



## **Sustainability requirements for KfW group procurement**

## Introduction

As a bank owned by the German Federal Government and the federal states, KfW and its subsidiaries (hereinafter: KfW) bear a great deal of responsibility and are required to uphold KfW's status as a role model when it comes to procurement. For KfW, the concept of sustainability is the benchmark for a long-term corporate policy that not only faces economic but also environmental and social challenges. Acting sustainably and responsibly is a key strategic corporate objective for KfW.

KfW pursues the goal of taking sustainability requirements into account in all its procurements. Among other things, KfW understands this to mean compliance with human rights as well as labour and social law regulations, environmental and climate protection issues and the sustainable management of natural resources.

The sustainability requirements are aimed at all KfW Group contractual partners who provide procurement services to KfW or one of its affiliated companies (hereinafter referred to as "KfW suppliers").

In these sustainability requirements, KfW has laid out principles for cooperation with its suppliers, in particular with regard to compliance with ethical standards, applicable law and integrity, thus specifying the principles formulated in the "Declaration by KfW Group on the consideration of human rights in its business operations". KfW expects its suppliers to implement and comply with the principles set out in the sustainability requirements in all business areas worldwide.

### 1. General principles

General principles for responsible corporate governance at KfW as well as specific sustainability principles for procurement were laid out in KfW's sustainability mission statement dated 5 February 2019. As a result, KfW expects its suppliers to:

- carry out their business activities with integrity, i.e. in particular comply with the applicable law, e.g. human rights including the core labour standards of the International Labour Organisation (ILO), anti-corruption, data protection, competition, antitrust and environmental law, and
- observe the conventions listed in the annex to section 2 para. 1 of the German Supply Chain Act [LkSG] (nos. 1 to 14) and the bans described in section 2 para. 2 and para. 3 of the LkSG, and
- also be committed to ensuring compliance with the listed sustainability requirements in their supply chain and promote them accordingly, and
- act honestly, responsibly and fairly.

### 2. Respect for human rights

KfW believes that assuming social responsibility is an essential factor for the long-term success of a company and thus an indispensable component of value-oriented corporate governance. KfW therefore expects its suppliers to act in accordance with the following requirements.

#### **Respect human rights**

KfW's suppliers respect human rights.

### **Reject child labour and forced labour**

KfW's suppliers strongly reject child labour and comply with the applicable provisions on the prohibition of child labour (ILO Conventions 138 and 182).

KfW's suppliers may not use or tolerate any form of slave labour, forced or compulsory labour, servitude, human trafficking or involuntary work. They ensure that employees do not receive inhuman or degrading treatment, corporal punishment, etc. (ILO Conventions 29 and 105).

### **Promote diversity and equal opportunity**

KfW's suppliers promote diversity in their companies and do not tolerate discrimination in the recruitment and employment of employees (ILO Conventions 100 and 111).

### **Respect freedom of association and collective bargaining**

KfW's suppliers respect the freedom of association and the formation of interest groups and advocate for the protection of the rights of their employees in their business units. They also respect the right of workers to freely elect their own representatives and negotiate collectively (ILO Conventions 87 and 98).

### **Ensuring occupational health and safety**

Human safety is a top priority and is one of KfW's suppliers' core values. They offer a safe and healthy working environment, safety-relevant qualification measures as well as the safety of their products and services. They also minimise or eliminate all sources of danger in the working environment, based on the general level of knowledge of health and safety in the respective industry sector.

### **Appropriate implementation of working hours, remuneration and employment relationships**

KfW's suppliers comply with applicable laws and industry standards and pay their employees appropriately and in accordance with applicable laws and industry standards. Work must be performed on the basis of a regular employment relationship as defined by national laws and industry standards to the greatest extent possible.

## **3. Compliance with environmental standards**

### **Promote efficient use of resources**

KfW's suppliers comply with the environmental standards applicable to them and recognise the principles of sustainable business and environmental protection as a factor of corporate value. They use energy sources and natural resources efficiently and record and monitor their consumption.

### **Minimise emissions and waste management**

KfW's suppliers minimise the emissions, greenhouse gases and pollutants caused by their activities. KfW's suppliers also comply with the applicable legal requirements when handling, storing and disposing of waste.

### **Handling of hazardous substances**

KfW's suppliers ensure the safe handling, storage, recycling and disposal of chemicals and other hazardous substances and comply with all applicable laws and regulations regarding chemicals and hazardous substances.

#### **4. Anti-corruption**

KfW does not tolerate any form of corruption or other unfair business practices. Transparency and openness are fundamental prerequisites for KfW to secure trust and credibility in commercial transport and in dealing with its suppliers.

##### **Avoiding corruption and conflicts of interest**

KfW's suppliers do not tolerate any form of corruption and white-collar crime by their own employees or employees in the supply chain, etc. and avoid conflicts of interest that can lead to corruption risks.

##### **Treating invitations and gifts transparently**

In connection with their work for KfW, the suppliers only accept or issue invitations if they are appropriate and do not take place in anticipation of an inadmissible consideration or other preferential treatment and do not violate applicable law (in particular anti-corruption laws). The same applies to the acceptance or giving of gifts, other gratuities or benefits of any kind.

##### **Respect public officials appropriately**

KfW's suppliers do not tolerate any form of unlawful material and intangible benefits (including offering them) to public officials or persons comparable to them (regardless of whether directly or indirectly via third parties).

##### **Treat political parties appropriately**

Unlawful material and intangible benefits of any kind (e.g. illegal donations) to political parties, their representatives and to mandate holders and candidates for political offices are also not tolerated by KfW's suppliers and service providers.

##### **Treat donations and sponsorships transparently**

Donations are made by KfW's suppliers solely on a voluntary basis and without any expectation of consideration in return. Sponsorship of individuals, groups or organisations is not used to gain unlawful business advantages.

##### **Stop money laundering and terrorist financing**

Suppliers shall take appropriate measures in their companies to prevent money laundering and terrorist financing in their companies.

#### **5. Conduct in competition**

KfW strives to act fairly and responsibly at all times and expects its suppliers to do the same.

##### **Comply with competition and antitrust law**

KfW's suppliers comply with all relevant competition law requirements. In particular, they do not enter into any agreements or arrangements that influence prices, terms and conditions, strategies or customer relationships, in particular participation in tenders. The same shall apply to the exchange of competitively sensitive information and to any other conduct which inadmissibly restricts or may restrict competition.

##### **Respect export and import controls**

In particular with regard to global business activities, the suppliers shall ensure compliance with all applicable laws for the import and export of goods, services and information as well as the applicable embargoes and sanctions.

## **6. Comply with data privacy**

KfW's suppliers comply with all applicable laws on the protection of personal data, in particular those of employees, business partners and customers.

## **7. Compliance with sustainability requirements by KfW's suppliers**

### **Establish appropriate management systems**

KfW's suppliers ensure that they each comply with the sustainability requirements set out here. To this end, KfW's suppliers set up appropriate management systems to assess and prioritise the expectations described in these sustainability requirements and, on this basis, set up effective prevention and remedial measures. These are underpinned by the allocation of clear responsibilities and accountability within the supplier's organisation.

### **Establishment of complaint mechanisms**

KfW's suppliers set up appropriate complaints mechanisms that meet the following requirements:

- The persons entrusted with carrying out the complaints procedure shall act impartially, independently and autonomously.
- The supplier shall make clear and comprehensible information publicly available on the accessibility to and implementation of the complaints procedure.
- The complaints procedure shall preserve the confidentiality of the complainant's identity and provide effective protection against discrimination and punishment.
- The effectiveness of the complaints procedure is reviewed annually and on an ad hoc basis.

### **Manage supply chain appropriately**

KfW's suppliers carefully select the suppliers they commission as part of their activities for KfW, communicate the principles listed in these sustainability requirements, or equivalent principles, and work to ensure that their suppliers also comply with them.

### **Remedial measures and continuous improvement**

KfW's suppliers avoid imminent breaches of these KfW sustainability requirements; breaches of these KfW sustainability requirements that have already occurred shall be immediately ended by KfW's suppliers or the suppliers shall at least minimise the extent of the breach.

KfW recognises that compliance with human rights and environmental due diligence obligations is a dynamic process. KfW expects its suppliers to continuously review, scrutinise and further develop their management systems. To this end, KfW offers its suppliers support in the form of assistance, information and continuous exchange.

### **Reporting violations**

In the event of violations or impending violations of the sustainability requirements, KfW expects its suppliers to report these immediately to KfW as part of the complaints mechanism (the contact details can be found on KfW's website: [Contact KfW | KfW](#)). KfW will protect the supplier's legitimate interests and observe the principles of data privacy and protect trade secrets.