Women in management" and coaching sessions for women.



Awareness webinars

KfW joined the "Employers for Equality" programme, which currently has 24 members, in September 2020; 80 employees and managers from all areas of KfW have expressed interest in participating. The programme's webinars on equality and diversity have been very well received by staff, including the managers of foreign offices. According to the "Employers for Equality" team, KfW is among the best represented companies in the webinars.

Proportion of women in management in 2021 (2020) in %¹

	KfW	KfW IPEX-Bank	DEG	KfW Capital
Executive Board	50.0 (33.3)	–	–	–
Management Board	–	25.0 (25.0)	33.3 (66.67)	0
Heads of Department	13.0 (8.7)	–	22.2 (22.2)	–
Heads of Division	30.3 (30.0)	27.8 (29.4)	35.0 (35.9)	–
Team leaders	38.2 (38.0)	31.5 (31.5)	–	25.0

¹ Figures were omitted in categories where those hierarchy levels do not exist. The group was not presented as a whole due to these differing hierarchy levels. The total figures are based on all employees at the respective levels of hierarchy.

KfW 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 the end of 2023. These measures are expected to achieve a target quota of 40.0% in team leaders, 32.5% among heads of division and 25.0% among heads of department. By the end of 2021, the quota of female leaders was 38.2%, heads of department 30.3% and directors 13%. Achieving the targets of the Equal Opportunities Plan is a key interim objective in meeting the requirements of the BGlEiG by 2025. The aim of the BGlEiG is equal involvement of women in management positions. KfW formed a project team in 2021, for the purpose of meeting the BGlEiG requirements by 2025, comprising staff from all HR departments, the Equal Opportunities Officer and her three deputies. Initial ideas are already under development. The review of the Equal Opportunities Plan was conducted in 2021 with a view to the BGlEiG requirements, and steps derived on that basis (see above).

In the course of implementing new requirements in conjunction with the German Limited Liability Companies Act (GmbH-Gesetz – "GmbHG"), KfW IPEX-Bank set itself a target of 31.6% women at the head of department level by 30 June 2022. This figure was 27.8% as of 31 December 2021. At team leader level, the aim to reach a quota of 30% by 30 June 2022 had already been met in 2020, with a rate of 31.1% at the end of 2021. The target of 25% women in Management Board positions by 30 June 2022 had already been met by 31 December 2018.

In the context of compliance with the GmbHG, DEG defined a minimum target for management-level positions by 2022 in which proportions of 33% for the top management level, 22% for director level and 35% for head of department level were stipulated. All target quotas have been met as of now. The equal opportunities concept was further developed in 2018, and is

currently undergoing a thorough review to elevate the effectiveness of existing measures and plan the addition of practical new steps. The measures initiated to date are acknowledged and appreciated by employees; in the group-wide employee survey in 2021, 89% of respondents at DEG shared the opinion that all employees are treated equally regardless of gender, origin, religion or disability.

Making equal opportunities part of corporate culture

Incorporating equal opportunities requires role models and time to succeed in the long term. The issue of equal opportunities has been included in existing formats, e.g. introductory events for new employees, event and interview series by the Equal Opportunities Officer, and by including the subject in the employee survey. The 2021 employee survey included specific questions on equal opportunities, which will be analysed in 2022. In general, a gender-sensitive approach is applied during all selection processes, potential assessment processes and succession management. Female managers, representatives from the HR department and the Equal Opportunities Officer are involved in all selection processes. KfW's participation in the PANDA network's "Employers for Equality" programme mentioned above helps to make equal opportunities part of corporate culture.



Targeted investigation of the issue of equality in the 2021 employee survey

Reconciling work, family and caregiving

Finding a balance between work and personal life is key to health and employability, and also increases motivation and loyalty to the company. This applies in particular to employees with family responsibilities, who are also increasingly caregivers for relatives in addition to children. For support with childcare, employees from KfW and KfW IPEX-Bank across Germany can have their children looked after for up to ten days a year. A cooperation partner – besides the existing social counsellor on site – is on hand to provide advice during family crises and to offer support in cases of conflict at work. In addition to personal counselling, there is also a 24-hour hotline available seven days a week.

KfW and KfW IPEX-Bank were awarded the "Work and family audit" certificate by the non-profit Hertie Foundation in 2001 as a testament to their strategically designed, family-friendly human resources policy. DEG has been certified since 2012. KfW and KfW IPEX-Bank were successfully re-audited in 2020.

A range of special offerings to improve work-life balance were also available in 2021, some of them on a virtual basis, with a total of 18 webinars provided on issues such as childcare, psychosocial health and caregiving. The initiatives were also reflected in employee satisfaction; work-life balance was rated above average in the employee survey.

Services relating to caregiving

KfW Group has established a wide range of caregiving services to support its employees as they provide care for their relatives:

- On-site drop-in sessions: A specialist in elderly care offers a monthly drop-in session at KfW and KfW IPEX-Bank locations. The on-site sessions were discontinued due to the pandemic and were replaced by home visits to the employees' relatives. Employees have the chance to speak to experts about all care-related issues.
- 24/7 hotline: Furthermore, employees can access a hotline for any urgent issues relating to family members requiring care.
- Informational events at all locations: Informational events were held online due to the pandemic, and webinars on caregiving offered to all staff.

Offers for families

KfW and KfW IPEX-Bank also support their employees with integrated childcare offers. However, the parent-child offices previously available at all locations remained closed in 2021 due to the pandemic. Furthermore, KfW and KfW IPEX-Bank have had a company creche at the Frankfurt location since 1973 with capacity for 45 children, and also reserve ten slots for childcare at the Erasmus kindergarten and 66 daycare slots at two further facilities. The childcare options were adjusted in line with pandemic restrictions, and largely remained available.



24/7 hotline to answer urgent questions for employees caring for relatives

For childcare at other facilities, employees can access extensive databases with lists of spots in day nurseries, after-school care facilities and schools. Employees across Germany can also access 24-hour emergency care from a family service all year round in the case of last-minute childcare requirements. In order to meet the increasing requirements of working from home, more virtual childcare formats continued to be included in the range of benefits.

KfW also organises childcare services provided by a family service where needed at conferences hosted by KfW. Assistance in finding babysitters and au pairs and a very comprehensive holiday programme are also available and used by large numbers of employees. These childcare options are available for KfW and KfW IPEX-Bank staff in Frankfurt, Berlin and Bonn. DEG not only offers its employees in Cologne a childcare allowance, it also provides access to emergency childcare options via a family service provider and support in organising regular childcare options. To make it easier to plan a return to work, DEG also provides a total of ten childcare places.

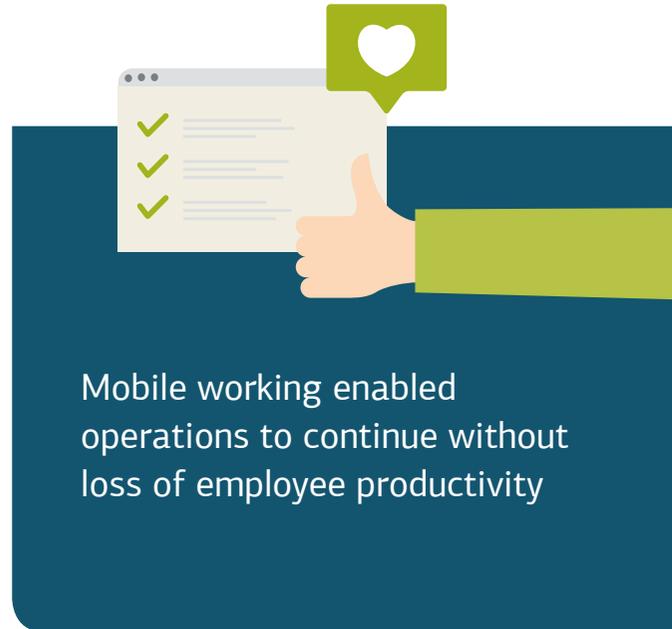
Furthermore, KfW joined the nationwide Fathers' Network in 2019 and has also had its own Fathers' Network since 2019. There were five virtual presentations in 2021, on the following subjects: young people in the pandemic, stress prevention for parents, setting limits, resilience training and protection from cyber bullying. All presentations attracted great interest, with up to 115 participants each.

Many families experienced stress due to the lockdowns, and there was a huge need for support. The social counsellors were in high demand and became important contacts for family problems. A virtual presentation was arranged at short notice on the issue of supporting young people in the pandemic, and was very well attended. Another presentation geared to the pandemic entitled "Guide for families in times of crisis" was also well received.

Flexible forms of work

KfW Group helps its employees to balance their work and personal lives as well as possible, each in their own unique ways. There are three components of this reconciliation: a broad range of part-time models, flexible working hours and mobile working. The latter is explained in more detail below. There is also flexibility in terms of working space at the KfW offices, such as the parent-child offices. Leave for childcare or family caregiving is also possible where necessary. Management roles can be performed in a part-time or in some cases a tandem capacity. KfW has its own working hours policies that include autonomous working hours (initially only for non-pay-scale employees) and a clear argument for flexible working hours and increased use of options for working from home. The relevant staff agreement was extended for the time being until 31 December 2022. The agreement aims to promote more conscious management of working hours and systematically move away from a culture based on the hours spent in the office to one that focuses on each individual's results. The stated objectives of the agreement are to give employees more responsibility and to allow more flexible arrangements in terms of working hours and location, while taking KfW's business needs into account at the same time.

The mobile working option continued to be heavily used in 2021. Even before the pandemic, KfW sought to increase the flexibility of its own organisation. Mobile working can also be used in the future to complement on-site office work. This option and its structure were set out in a staff agreement on mobile working at the end of 2020.



Mobile working enabled operations to continue without loss of employee productivity

However, due to the pandemic, it has not yet been implemented. Mobile working is generally available to all employees whose duties and working environment allow them to work outside of KfW premises, provided this has been approved by their line manager. Many technological improvements were also accomplished in 2021 that helped KfW maintain mobile working during the pandemic without any loss of productivity. For example, existing technologies such as video conferencing and whiteboard tools were expanded and improved. There was also a wide range of options for individual development in digital working, from self-guided learning using an extensive "tool box" of resources, through reverse mentoring to comprehensive traditional training sessions.

In addition, KfW can now reach its employees with more virtual services such as online training, virtual psychological counselling and fitness activities. All teams are encouraged to agree on specific rules for dealing with mobile work in a "Mobile working team charter", thus enabling tailored implementation.



2021 employee survey

Employee surveys conducted every two years provide insight into the corporate culture and enable proactive management decisions to be made. The 2021 survey also contains valid statements by the staff on areas for action and learning, with a 71% response rate.

The results at the time of the survey revealed the following main points:

- Development of the corporate culture and the planned changes at KfW have picked up speed. All the key corporate culture issues such as trust, leadership, teamwork and identity have developed positively.
- There is a high level of acceptance of mobile and flexible working models at KfW after 18 months of the pandemic.
- Crisis management and crisis communication are perceived as positive and helpful.
- A significant improvement in cross-functional cooperation and the exchange of knowledge indicates better processes and interfaces.
- The culture of error and dealing with change have also improved considerably.
- The increase in digitalised processes has accelerated decision-making and transparency.

KfW is currently working on suggestions and assistance for employees and managers based on the results.



Staff survey reveals
a high level of acceptance
for mobile and flexible working

Inclusion

KfW Group supports the inclusion of individuals with disabilities as an aspect of social responsibility in line with the UN Convention on the Rights of Persons with Disabilities. KfW has embedded the convention's goals in its inclusion agreement, which was concluded between KfW's general representative for those with disabilities and the General Staff Council.

KfW exceeded the statutory quota of 5% for employment of staff with disabilities once again in 2021 at 5.9%, which was also a year-on-year increase. KfW adopted its own internal target quota of 6% in the reporting year. The quota of staff with disabilities was 2.7% at KfW IPEX-Bank and 4.3% at DEG. There were no employees with disabilities at KfW subsidiary KfW Capital in 2021, and due to its increased headcount, the company was required to pay the surcharge for not employing persons with disabilities (Schwerbehindertenabgabe) in 2021 for the first time.

KfW implements measures for development of the corporate culture and in recruitment to promote inclusion.

Development of the corporate culture

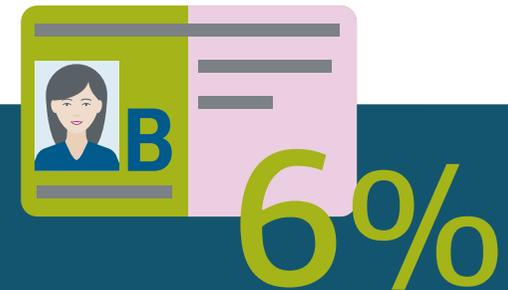
An inclusion event with the Executive Board was held in the summer of 2021, dealing with the new requirements on inclusion of people with disabilities at KfW. Moreover, guest speaker Matthias Berg spoke about the role of managers in an inclusive culture.

Four virtual workshops were also offered again in the reporting year to raise the awareness of employees and managers on interacting with people with disabilities; each had between 60 and 70 attendees. A cross-functional working group has been set up on the issue of accessibility, with the aim of achieving full accessibility at KfW. The members of the group stay in regular contact via a dialogue forum. The group addresses the statutory requirements, informs the departments and serves as a central point of contact and provides advice on the subject. The objective is to better coordinate and bundle overarching questions on accessibility, as well as increasing the visibility and relevance of the issue.

To make sure their interests are represented appropriately at each KfW location, employees with disabilities elect a representative. DEG and KfW IPEX-Bank also have an elected representative for individuals with disabilities who represents the interests of this group.

Recruitment

Comprehensive steps were taken in 2021 with a positive effect on external recruitment of staff with disabilities. In addition to the awareness measures for managers mentioned above, there was also a focus on labour market initiatives. KfW established cooperations with numerous associations and organisations in order to contribute to society and make potential applicants aware of KfW as an inclusive employer – such as through coaching for applicants.



Target: a minimum of 6% employees with disabilities at KfW

KfW also published job advertisements on target group-specific job platforms and took further steps to actively attract applicants with disabilities. These include comprehensive support for applicants with disabilities in the recruitment process and the additional option of a targeted two-year training course at KfW to develop professional potential. The aim is to enter into long-term employment with KfW following the two-year development period.

KfW also took part in a talent programme for students in Berlin and Frankfurt with myAbility, which offers students taster days in various areas with a view to signing an employment contract.

Conflict management

Employees who feel they are discriminated against for reasons outlined in the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz – "AGG") can contact the respective AGG representative.

No verified cases of discrimination were recorded at KfW Group in the period under review. Suspected cases are documented by an internal complaint unit and then analysed and handled in collaboration with the respective individuals or departments.

In cases of conflict, external contact points via social counsellors and an external psychosocial hotline are provided. As a supplementary measure, an intact system of committees made up of the Staff Council, the Equal Opportunities Officer (and two deputies) and a representative for employees with disabilities ensures that a range of different contacts are available.

Professional prospects

Attracting, developing, and retaining capable employees is essential to the long-term success of KfW Group in view of demographic and social change – and it is also our responsibility. In its management principles, KfW outlines its commitment to creating a working environment based on trust. All instruments for developing and selecting managers rely on a behaviour-based skills model and are aligned with a clearly defined target vision for good management.

Training

KfW Group offers a wide range of entry-level career opportunities. It trains employees in different professions and subject areas at all locations as required. The Chamber of Commerce and Industry (IHK) training as "IT specialist for system integration" was offered at the Frankfurt location for the first time in 2021.

The company also offers a range of sandwich degrees with a focus on business economics or IT, as well as an assortment of department-specific trainee programmes. The redesigned KfW scholarship programme is aimed at employees seeking to study part-time for a Bachelor's or Master's degree while continuing to work. The programme involves KfW assuming the tuition fees to enable the scholarship recipients to improve their professional expertise and development opportunities at KfW.

A two-day "online work experience" programme has been set up and run several times already, to give school pupils an insight into KfW and their training and study options despite the coronavirus pandemic.

In cooperation with a Frankfurt-based association that aims to promote career advancement for women, KfW offers its traineeship for "office management specialists" also on a part-time basis. This means that single mothers, for example, have the opportunity to complete a traineeship in a way that is compatible with their personal circumstances.

The total number of interns, sandwich degree students and vocational and graduate trainees at KfW was 248 as of 31 December 2021 (previous year: 245). This equates to a training rate of 4.2% (previous year: 4.3%). The training rate was 3.6% at KfW IPEX-Bank (4.6%) and 2.2% at DEG (3.5%). As of the end of 2021, 135 people were enrolled in their first vocational training course at KfW (previous year: 131), of whom 88 were sandwich degree students (previous year: 80). The number of graduate trainees stood at 53 as of 31 December 2021 (previous year: 57). KfW Capital does not currently provide any training itself, although one vocational trainee and six graduate trainees from KfW worked at KfW Capital in 2021.

In the course of the year, 182 students completed internships at KfW Group, all in compliance with the guidelines of the Fair Company Initiative. The application process is adapted for applicants with disabilities.

Continuing education

With its qualification strategy, KfW Group aims to guarantee individual development opportunities for employees and managers geared to future requirements. In this way it secures their long-term sustainable employment in the group.

To achieve this, KfW offers employees a wide range of continuing education opportunities, which are available to all employees and managers at KfW Group. Needs assessments are performed on the basis of past experience as well as through ongoing personal dialogue between HR and the departments. Sustainability issues are covered in the training programme for the Financial Cooperation department – for example environment, energy and water. Training related to health matters is also available, including a "Healthy leadership" course for the managers target group.

In the period under review, the focus of skills development was on management, interpersonal and communication training, language courses as well as content and training in digitalisation and agile cooperation. The total number of hours of continuing education for KfW employees in 2021 was 113,424. These internal courses were supplemented by external training programmes as needed. KfW IPEX-Bank and DEG also offer their own continuing education programmes. A particular focus of DEG's programme in 2022 will be on the topic of "impact and climate". The aim is to further develop all employees' expertise in impact and climate issues through a modular training programme.

In general, all employees can take advantage of almost every training and continuing education programme. It is up to employees and their managers to select an appropriate training course. In exceptional cases, training courses are offered to specific target groups (e.g. management training), and must receive special approval.



Average number of hours
of continuing education
for KfW employees: 19

Professional development

All KfW Group employees receive feedback from their line managers about their performance in the past year during an annual performance review, which also covers the issues of skills acquisition and personal development. In addition to the annual performance review, managers used a structured 360-degree method to collect feedback from supervisors as well as from the respective employees in the department until the end of 2021. This enables reflection on leadership practices and encourages a positive, constructive culture of feedback and cooperation. This feedback makes it possible to derive targeted individual training measures.

A succession management process for management positions, which takes place every two years, creates transparency in how succession is handled at different hierarchical levels and serves as a basis for internal recruitment recommendations. Due to the coronavirus pandemic, the succession management process planned for 2020 was postponed until 2021, and was carried out in the first half of the year.

Candidates for leadership positions are required to successfully complete the respective potential assessment procedure for team leader, head of department or director positions. The leadership skills model developed specifically for KfW and KfW IPEX-Bank forms the basis for this procedure. Since 2020, KfW has used an assessment of potential procedure adapted to the pandemic conditions. Adapted potential assessments for agile leadership roles were also developed by the end of 2021, based, as before, on the leadership skills model, which is also appropriate for agile leadership roles.

The following developments were also highlights in the year under review:

New Learning: KfW reviews its skills acquisition strategy on a continuous basis, adapting the portfolio in terms of content, formats and the role of HR to meet the new overarching conditions. One particular aim is to encourage the use of digitally supported learning formats in order to establish a blend of different formats geared towards the respective learning objective within the internal skills development portfolio. KfW transitioned additional training offerings to online formats in this context in the reporting year and completed successful pilots. It also expanded its "learning pathways", which enable employees to expand and develop their knowledge and skills based on their individual level of knowledge – by way of self-learning materials, tutorials and online communities.

Lead Transformation: The "Lead Transformation" management development programme has been underway since 2019. It gives managers the opportunity to analyse new requirements and refine their understanding of leadership so that they are equipped for their role in KfW's central change processes. The following priorities are set within the programme:

- Leadership and risk culture: how managers practise risk culture in their daily leadership
- Leadership and resource optimisation: how managers at KfW manage resources
- Leadership in an agile environment: where and how agility can be useful in collaborative work

The programme is based on new learning methods and individual responsibility on the part of managers, who are asked to contribute their knowledge and their expectations for the future. All events are mixed in terms of hierarchical levels and organisational units, something that participants find particularly valuable. The programme is scheduled to run for two years. All managers complete the skill modules according to plan. Due to the coronavirus, the programme was changed to a virtual format. Since June 2020, all content has been taught online. A continuation of the programme with some new focal points is currently being planned to provide managers with comprehensive and topical skills development options from 2022.

Talent Management: A range of measures are intended to more strongly promote talent at KfW, KfW IPEX-Bank, DEG and KfW Capital in future. They include targeted mentoring, scholarships for young employees studying part-time while continuing to work, and a stronger focus overall on job changes between departments. In addition to promoting talent on an individual basis, two talent pools are being created – one to support "young creators" with a maximum of five years' professional experience, the other for "experienced drivers of the future" with management experience. This underscores the development of young leadership personalities, as well as placing more focus on the responsibility and commitment of outstanding experienced managers.

Digitalisation and agile working

Since the outbreak of the coronavirus pandemic, in-person training has gradually been converted to virtual training. Almost all training opportunities can now be offered virtually. Online language courses have also been successfully piloted. A return to in-person training is not planned until summer 2022. The pre- and post-training phases were also optimised and, for example, self-learning materials were created for participants. Between 1 January and 31 December 2021, around 12,400 individual bookings for virtual training were recorded. Only those courses that were not suitable for a virtual format were suspended during this time. In particular, specialised training courses, the courses from the Lead Transformation programme and the presentation training were quickly adapted to the new challenges. The experience gained from conducting virtual training was applied to the entire range of training courses. For example, training sessions were spread over several days, self-learning materials developed and employees taught how to use digital cooperation tools.

Skills of the Future: Digitalisation and agility will continue to significantly transform what is required of employees in the coming years. The Skills of the Future project creates transparency in terms of the existing and future agile and technological skills that will be needed at KfW. On this basis, measures were derived in 2021 for staff development, recruitment and promotion of young talent, with further development provided for

Social commitment

employees at KfW in particular. Implementation is iterative and will continue in 2022. Training courses on agile working methods are regularly offered, for example. Since 2019, KfW employees have been able to attend in-house training to become certified Scrum Masters or Product Owners under the Scrum approach. In the Lead Transformation management development programme, agility and agile leadership also play a prominent role.

Following introduction of a virtual whiteboard in 2020, the video and web conferencing tool was expanded in 2021, enabling sub-group sessions, among other things. The technical opportunities allow a much broader range of training, workshops, meetings and collaborative work to be offered.

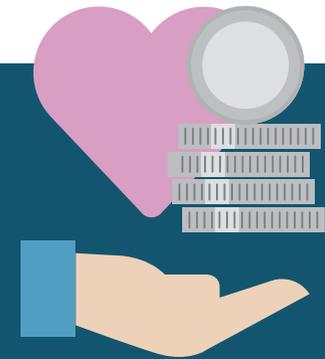
The activities of the interdisciplinary Transformation Team Agile KfW (TTA) and Transition Team Scrum (TTS) were continued and further developed. The focal points in the reporting year were completing and adopting a vision for the future, "agile KfW 2025", which will make it possible to align all measures and initiatives that contribute to agility. In addition, a bank-wide set of cooperative principles was developed and rolled out with a kick-off workshop in senior management. There will be a focus on continued group-wide application of the cooperation principles in 2022. In terms of organisational learning, reflections and learning experience from 2021 will be used to transfer it to other parts of the bank and make it useful there. The aim is to promote interdisciplinary work and to enable self-organisation for all employees.

Employee donations and initiatives

KfW, KfW IPEX-Bank and DEG employees have the opportunity to donate a portion of their monthly salary through the "spare cents" or "spare euros" initiative. Their payable salary is rounded down to the next full euro or five euros. In 2021, the donations from KfW staff amounted to EUR 40,647, and KfW topped it up by a further EUR 40,647. Employees at KfW IPEX-Bank donated a total of EUR 7,146, which the bank topped up to a total of EUR 15,000. Employees at DEG collected around EUR 870. In total, KfW (including the Executive Board and "spare cents" donations) made donations amounting to close to EUR 147,318 to non-profit organisations in 2021. According to its donation guidelines, KfW does not provide financial support or other allowances to political parties including organisations that are affiliated with parties.

KfW donations 2018-2021 in EUR

	2018	2019	2020	2021
KfW (including the Executive Board)	142,920	93,700	50,000	106,671
Employees	35,990	43,500	48,515	40,647
Total	178,910	137,200	98,515	147,318



KfW donated EUR 147,318 to non-profit organisations in 2021

Safety and health

To maintain and increase its employees' ability to perform over the long term, KfW Group operates its own health management services. The focus of these services is to make sure the working environment, including workstations, is appropriate to prevent risks at work and accidents. A certifiable management system for occupational health and safety is currently being developed at KfW Group. To this end, a software application for occupational health and safety management was used, which will initially be tailored to KfW's needs in a 16-month project phase and rolled out in the central services department. Due to the coronavirus pandemic, the software roll-out was temporarily put on hold, and was resumed at the end of 2021. It will be implemented in the pilot area in 2022. Employees will be involved in the roll-out in future. The tool will only be used by KfW managers.

Health management

Preventive healthcare is the basis for healthy daily working life at KfW Group. In terms of strategy, the health management concept is based on the Finnish model, the "House of Work Ability". As such, the company offers a range of areas of action and measures:

Operational integration management: All employees who are unfit for work for more than 42 days in a 12-month period receive an invitation to an operational integration management hearing from the KfW Health Manager. The discussion will revolve around how the employee can return to work, how to prevent future absences and how to maintain performance – for example through medical rehabilitation, technical support at work or a reduction in working hours.

Health check: The voluntary check-up for all managers at KfW and KfW IPEX-Bank allows staff to undergo a physical check-up to measure their endurance and also includes an optional assessment of their personal risk of burnout. 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. It was not possible to provide these examinations to the previous extent in the reporting year due to the coronavirus pandemic.

Preventing psychological stress: Risks arising from high levels of psychological stress are surveyed by KfW as part of a risk assessment. A new procedure for this assessment was selected by means of a market survey. A written employee survey was conducted in mid-2021, with the result showing that KfW is basically a healthy organisation. Any anomalies were communicated to the relevant managers by the occupational health and safety experts, who provided support with processing and derivation of action. Offers and informational events on psychological issues continued to be provided digitally due to the coronavirus pandemic. Topics included dealing with stress, and resilience.

Many of our staff were affected by the flooding in Germany in the summer of 2021. We provided them with support via our social counselling services, which was well received.

We support our staff travelling abroad in fragile states as best we can with mandatory training and counselling sessions. In acute crisis situations, an emergency hotline is also available for them to talk to specially trained psychologists.

Corporate sports programme and increased awareness:

KfW Group offers a broad spectrum of subsidised corporate sports. It also offers prevention courses. For instance, the DEG health platform provides access to many subsidised and certified prevention and health courses. More than 647 DEG employees are now registered. KfW and KfW IPEX-Bank also use a health platform, which is being introduced in several stages. Currently, employees have access to a free magazine and company section where they can find information on health issues and book in-house offers. Around 90% of KfW and KfW IPEX-Bank staff are currently registered. A collaboration that enables employees to get discounted access to fitness and wellness facilities worldwide rounds off the sports programme.

KfW Group holds regular physical fitness days to create more awareness of health issues. A multi-step "Cycling for fitness in winter" campaign and a digital health day were launched in 2021. In addition, monthly health-related webinars were offered to give employees tips to incorporate into their daily routine, such as boosting their immune system and developing healthy sleep habits.

Care from company physicians: KfW's Occupational Health Office is available to all KfW and KfW IPEX-Bank employees. It is staffed five days a week at the Frankfurt office, and provides occupational health care based on the German Ordinance on Preventive Occupational Health Care (Arbeitsmedizinische Vorsorgeverordnung – "ArbMedVV"). This includes optional

health care relating to work at a computer screen and mandatory health care in the case of activities performed in the tropics and sub-tropics and during other stays abroad with special climatic stress and risks of infection. This mandatory care applies to all employees on business trips or foreign assignments, and is performed in the form of an individual medical consultation and examination. In addition to occupational health, the company physicians also deal with socio-medical matters. They work closely together with the staff from occupational safety. The focus remained on the coronavirus pandemic and the related in-house medical advice in 2021. All employees and external service providers were offered a COVID-19 vaccination at the KfW offices in addition to a voluntary flu vaccination. The Occupational Health Office is staffed on certain days at the Berlin and Bonn locations. KfW Capital has an external company physician.

Occupational safety

KfW Group considers how to promote good health when setting up and designing workstations. Since the risk of injury caused by an accident at work is low for KfW Group employees, the primary focus is not on absence rates caused by occupational accidents but on absence caused by illness. In 2021, sick leave per employee at KfW was six days (2020: eight days). A total of 43 work-related accidents from work, commuting and corporate sports programme accidents were reported in the entire group in 2021.

(2020: 62). To reduce the risk of commuting accidents by bicycle, KfW launched the pilot project "Cycling Safety Training" at all locations in 2019. The planned continuation and expansion of the project have been on hold since 2020 due to the pandemic.

The occupational safety committees (ASAs) active at each site coordinate occupational safety activities. In accordance with legal requirements, ASA meetings are held on a quarterly basis at all sites.

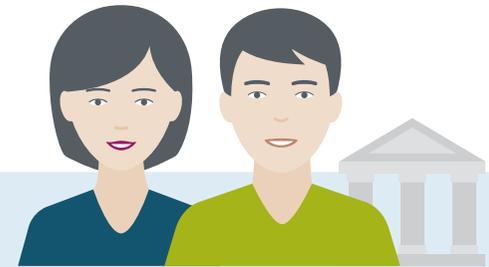
KfW Group has incorporated guidelines on occupational health and safety and the associated operating instructions in its Organisation Manual in the form of a work instruction. Once a year, the employees are trained on hazards at work and preventive measures in a mandatory online course. The minimum employee participation rate of 95% is checked on a quarterly basis at department level. Any additional hazards identified are discussed based on the activity in question. Managers are also trained separately on their role in occupational health and safety. Due to the coronavirus, KfW Group launched an e-learning programme on work during the pandemic. This raises employees' awareness of measures to reduce the risk of infection for themselves and others. This training course was updated at the end of 2021 to include the subject of danger to health from COVID-19 and information about the option of vaccination. This online training is mandatory for KfW employees.

COVID-19 was also a focal point for KfW's safety engineers in 2021. During the entire pandemic, the bank's hygiene concept and various hygiene considerations when meeting with people in a work context were developed on the basis of risk assess-

ments and in compliance with the legal occupational health and safety requirements and federal state regulations. This allowed business operations to be maintained in accordance with coronavirus protective measures.

Staff security during assignments abroad

KfW Group pays special attention to security during foreign assignments. A directive contains uniform group-wide requirements for the safety and security of personnel abroad and is designed to protect staff on business trips and seconded staff as well as the national personnel of the foreign branch offices. Staff security abroad focuses on staff security risks that may arise due to general and violent crime, terrorist threats, political tensions and unrest, acts of war, natural disasters, illness and accidents. Based on systematic monitoring, a group-wide "List of countries with critical security situations" is kept that uses various risk categories to classify countries and sub-regions. The classification has an impact on the required level of protection and results in the definition of decision-making powers commensurate with the risks in terms of whether to continue activities in regions with a critical security situation. People's physical safety takes precedence over business objectives at all times. To ensure independent decision-making in critical security situations, group-wide security management is always structurally separate from the operating units and front-office areas at KfW Group. Where possible, training courses were offered virtually. Moreover, a decision support tool has been developed for the resumption of foreign assignments and business trips, taking into account aspects related to the coronavirus pandemic such as the situation in the respective partner country. Every business trip abroad must be individually approved for these reasons.



The physical safety of people always takes precedence over business objectives

Employee figures

All figures are rounded to one decimal place except for the absolute total of employees. Furthermore, the figures for the group are calculated in summary form. The figures reported do not include temporary workers or external workers unless otherwise stated. Employees working in KfW's branch offices around the world (local staff) have been integrated in the bank's reporting systems since 2020. However, due to different legal bases (for example, in collective bargaining law or in determining the inclusion rate), different reporting models are used worldwide, so locally employed workers are only included in some of the tables shown.

The subsidiary KfW Capital, which was established in 2018, is included in the following key figures as far as possible. KfW Capital is not listed separately in some cases because the figures have negligible significance due to the small number of employees or because they were not available.

Employee structure at KfW Group¹

Number	2017	2018	2019	2020	2021
KfW Group²	6,284	6,574	6,934	7,610	7,985
of which women	3,051	3,176	3,364	3,693	3,865
KfW	4,990	5,184	5,475	5,977	6,288
of which women	2,398	2,493	2,644	2,883	3,018
KfW IPEX-Bank	683	708	779	856	901
of which women	320	339	370	416	442
DEG	613	677	673	751	751
of which women	333	348	348	386	384
KfW Capital	n/a	n/a	23	26	45
of which women	n/a	n/a	5	8	21

¹ Including locally employed staff of KfW branch offices worldwide since 2020

² Including members of the Executive Board, members of the Management Board and staff not actively employed, adjusted for secondments within the group

7,985

employees worked at
KfW Group in 2021

Employees covered by collective bargaining agreements in %

	2017	2018	2019	2020	2021
KfW Group	26.3	26.4	27.9	26.8	27.7
KfW ¹	27.9	26.8	28.0	28.1	28.5
KfW IPEX-Bank ²	15.1	19.8	24.0	21.0	23
DEG ³	25.4	28.6	28.1	27.0	28.7
KfW Capital	n/a	n/a	n/a	n/a	n/a

¹ As in previous years, the rate refers to the total figure excluding the local employees directly employed by the foreign branch offices.

² Including temporary staff, but excluding trainees, sandwich students, graduate trainees, interns and local employees

³ Not including trainees, interns or temporary workers

Employees with fixed-term contracts in %¹

	2017	2018	2019	2020	2021
KfW Group	10.2	10.4	12.3	12.4	12.8
of which women	54.8	53.4	54.5	53.0	49.6
KfW	10.4	10.4	12.6	12.9	13.4
of which women	54.7	54.8	55.9	54.0	49.6
KfW IPEX-Bank	5.1	6.2	10.0	10.3	11.4
of which women	54.3	52.3	49.9	46.6	49.5
DEG	14.2	14.8	12.8	11.1	10.1
of which women	55.2	46.0	47.7	50.6	50
KfW Capital	n/a	n/a	n/a	n/a	0
of which women	n/a	n/a	n/a	n/a	0

¹ Including locally employed staff of KfW branch offices worldwide since 2020

Part-time staff in %¹

	2017	2018	2019	2020	2021
KfW Group	26.5	26.9	28.2	26.5	25.6
of which women	78.4	76.6	75.2	75.6	74.4
KfW	27.0	27.6	28.6	27.2	26.2
of which women	76.5	75.1	73.4	74.0	72.7
KfW IPEX-Bank	23.1	24.6	26.6	27.1	24.9
of which women	86.1	85.1	82.6	78.0	77.7
DEG	26.0	24.1	27.5	21.8	22.2
of which women	86.9	80.4	82.2	87.8	86.8
KfW Capital	n/a	n/a	n/a	n/a	7
of which women	n/a	n/a	n/a	n/a	100

¹ Including locally employed staff of KfW branch offices worldwide since 2020

Length of employment and rate of employee turnover

Average length of employment in years					
	2017	2018	2019	2020	2021
KfW	11.9	11.9	11.9	11.9	11.7
KfW IPEX-Bank	10.5	10.9	10.8	10.9	11.0
DEG	10.7	10.6	10.2	10.7	10.9
KfW Capital	n/a	10.5	9.6	9.0	6.0

Fluctuation in % ^{1,2}					
KfW	3.3	3.3	2.3	3.1	3.2
Ratio of women	1.6	1.5	1.3	1.4	1.4
Ratio of men	1.7	1.9	1.1	1.7	1.8
KfW IPEX-Bank	7.2	6.1	7.3	4.3	3.7
Ratio of women	2.8	3.0	3.7	2.3	1.4
Ratio of men	4.4	3.1	3.6	1.9	2.3
DEG	4.6	7.3	9.5	3.4	3.5
Ratio of women	2.1	4.1	4.3	1.7	1.6
Ratio of men	2.4	3.2	5.2	1.6	1.9

¹ Since 2017, the rate has been calculated based on the total number of employees. This figure is the absolute number of employees as of the reporting date of 1 December in the respective year. Temporary employees, contractors, employees of foreign branch offices (local staff) and staff with fixed-term contracts that have ended are not included. The survey includes all employees that voluntarily left the organisation or are no longer available due to dismissal, retirement or a fatal work-related accident (calculation in accordance with the GRI Standards).

² Differences in the totals are due to rounding.

New employees by gender¹

	2017	2018	2019	2020	2021
KfW (headcount)	535	661	683	679	859
in % (of total workforce)	10.7	12.8	12.5	12.0	14.4
Women (in %) ²	47.5	50.7	52.4	50.4	50.6
KfW IPEX-Bank (headcount)	61	73	130	109	103
in % (of total workforce)	8.9	10.3	16.7	13.3	11.9
Women (in %) ²	47.5	57.5	46.2	56.0	46.9
DEG (headcount)	113	134	31	47	38
in % (of total workforce)	18.4	19.8	4.6	6.9	5,5
Women (in %) ²	60.2	41.6	48.4	44.7	50
KfW Capital	n/a	n/a	n/a	n/a	20
in % (of total workforce)	n/a	n/a	n/a	n/a	46.5
Women (in %) ²	n/a	n/a	n/a	n/a	65

¹ As in previous years, the rate refers to the total figure excluding the local employees directly employed by the foreign branch offices.

² Proportion of women among new employees

1,020

new employees joined KfW's
workforce in 2021

New employees by age group in absolute numbers

		2019	2020	2021
KfW	age group < 30	351	407	406
	30 ≤ age group ≤ 50	266	223	368
	50 < age group ≤ retirement age	66	49	85
KfW IPEX-Bank	age group < 30	93	67	73
	30 ≤ age group ≤ 50	35	40	29
	50 < age group ≤ retirement age	2	2	1
DEG	age group < 30	12	17	11
	30 ≤ age group ≤ 50	16	27	25
	50 < age group ≤ retirement age	3	3	2
KfW Capital	age group < 30	n/a	n/a	9
	30 ≤ age group ≤ 50	n/a	n/a	11
	50 < age group ≤ retirement age	n/a	n/a	0

Training and education

	2016	2017	2018	2019	2020
Training and education rate in %					
KfW ^{1, 2}	4.2	4.0	4.0	4.3	4.2
KfW IPEX-Bank ³	2.5	3.1	6.2	4.6	3.6
DEG ⁴	2.3	4.6	4.0	3.5	2.2
KfW Capital	n/a	n/a	n/a	n/a	n/a
Continuing education in hours					
KfW	89,346	82,412	90,952	51,012	113,424
KfW IPEX-Bank	9,924	8,520	10,884	5,184	12,246
DEG	6,584	6,856	6,318	3,356	5,098
KfW Capital	n/a	n/a	n/a	n/a	520

¹ Trainees, sandwich degree students, graduate trainees and interns

² As in previous years, the rate refers to the total figure excluding the local employees directly employed by the foreign branch offices.

³ Graduate trainees and interns

⁴ Graduate trainees and interns, also including trainees since 2018

131,288

hours of continuing education
completed in 2021

Employees on parental leave in 2021 (2020)

	Men	Women	Total
Number of employees who took parental leave in 2021 (2020)			
KfW Group	139 (145)	275 (246)	414 (391)
KfW	108 (101)	212 (195)	320 (296)
KfW IPEX-Bank	19 (30)	42 (38)	61 (68)
DEG	12 (14)	20 (13)	32 (27)
KfW Capital	0 (0)	1 (0)	1 (0)

Number of employees who returned to the workplace from parental leave in 2021 (2020)

KfW Group	118 (127)	138 (127)	256 (254)
KfW	85 (87)	96 (87)	181 (174)
KfW IPEX-Bank	19 (29)	25 (20)	44 (49)
DEG	14 (11)	17 (20)	31 (31)
KfW Capital	0 (0)	1 (0)	1 (0)

Number of employees who ended their parental leave in 2020 (2019) and were still under contract at the end of 2021 (2020)

KfW Group	119 (137)	117 (159)	236 (296)
KfW	82 (109)	83 (91)	165 (200)
KfW IPEX-Bank	27 (28)	19 (20)	46 (48)
DEG	10 (22)	15 (26)	25 (48)
KfW Capital	0 (0)	0 (0)	0 (0)

Employees with disabilities; disability quota¹ in %

	2016	2017	2018	2019	2020
KfW	5.5	5.6	5.6	5.7	5.8
KfW IPEX-Bank	1.3	1.6	2.3	1.9	2.6
DEG	2.5	3.7	3.3	4.0	3.8

¹ Data based on disability law

5.9%

of KfW employees had
disabilities in 2021

Women in %¹


	2017	2018	2019	2020	2021
KfW	48.1	48.1	48.3	48.2	48
KfW IPEX-Bank	46.9	47.7	47.5	48.6	49.0
DEG	54.3	51.4	51.7	51.4	51.1
KfW Capital	n/a	n/a	n/a	30	46.6

¹ Including locally employed staff of KfW branch offices worldwide since 2020

Women in management positions in %


KfW¹	31.4	33.2	33.5	34.9	35.9
Middle management ¹	30.4	27.1	27.3	29.4	30.4
Senior management ³	12.0	12.5	8.7	8.7	13
KfW IPEX-Bank⁴	27.3	29.2	30.4	30.9	30.2
Middle management ²	27.8	27.8	27.8	29.4	27.8
Senior management ⁵	25.0	25.0	25.0	25	25.0
DEG⁶	33.3	30.0	31.3	33.3	32
Middle management ²	35.9	31.7	33.3	35.9	35
Senior management ³	22.2	22.2	22.2	22.2	22.2
KfW Capital	n/a	n/a	n/a	n/a	17
Middle management	n/a	n/a	n/a	n/a	25
Senior management	n/a	n/a	n/a	n/a	0

¹ Team leaders, heads of department, directors

² Heads of department

³ Directors

⁴ Team leaders, heads of department and Management Board

⁵ Management Board

⁶ Heads of department, directors

30%

> 30% women in management positions at KfW, KfW IPEX-Bank and DEG in 2021

Personnel expenditure and provisions

	2017	2018	2019	2020	2021
Expenditure on personnel (KfW Group) in EUR million	668	771	749	770	842
Pension provisions (KfW Group) ¹ in EUR billion	2.0	2.1	2.5	2.7	2.6

¹ Including provisions for similar obligations (IFRS 2)

Work-related accidents at KfW Group in Germany

	2017	2018	2019	2020	2021
KfW Group	116	80	87	62	43
of which fatal	0	1 ¹	0	0	0

¹ Commuting accident

Glossary

ABS – asset-backed securities: A form of financing in which payment claims (such as regularly recurring invoices) are collateralised, in other words, given the form of a tradable security. The asset in this case is the invoice to be paid. Similarly, asset-backed commercial paper (ABCP) is a tradable money market instrument covered by a company's assets.

Bank on-lending: The core of KfW's business model for domestic promotion: private and commercial promotional loans are not taken out directly from KfW but from the customer's regular bank or a commercial bank. This bank then forwards the applications to KfW and subsequently passes on the funds provided by KfW back to their client.

Bonds: Bonds are usually fixed-interest long-term debt securities issued by public bodies or private companies and used to take out loans in the financial market (see also > green bonds).

Best-in-class approach: Under this investment strategy (for shares or > bonds), only the most sustainable companies in any sector are incorporated into an investment portfolio.

Biodiversity: Diversity of species, genetic diversity and diversity of eco-systems. The destruction and fragmentation of natural habitats are a current threat to the existence of many species of flora and fauna. A great number of initiatives and international agreements aim to protect biodiversity.

Carbon equivalents (CO₂e): Unit of measure to standardise greenhouse gas emissions by converting them to be comparable with carbon dioxide (CO₂) and presentable together in a greenhouse gas balance.

Compliance: A company's adherence to legal provisions, regulatory standards, and its own in-house rules and regulations.

Diversity: The variety of people in the workforce in terms of gender, sexual orientation, age, nationality, religion, disability/ability, etc. This diversity allows for different perspectives and makes problems easier to solve thanks to a range of approaches.

Efficiency house: A standard for measuring the energy efficiency of residential buildings. The designated standard (e.g. 40) indicates how energy-efficient a building is compared to a reference building. The lower the number of the standard, the higher the energy efficiency.

ERP – European Recovery Program: Originally introduced by the US as a recovery programme for Western Europe after the Second World War. The funds earmarked for economic development in Germany now take the form of the German government's ERP Special Fund, which is managed by KfW.

ESG – Environmental, Social, Governance: Factors relating to the environment, society and corporate governance that – alongside financial figures – play a role in an issuer's rating on the financial markets.

EU taxonomy – taxonomy for sustainable economic

activities: The European Union's unified classification system for defining sustainable activities. The aim of the EU taxonomy is to provide investors and companies with a uniform framework to define sustainability in order to enable more funds to be raised for climate-friendly projects and economic activities. To be classified as "environmentally sustainable" under the EU taxonomy, an economic activity must pursue one of six environmental objectives and must not harm any of them. Companies subject to the obligation to publish non-financial reports must provide information for 2021 on their turnover, capital expenditure (CapEx) and operating expenditure (OpEx) associated with the environmentally sustainable economic activities relating to the objectives climate change mitigation and climate change adaptation.

Fair Trade labels: Quality labels issued by various organisations that use fixed criteria to test and certify food production and trade from developing countries and emerging economies. "Fair trade" means that farmers normally receive higher financial income.

FC – Financial Cooperation: A central instrument in German development cooperation that aims to permanently improve the living standards of people in developing countries and emerging economies and also aims to mitigate climate change. KfW Development Bank has been responsible for FC on behalf of the German Federal Government since the 1960s.

Financial intermediaries: In international Financial Cooperation projects in developing countries and emerging economies, KfW works with local financial intermediaries, in other words with local organisations that manage the project's committed funds on a fiduciary basis and are required to submit reports in accordance with defined criteria.

Global loan: A large-volume promotional loan issued by KfW to the promotional institutions of the German Federal States, leasing companies and promotional banks in the EU. Under this scheme, KfW's business partners pass on the favourable interest rates to their own clients.

Governance: Normally used in the sense of "corporate governance": (responsible) corporate governance is based on executive and supervisory roles as well as generally accepted standards, such as the German Corporate Governance Code.

Green bonds: "Green" > bond means that the investors require > issuers to use the funds received from issuing the bond to finance measures that protect the environment and mitigate climate change.

Greenhouse Gas Protocol – GHG Protocol: International standard for calculating and reporting greenhouse gas emissions, such as CO₂. The GHG Protocol distinguishes between three areas (known as scopes): Scope 1 covers all direct emissions from internal sources (e.g. combustion processes in industrial plants). Scope 2 refers to indirect emissions resulting from electricity, steam, heating and cooling that are generated or purchased from outside the company. Scope 3 contains all other indirect emissions, such as those generated from the transport of goods or business trips.

GRI – Global Reporting Initiative: An organisation based in Amsterdam, which has been using multi-stakeholder processes to develop generally accepted but non-legally binding sustainability reporting standards since 1999. Sustainability Reporting Standards, known as GRI Standards for short, have also applied since 2016.

Institutional liability: The legislative or constitutional legal liability of a public-law institution's owner to equip this legal entity with the resources needed to function through internal arrangements – in this case: the German Federal Government's responsibility for KfW Group.

ISSB – International Sustainability Standards Board: The International Financial Reporting Standards (IFRS) announced the creation of the ISSB in the autumn of 2021. The aim of the ISSB is to develop international, integrated sustainability reporting standards. It is to be based in Frankfurt am Main, Germany.

Issuers: Companies or governments that float ownership interests (shares), bonds or other securities (e.g. > bonds) in the financial market.

Leverage ratio: The relationship between equity and total assets before it is weighted for risk.

National Action Plans on Business and Human Rights

(NAPs): Under NAPs, the German Federal Government expects businesses (including financial institutions) to fulfil their duty of care for human rights. Structures are to be in place by the end of 2020 to ensure the protection of human rights in their corporate processes. The German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz) was developed on the basis of NAPs.

Net greenhouse gas neutrality: Greenhouse gas neutral describes an activity that does not affect the concentration of CO₂ or CO₂ equivalents in the atmosphere. "Net" indicates that emissions can occur but are offset and that the activity is therefore not greenhouse gas neutral per se, but is neutral on balance.

Paris Climate Agreement and Paris compatibility: The Paris Agreement on climate change is an international treaty that entered into force in 2016. The signatory states agreed on a long-term goal of limiting global warming to well below 2°C compared to average pre-industrial global levels, but preferably to 1.5°C. The Agreement is also intended to increase the capacity of countries to adapt to the adverse effects of climate change. A calculated carbon budget indicates the upper threshold for worldwide emissions in order to stay below the temperature limit, and implementation of the Agreement is defined in a set of rules. We consider activities to be "Paris-compatible" if they are consistent with achieving these goals.

Scope 1, 2 and 3: Greenhouse gas emissions are generally broken down into three categories (scopes). See > Greenhouse Gas Protocol/GHG Protocol.

SDGs – Sustainable Development Goals: 17 goals designed to promote sustainable development adopted by the global community in 2015 as part of the United Nations' 2030 Agenda (find out more → [here](#)).

Sustainable finance: In general, a financial sector that is geared towards sustainability and in which financial institutions contribute to sustainable development. Launched in 2016, the EU Strategy on Sustainable Finance aims to ensure, among other things, that banks focus more on environmental and social criteria in their investment strategy in future and that they promote the real economy by granting loans to sustainable companies. See also > EU taxonomy.

TCFD – Task Force on Climate-related Financial Disclosures

Disclosures: The G20's expert committee, the TCFD, publishes recommendations on how companies can better analyse and assess climate-related risks in terms of the impact on their business activities, and make these risks transparent.

Treasury: The management of investments – in KfW's case, the liquidity portfolio.

UN PRI – UN Principles for Responsible Investment: The PRI is an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact. Its aim is to develop principles for responsible securities management which reflect the increasing importance of environmental, social and governance (> ESG) factors in investment decisions.

Venture capital/venture debt: Time-limited investments in young, unlisted companies with above-average growth potential despite currently insufficient earnings power.



Index

GRI and non-financial report

GRI content index

In this index, a distinction is made between the GRI Universal Standards based on the materiality analysis carried out in 2021 and additional standards that are reported for transparency reasons.



Statement of use	KfW Group reports on financial year 2021 in accordance with the GRI Standards.
GRI 1 applied	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

Standard / Disclosure	Pages(s)	Comment/reason for omission
General Disclosures		
GRI 2: General Disclosures 2021		
1 The organization and its reporting practices		
2-1 Organizational details	2, 7–9	
2-2 Entities included in the organization's sustainability reporting	2, 7	
2-3 Reporting period, frequency and contact point	2, 158	
2-4 Restatements of information	96	Subsequent corrections to individual KPIs are indicated by footnotes on the pages listed.
2-5 External assurance	2	
2. Activities and workers		
2-6 Activities, value chain and other business relationships	7–13, 65–66, 108–109	
2-7 Employees	113, 133–138	
2-8 Workers who are not employees	113	
3. Governance		
2-9 Governance structure and composition	38–40	
2-10 Nomination and selection of the highest governance body	38–39	
2-11 Chair of the highest governance body	38–39	
2-12 Role of the highest governance body in overseeing the management of impacts	16, 24, 39–41, 48	

2-13 Delegation of responsibility for managing impacts	20–23, 39–42, 84–85	
2-14 Role of the highest governance body in sustainability reporting	2	
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2-16 Communication of critical concerns	38, 47	
2-17 Collective knowledge of the highest governance body	38–39	
2-18 Evaluation of the performance of the highest governance body	38–39	
2-19 Remuneration policies	114	
2-20 Process to determine remuneration		Restrictions relating to confidentiality: individual employee salaries are protected as confidential information and disclosure of this information, even for statistical evaluation, accordingly remains limited. Information about annual remuneration of the Executive Board can be found in the remuneration report.
2-21 Annual total compensation ratio		Restrictions relating to confidentiality: individual employee salaries are protected as confidential information and disclosure of this information, even for statistical evaluation, accordingly remains limited. Information about annual remuneration of the Executive Board can be found in the remuneration report.
4. Strategy, policies and practices		
2-22 Statement on sustainable development strategy	5	
2-23 Policy commitments	16–17, 38–40, 47–50, 84–88	
2-24 Embedding policy commitments	38–41, 49–50, 84–88	
2-25 Processes to remediate negative impacts	84–92	
2-26 Mechanisms for seeking advice and raising concerns	89–90	
2-27 Compliance with laws and regulations	42–46	
2-28 Membership associations	25	
5. Stakeholder engagement		
2-29 Approach to stakeholder engagement	24–26	
2-30 Collective bargaining agreements	114, 134	

Material Topics		
GRI 3: Material Topics 2021		
3-1 Process to determine material topics	26–27	
3-2 List of material topics	28–30	
Promotional business		
3-3: Management of material topics	7–13, 65–66, 68–79	
GRI 201: Economic Performance 2016		
201-1: Direct economic value generated and distributed	69–70, 96, 129	
GRI 203: Indirect Economic Impacts 2016		
203-1: Infrastructure investments and services supported	9–13, 71–79	
Product portfolio		
FS6: Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	69–70	
FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	69–79	
FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	69–79	
Appraisal of financing activities		
3-3: Management of material topics	65–66, 84–88	
GRI 203: Indirect Economic Impacts 2016		
203-2: Significant indirect economic impacts	84–88	
GRI 304: Biodiversity 2016		
3-3: Management of material topics	65–66, 84–86	
304-2: Significant impacts of activities, products and services on biodiversity	82–83, 84–86	
Capital market		
3-3: Management of material topics	84–86	

Product portfolio		
FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	78–80	
FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	80–83	
Risk management		
3-3: Management of material topics	47–48	
GRI 201: Economic Performance 2016		
201-2: Financial implications and other risks and opportunities due to climate change	47–48, 51–62	
Evaluation of financing activities		
3-3: Management of material topics	88–92	
GRI 304: Biodiversity 2016		
304-2: Significant impacts of activities, products and services on biodiversity	74–75, 82–83, 84–86, 99	
GRI 411: Rights of Indigenous Peoples 2016		
411-1: Incidents of violations involving rights of indigenous peoples	89–90	<p>Reports on human rights complaints to KfW Development Bank, which deals with this disclosure, have been published online since the beginning of 2022. They can be found on the → KfW Development Bank website.</p> <p>Previous complaints submitted to DEG are also available online, on the → DEG website.</p>
Sustainable corporate governance		
3-3: Management of material topics	16–20, 35, 39–42	
Transparency and stakeholder communication		
3-3: Management of material topics	24–25, 46, 93–95	
GRI 415: Public Policy 2016		
415-1: Political contributions	46	
GRI 417: Marketing and Labeling 2016		
417-2: Incidents of non-compliance concerning product and service information and labeling		None

417-3: Incidents of non-compliance concerning marketing communications		None
Compliance and anti-corruption		
3-3: Management of material topics		
GRI 205: Anti-corruption 2016		
205-2: Communication and training about anti-corruption policies and procedures	42–46	
205-3: Confirmed incidents of corruption and actions taken	43	
GRI 207: Tax 2019		
207-1: Approach to tax	44–45	
207-2: Tax governance, control, and risk management	44–45	
207-3: Stakeholder engagement and management of concerns related to tax	44–45	
207-4: Country-by-country reporting	44	In the KfW Group, only KfW IPEX-Bank has a foreign branch office subject to this reporting obligation. It performs its country-by-country reporting in its → annual report .
Procurement		
3-3: Management of material topics	108–110	
GRI 204: Procurement Practices 2016		
204-1: Proportion of spending on local suppliers	109	
GRI 308: Supplier Environmental Assessment 2016		
308-2: Negative environmental impacts in the supply chain and actions	109–110	
GRI 414: Supplier Social Assessment 2016		
414-1: New suppliers that were screened using social criteria	109–110	
414-2: Negative social impacts in the supply chain and actions taken	109–110	
Diversity and equal opportunities		
3-3: Management of material topics	116–120, 124–125	
GRI 405: Diversity and Equal Opportunity 2016		
405-1: Diversity of governance bodies and employees	117–120, 124–125, 133, 137–138, 141–142	Incomplete information: Details about employee turnover and new employee hires are not collected by region. The key figures are not relevant for management as the majority of our employees are in Germany. Turnover by age is also not recorded at KfW Group.

405-2: Ratio of basic salary and remuneration of women to men		Restrictions relating to confidentiality: Individual employee salaries are protected as confidential information and disclosure of this information, even for statistical evaluation, accordingly remains limited at KfW Group.
GRI 406: Non-discrimination 2016		
406-1: Incidents of discrimination and corrective actions taken	125	
FS14: Initiatives to improve access to financial services for disadvantaged people	93–95	
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3-3: Management of material topics	7–12, 113–116, 121–123	
GRI 201: Economic Performance 2016		
201-3: Defined benefit plan obligations and other retirement plans	143	
GRI 202: Market Presence 2016		
202-2: Proportion of senior management hired from the local community	116–117	All of the managers at KfW Group locations outside Germany are seconded and employed in Germany. There are no guidelines on hiring local management.
GRI 401: Employment 2016		
401-1: New employee hires and employee turnover	113, 136–138	Incomplete information: Details about employee turnover and new employee hires are not collected by region. The key figures are not relevant for management as the majority of our employees are in Germany. Turnover by age group is not recorded at KfW Group.
401-3: Parental leave	140	
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403-9: Work-related injuries	130–132, 143	Incomplete information: A breakdown by gender is not recorded for this indicator. As temporary workers do not make up a significant proportion of the overall workforce, this data is not recorded for this employee group.
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