



# »»» “Green Bonds – Made by KfW” Framework

01 January 2022

# Content

1. Overarching Objective and Strategy	3
2. Green Bond Framework	3
3. Use of Proceeds	4
4. Process for Project Evaluation and Selection	6
5. Management of Proceeds	7
6. Reporting	7
7. External Review	8
8. Documents and Websites	9

## Disclaimer

The information contained in this document does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any offering of securities in the United States will be made by means of a prospectus that may be obtained from KfW and will contain detailed information about KfW and its management, financial statements and information about the Federal Republic of Germany. If KfW's use of proceeds is a factor when deciding to invest in "Green Bonds – Made by KfW", investors should carefully read this framework and consult with their legal and tax counsel or other advisors before making an investment in "Green Bonds – Made by KfW".

KfW accepts no responsibility for the content of external websites, which are mentioned in this Green Bond Framework otherwise than the websites that are facilitated by KfW.

## 1. Overarching Objective and Strategy

KfW is the promotional bank of the Federal Republic of Germany. According to the Law Concerning KfW (*Gesetz über die Kreditanstalt für Wiederaufbau*, or the “KfW Law”), performing promotional tasks, in particular financing sustainable development, is one of KfW’s business purposes. Hence, KfW’s sustainability strategy is closely intertwined with its business strategy.

KfW is financing and promoting the transformation of the economy and society to improve economic, ecological, and social living conditions worldwide. The priority areas for financing are: climate action and environmental protection, globalization, social transformation, digitalization & innovation.

The protection of the environment and the fight against climate change are particularly important to KfW. KfW has set a green target ratio of more than 38% of its total annual funded business volume.

The German Government has provided KfW with the mandate to evolve into a „transformative promotional bank“ as part of Germany’s Climate Action Programme 2030. Within this mandate, KfW’s task is to promote the transition to a carbon-neutral future with broad alliances and suitable technologies, while at the same time being strongly committed to support that this transformation is economically, environmentally, and socially compatible. KfW supports the sustainability goals defined by the United Nations, the European Union and those of the Federal Republic of Germany. Key reference frameworks are the UN Sustainable Development Goals (SDGs), the Paris Climate Agreement, and the German Sustainable Finance Strategy. As a promotional bank committed to responsibility at the highest level, KfW’s goal is to integrate sustainability more deeply into KfW group. In 2018, KfW’s Executive Board commissioned an in-house project, the ‘Roadmap Sustainable Finance’, with the aim of creating a stringent, multi-dimensional sustainability concept as an extended tool for managing KfW’s business in line with sustainability-related aspects. KfW achieved the goal of anchoring sustainability rigorously, multidimensionally, and measurably group-wide through a series of milestones. These include, in particular, the adoption of KfW’s new sustainability mission statement, the integration of the sustainability goals “SDG contribution of KfW funding” and “Paris Alignment of KfW funding” within the groupwide strategy, the first uniform group-wide exclusion list<sup>1</sup>, KfW’s first SDG mapping<sup>2</sup>, and the group’s first Task Force on Climate-related Financial Disclosures (TCFD) report.

With the subsequent implementation of project ‘tranSForm’, which started in November 2020, KfW is setting the course for a core business that measurably contributes to the UN Sustainable Development Goals, is compatible with the Paris climate targets and takes regulatory requirements into account. Several subprojects are implemented in parallel with the inclusion of different central units and all market areas: a modernised sustainability governance, the expansion of a group-wide impact management system<sup>3</sup>, ensuring the Paris compatibility of KfW’s financing activities via sector guidelines, especially in GHG intense sectors<sup>4</sup>, even stricter inclusion of ESG risk factors in KfW’s risk management and the forward-looking consideration of the EU Taxonomy.

It is KfW’s ambition to promote responsible and sustainable investments, also via capital markets, with the aim to support the transition to a carbon-neutral economy. KfW believes that green bonds are an appropriate instrument to do so and that issuing “Green Bonds – Made by KfW” enhances KfW’s sustainability profile. Therefore, since 2014 KfW has been actively supporting the green bond market as an issuer of green bonds, as a vocal advocate of the green bond market, and, since 2015, as an investor in green bonds.

## 2. Green Bond Framework

This document is the second update of the “Green Bonds – Made by KfW” framework, following its inauguration in 2014 and the first update in 2019.

This “Green Bonds – Made by KfW” framework is applicable to all kinds of green bonds, notes, and *Schuldscheindarlehen* (promissory note loans) issued by KfW (together referred to as “Bonds”). “Green Bonds – Made by KfW” can be issued under KfW’s debt issuance programmes or as stand-alone issuances, in EUR and other currencies.

The Bonds issued under the “Green Bonds – Made by KfW” framework will constitute unsecured and unsubordinated bonds of KfW ranking *pari passu* among themselves and *pari passu* with all other

<sup>1</sup> KfW’s group-wide exclusion list: [www.kfw.de/exclusionlist](http://www.kfw.de/exclusionlist)

<sup>2</sup> KfW’s SDG mapping: <https://www.kfw.de/nachhaltigkeit/About-KfW/Sustainability/Strategie-Management/KfW-und-SDG/>

<sup>3</sup> Group-wide impact management: <https://www.kfw.de/nachhaltigkeit/About-KfW/Sustainability/Strategie-Management/Sustainable-Finance/Impact-management/>



<sup>4</sup> Sector guidelines: <https://www.kfw.de/nachhaltigkeit/About-KfW/Sustainability/Strategie-Management/Sustainable-Finance/Sector-guidelines/>

unsecured and unsubordinated KfW bonds. Payment of principal and interest on “Green Bonds – Made by KfW” will be made from KfW’s general funds, is based solely on the credit standing of KfW, and is not linked to the performance of any projects financed under the loan programmes as mentioned below. Consequently, “Green Bonds – Made by KfW” are expected to carry the same credit ratings as other outstanding bonds issued by KfW.

This framework is aligned with the 2021 edition of the Green Bond Principles<sup>5</sup> (“GBP”) issued in June 2021 and may be amended from time to time. KfW is closely monitoring the developments of the provisions for the European Green Bond Standard and the EU Taxonomy for ecologically sustainable economic activities.

### 3. Use of Proceeds

An amount equal to the net proceeds of “Green Bonds – Made by KfW” (which proceeds may be converted into euros) will be used to finance eligible green projects (the “Eligible Green Projects”, i.e. disbursed after the beginning of the year when the respective “Green Bonds – Made by KfW” are issued) from the following categories (the “Eligible Categories”):




Eligible Category	Details and Selection Criteria	EU Environm. Objective	UN SDGs <sup>6</sup>
Renewable Energy	<p>All projects financed or co-financed under the KfW loan programme “Renewable Energies – Standard” (programme no. 270)<sup>7</sup> which provides financings for the construction, expansion, modernisation and acquisition of plants generating power or heat from renewable energy sources that comply with the requirements defined by the German Renewable Energy Sources Act (<i>Erneuerbare-Energien-Gesetz</i>, as amended). This covers in particular the following project types:</p> <ul style="list-style-type: none"> <li>• Wind energy (including both onshore and offshore wind power plants);</li> <li>• Photovoltaic panels;</li> <li>• Hydropower (excluding plants with an installed power exceeding 20MW);</li> <li>• Electricity and heat generated in combined heat and power stations from solid biomass (only up to a size of 2MW), biogas or geothermal;</li> <li>• Biogas energy;</li> <li>• Grids and plants for the storage of heat or power, feed-in by renewable energy.</li> </ul> <p>Excluded are:</p> <ul style="list-style-type: none"> <li>• Plants for the generation of power or heat using fossil fuel as well as plants that are directly linked to power or heat generated on the base of fossil fuels;</li> <li>• Any equipment for the use of nuclear power.</li> </ul> <p>The eligible categories in relation to renewable energy have a high degree of overlap to the comprehensive catalogue of economic activities outlined in Section 4 “Energy” of Annex 1<sup>8</sup> to the Commission Delegated Regulation (EU), published on 4 June 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council (the “EU Taxonomy”). In the past, investments into wind energy and photovoltaic panels represented the predominant share of the loan programme. Both project types comply with the substantial contribution criteria of the EU Taxonomy for climate change mitigation activities.</p>	Climate change mitigation: a) Generating, transmitting, storing, distributing or using renewable energy	 

<sup>5</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>6</sup> Sustainable Development Goals (“SDG”) adopted by the United Nations in 2015 (in alignment with the ICMA „Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals“ (June 2020 edition)

<sup>7</sup> [www.kfw.de/270](http://www.kfw.de/270) (Germany only)

<sup>8</sup> [taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://eur-lex.europa.eu/eli/reg/2021/2800/annex-1/1/en.pdf) (europa.eu)

<p>Energy Efficiency</p>	<p>All projects financed or co-financed under the KfW loan programme “Federal Funding for Efficient Buildings (BEG)” (programme nos. 261, 262, 263, 264)<sup>9</sup> which provides financing for the acquisition and construction of new and the energy-efficient renovation (incl. individual measures) of existing residential, commercial and municipal buildings in Germany. This covers the following categories:</p> <ul style="list-style-type: none"> <li>• Construction of new energy-efficient buildings, including passive houses, which use 75% or less primary energy compared to the requirements of the current German Building Energy Act (<i>Gebäudeenergiegesetz, GEG</i>). Such buildings are compliant with the so-called <i>Effizienzhaus/Effizienzgebäude 55/ 55(EE)<sup>10</sup>/ 55(NH)<sup>11</sup></i><sup>12</sup>/ 40/ 40(EE)/ 40(NH) or 40(plus) standards<sup>13</sup>;</li> <li>• Renovation of existing buildings which, after completion of the refurbishment measures, achieve the energy standard of an <i>Effizienzhaus/Effizienzgebäude 100</i> or better;</li> <li>• Single measures to save energy and reduce carbon dioxide (CO<sub>2</sub>) emissions of buildings that fall thereafter under the scope of the currently valid <i>GEG</i>, including measures on the building envelope, plant engineering (excl. heating) and heat generation plants, heating optimization and technical planning and construction supervision.</li> </ul> <p>Excluded are:</p> <ul style="list-style-type: none"> <li>• Gas heating systems for single measures without a renewable ready component as well as oil heating systems.</li> </ul> <p>The eligible categories in relation to energy efficiency in buildings (new construction, refurbishment, single measures) are included in the catalogue of economic activities of the EU Taxonomy for the environmental objective climate change mitigation, included in Section 7 “Construction and real estate activities” of Annex 1<sup>14</sup> to the Commission Delegated Regulation (EU), published on 4 June 2021, supplementing the EU Taxonomy. The energy consultation component of the promotional scheme BEG is closely linked to Section 9.3. “Professional services related to energy performance of buildings” of the same Annex 1.</p> <p>The substantial contribution criteria for the construction of new buildings<sup>15</sup> or acquisition of buildings<sup>13</sup> built after 31 December 2020 are fulfilled. This includes the taxonomy requirement for new buildings to have at least 10% less primary energy demand compared to the threshold set for nearly zero-energy buildings (NZEB). With regard to comprehensive energy efficiency refurbishments, the substantial contribution criteria of the EU Taxonomy, which requires compliance with the applicable requirements for major renovations, are also met under BEG.</p>	<p>Climate change mitigation: b) Improving energy efficiency</p>	 
<p>Clean Transportation</p>	<p>All projects financed or co-financed under the KfW loan programmes “Sustainable Mobility for Municipalities” (programme no. 267)<sup>16</sup> and “Sustainable Mobility for Corporates” (programme</p>	<p>Climate change mitigation:</p>	

<sup>9</sup> <https://www.kfw.de/inlandsfoerderung/Bundesfoerderung-f%C3%BCr-effiziente-Geb%C3%A4ude/> (German only)

<sup>10</sup> EE: Renewable Energies account for at least 55% of the heating / cooling supply of the necessary energy requirements.

<sup>11</sup> NH: *Effizienzhaus/Effizienzgebäude* with a sustainability certificate “sustainable building”


<sup>12</sup> For the construction of new energy-efficient buildings, loan applications for the *Effizienzhaus/Effizienzgebäude 55/ 55(EE)/ 55(NH)* standard can only be submitted until 31 January 2022 and will not be part of new commitments under the respective loan program afterwards. However, for victims of the recent flood catastrophe in Germany, the EH55 will remain available until probably June 30th.

<sup>13</sup> Primary energy consumption compared to GEG 2020 for *Effizienzhaus/Effizienzgebäude 55* ≤ 75% and *Effizienzhaus/Effizienzgebäude 40(plus)* ≤ 55%

<sup>14</sup> [taxonomy-regulation-delegated-act-2021-2800-annex-1 en.pdf](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2800-annex-1) (europa.eu)

<sup>15</sup> Up to 5000m<sup>2</sup>

<sup>16</sup> [IKK - Nachhaltige Mobilität \(kfw.de\)](https://www.kfw.de/nachhaltige-mobilitaet/) (German only)

	<p>nos. 268 and 269)<sup>17</sup> which provide financing for sustainable and climate friendly mobility in Germany.</p> <p>In principle, all clean transportation project types as set forth in Section 6 “Transport” of Annex 1<sup>18</sup> to the Commission Delegated Regulation (EU), published on 4 June 2021, supplementing the EU Taxonomy, are eligible for financing under these loan programmes. They can be classified into the following categories:</p> <ul style="list-style-type: none"> <li>• Climate friendly vehicles for passenger transport and light commercial vehicles, including e.g. <ul style="list-style-type: none"> <li>- Urban and suburban public transport (e.g. light rail vehicles, metros, trams, busses with zero CO<sub>2</sub> emissions);</li> <li>- Passenger cars or light commercial vehicles with low or zero CO<sub>2</sub> emissions;</li> <li>- Devices for active mobility (e.g. e-bicycles).</li> </ul> </li> <li>• Climate friendly vehicles for freight transport, including e.g. <ul style="list-style-type: none"> <li>- Freight rail transport;</li> <li>- Freight transport services by road with low or zero CO<sub>2</sub> emissions.</li> </ul> </li> <li>• Infrastructure for climate friendly transport, including e.g. <ul style="list-style-type: none"> <li>- Infrastructure for public transport;</li> <li>- Infrastructure enabling low-carbon road transport (e.g. EV charging stations, hydrogen filling stations);</li> <li>- Infrastructure for rail transport;</li> <li>- Infrastructure for active mobility (e.g. bike lanes).</li> </ul> </li> </ul> <p>The eligibility criteria for the measures within the presented KfW loan programmes are based on the substantial contribution criteria defined in Section 6 “Transport” of Annex 1<sup>18</sup> and are documented as “Minimum technical standards”<sup>19</sup> accompanying the general KfW programme requirements.</p> <p>In addition to projects specified in Section 6 “Transport” of Annex 1<sup>18</sup>, as listed above, the following measures, also contributing to a sustainable and climate friendly mobility, are eligible within the programmes:</p> <ul style="list-style-type: none"> <li>• Data-driven solutions to reduce GHG emissions and digital networking for better and more efficient organization of mobility.</li> </ul> <p>Excluded are:</p> <ul style="list-style-type: none"> <li>• Transport systems and infrastructure that are dedicated to the transport of fossil fuels.</li> </ul>	<p>c) Increasing clean or climate-neutral mobility</p>	
--	--	--	---

In order to avoid double-counting of loans, Eligible Green Projects, in particular within the energy efficiency category, will exclude any subsidies and expenses already used by the Federal Republic of Germany in Green German Federal securities or financed under the German Recovery and Resilience Plan (DARP).

#### 4. Process for Project Evaluation and Selection

KfW defines detailed formal eligibility requirements for its loan programmes “Renewable Energies – Standard”, “Federal Funding for Efficient Buildings (BEG)”, “Sustainable Mobility for Municipalities” and “Sustainable Mobility for Corporates”. Loans are extended either indirectly to the ultimate borrower via financing partners or, in the context of municipal financing only, to the ultimate borrower directly. In both cases, KfW reviews the individual loan application in order to assess compliance with the eligibility requirements of the respective loan programmes.

All Eligible Green Projects are screened according to KfW’s environmental and social risk management framework:

<sup>17</sup> [Investitionskredit Nachhaltige Mobilität \(268/269\) \(kfw.de\)](https://www.kfw.de/Investitionskredit-Nachhaltige-Mobilitaet-(268/269)) (German only)

<sup>18</sup> [taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021D0800-01_1)

<sup>19</sup> [Technische Mindestanforderungen: IKK - Nachhaltige Mobilität/ Investitionskredit Nachhaltige Mobilität \(kfw.de\)](https://www.kfw.de/Technische-Mindestanforderungen-IKK-Nachhaltige-Mobilitaet/Investitionskredit-Nachhaltige-Mobilitaet-(kfw.de)) (German only)

- For project locations in Germany, the comprehensive German environmental protection and social regulations apply and are monitored by the responsible authorities. KfW does not assess further environmental and social impacts of a particular measure.
- For project locations in other European Union (“EU”) countries and generally all other high income OECD countries outside the EU, an extensive set of rules and regulations for environmental and social issues are in place, enforced and applicable. KfW does not assess further environmental and social impacts of a particular measure.

For all other countries, KfW’s lending department assesses whether the planned measure may have any negative environmental or social impact. If a project is deemed to be environmentally or socially relevant, KfW’s Competence Centre for Environment and Sustainability examines the environmental and social effects in more detail. Projects must comply with national regulations of the investee country, including environmental and social requirements. However, they must be at least equivalent to the internationally recognised environmental and social standards, including those of the EU, the World Bank Group and the International Labour Organisation (ILO).

KfW has developed a group-wide exclusion list that applies to all new financing and promotional activities.<sup>20</sup>

All projects approved by KfW’s lending department for the respective loan programmes will automatically qualify as an Eligible Green Project. There is no further selection or approval process.

## 5. Management of Proceeds

Net proceeds from the issuance of “Green Bonds – Made by KfW” will be used by KfW in its general business. However, upon issuance of “Green Bonds – Made by KfW” an amount equal to the resulting net proceeds is allocated to an internal register in the order of issuance. KfW has set up an internal process to track requests for disbursements for Eligible Green Projects and net proceeds of “Green Bonds – Made by KfW”. For each calendar year an internal register has been created. On a monthly basis, amounts matching requests for disbursements for Eligible Green Projects are allocated to the register starting with the beginning of the calendar year. Net proceeds of non-euro “Green Bonds – Made by KfW” are converted into euros at the European Central Bank’s exchange reference rate on the respective pricing date. For any “Green Bond – Made by KfW”, KfW expects full allocation by the end of the year of issuance.

“Green Bonds – Made by KfW” can be increased (tapped). In terms of management of proceeds and reporting, a tap is treated like a new issuance. As a result, KfW might report different use of proceeds and impact of the Bonds originally issued and the respective increase if the originally issued “Green Bond – Made by KfW” and the respective increase fall into different calendar years.

The maturity of “Green Bonds – Made by KfW” does not necessarily match the financings of the Eligible Green Projects. However, in order to reduce mismatches between such maturities the volume-weighted average maturity of the cumulated “Green Bonds – Made by KfW” issued in one calendar year may not exceed the average duration of the cumulated loan commitments for Eligible Green Projects of the preceding year.

## 6. Reporting

Following the issuance, the amount of net proceeds from “Green Bonds – Made by KfW” will be regularly monitored and reported on an annual basis until full allocation. This **allocation report** will show:

- The amount of allocated proceeds of “Green Bonds – Made by KfW” issued in the respective calendar year;
- The amount of unallocated proceeds of “Green Bonds – Made by KfW” issued in the respective calendar year, as the case may be;
- The breakdown by Eligible Category of the cumulated requests for disbursement of the respective calendar year;
- The breakdown by country of the cumulated requests for disbursement of the respective calendar year.

The allocation report is prepared for each calendar year and shows aggregate data (no project-by-project data). All requests for disbursements for Eligible Green Projects reaching KfW between 1 January and 31

<sup>20</sup> [www.kfw.de/exclusionlist](http://www.kfw.de/exclusionlist)

December of the same year are linked to the cumulated net proceeds of all “Green Bonds – Made by KfW” issued in the same calendar year. As a result, all “Green Bonds – Made by KfW” issued in one calendar year show the same allocation breakdown which remains unchanged over the bond lifetime.

Additionally, an **impact report**, presenting the estimated environmental impact of the Eligible Green Projects, will be published once the impact of the underlying loan programmes has been evaluated for the respective year. This impact report shows a number of core indicators in accordance with June 2021 edition of the ‘Handbook Harmonized Framework for Impact Reporting’<sup>21</sup>. The core indicators may include the following indicators:

- Renewable Energy:
  - Annual greenhouse gas (GHG) emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent p.a.;
  - Annual renewable energy generation in MWh;
  - Capacity of renewable energy plant(s) constructed or rehabilitated in MW.
- Energy Efficiency:
  - Annual greenhouse gas (GHG) emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent p.a.;
  - Annual energy savings in MWh.
- Clean Transportation
  - Annual greenhouse gas (GHG) emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent p.a.;
  - To the extent available: Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes;
  - To the extent available: Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs).

The impact report will also outline the key underlying methodology and assumptions used to estimate such environmental impacts. The impact report is prepared for each calendar year and shows aggregate data (no project-by-project data). All loan commitments (or signed loan amounts) for Eligible Green Projects KfW made between 1 January and 31 December of the same year are linked to the cumulated net proceeds of all “Green Bonds – Made by KfW” issued in the same calendar year. As a result, all “Green Bonds – Made by KfW” issued in one calendar year show the same impact per unit financed which remains unchanged over the bond lifetime.

Quantitative performance indicators of impact measurement are referring to loan commitments (or signed loan amounts) while allocation of proceeds is reported on requests for disbursements. Due to full or partial waivers of borrowers, requests for disbursements might be lower than loan commitments. Also disbursements in another calendar year than the commitments can cause a mismatch. KfW is aware of this potential mismatch which, in KfW’s view, is limited and therefore, will not be taken into account.

Reporting will be available on KfW’s website in English.

## 7. External Review

KfW has obtained a Second Party Opinion (SPO) for its “Green Bonds – Made by KfW” Framework from CICERO Shades of Green (Center for International Climate and Environmental Research Oslo/Norway), a qualified non-profit research centre. The SPO is published on KfW’s website in English.

---

<sup>21</sup> <https://www.icmagroup.org/sustainable-finance/impact-reporting/>



## 8. Documents and Websites

KfW provides information regarding green funding including

- Green Bond Framework 2022
- Second Party Opinion on KfW's Green Bond Framework 2022
- Investor Presentation
- KfW Green Bonds – Impact & Allocation Reports

on the following website: [www.kfw.de/green-bonds](http://www.kfw.de/green-bonds)

KfW provides information regarding sustainability on the following website: [www.kfw.de/sustainability](http://www.kfw.de/sustainability)

## **Imprint**

**Published by:**  
KfW Group

### **Editorial Team**

KfW Investor Relations  
Palmengartenstraße 5-9  
60325 Frankfurt am Main  
Germany  
[Investor.relations@kfw.de](mailto:Investor.relations@kfw.de)  
[www.kfw.de/green-bonds](http://www.kfw.de/green-bonds)

### **Picture Reference**

Front page: gettyimages, plainpicture / Piotr Krzeslak, Cultura