

Conflict of Interest Policy

Policies and procedures for handling conflicts of interest

KfW's mission is to fulfil public mandates such as promoting small and medium-sized companies and business start-ups, granting investment loans to SMEs as well as financing infrastructure projects and housing, energy-saving technologies and municipal infrastructure. Other areas of business include education loans, export and project finance, and development cooperation. The nominal capital of *KfW Bankengruppe* is held four fifths by the Federal Republic of Germany and one fifth by the federal states. Under the concept of institutional liability (Anstaltslast), the Federal Republic is required to secure KfW Bankengruppe's economic basis and enable it to perform its obligations as and when due if it encounters financial difficulties. In addition to its institutional liability, the Federal Republic directly guarantees the obligations of the institution as per Section 1 of the [Law concerning KfW](#).

KfW is a corporation under public law. The Law concerning KfW sets forth detailed provisions. In addition to its headquarters in Frankfurt am Main, KfW has two branch offices, one in Berlin and one in Bonn. Under its official mandate, KfW carries out promotional activities, especially financings, in the following areas:

- Small and medium-sized enterprises, liberal professions and business start-ups,
- Venture capital,
- Housing,
- Environmental protection,
- Infrastructure,
- Technical progress and innovations,
- Internationally agreed promotional programmes,
- Development cooperation,
- Other promotional areas specifically stated in other laws, ordinances or published guidelines on federal economic policy that are assigned to KfW by the Federal Republic or one of the Länder.

KfW is committed to lawful action, diligence, integrity, professionalism, adherence to market standards and observance of our customer's best interests. However, despite all our best efforts it cannot be ruled out that, in individual cases, the legitimate interests of a customer and the interests even of an institution like KfW, a state-owned promotional institution that has obligations to its customers as well as its owners and employees under its promotional mandate, may be at odds (conflicts of interest).

Such conflicts of interest may arise between KfW, other enterprises of the Group, the management, the employees and other persons with whom KfW is associated, as well as their customers/business partners, or between their customers and business partners. In the interests of the customers/business partners, KfW has taken a range of measures designed to avoid these situations to the greatest possible extent.

In the following, we would like to describe conceivable conflicts of interest at KfW and possible

counter-measures:

No .	Type of conflict	Description of conflict	Possible measures
1	Acceptance/ offer of gifts	Employee accepts a gift from a customer, thus effectively or apparently compromising his or her independence.	Rules of conduct governing the acceptance of gifts and other benefits
2	Linkage between management and supervisory board	Executive Board or senior management members of KfW also have a seat on a customer's supervisory board.	Temporary exclusion of the mandate holder during the meetings
3	Market manipulation	Trading within the group with the aim of generating the assumption of higher demand or increasing the cash flow.	Obligation to comply with insider legislation
4	Material interests	The material interests of individual customers compete with each other.	Information barriers Time priority of aligned customer mandates Automated transmission of contracts Allocation principles
5	Misuse of confidential information	The institution effectively or apparently acts on the basis of not publicly known/confidential information.	Obligation to comply with insider legislation
6	Misuse of confidential information	KfW's corporate financing uses confidential information about customer X to advise customer Y. Customer Y is a competitor of customer X. The bank has already made investments with customer Y (e.g. venture capital).	Obligation to comply with insider legislation
7	Misuse of confidential information	The loan officer possesses information that the debtor/customer is in a crisis and uses this information to sell own positions.	Obligation to comply with insider legislation Supervision of employee transactions
8	Misuse of confidential information	The loan officer has access to information about non-performing loans and forwards this information to the traders in the funding department so that they reduce their positions.	Obligation to comply with insider legislation Chinese Walls
9	Misuse of confidential information	The trader has access to confidential information about customer X who is in financial distress and uses this information for short sales.	Obligation to comply with insider legislation Supervision of employee transactions
10	Misuse of confidential information	The trader purchases shares of the enterprise of customer X because he or she has obtained confidential information from the corporate finance area on the takeover of customer X by enterprise Y.	Obligation to comply with insider legislation Supervision of employee transactions

11	Employee transactions	Employees of KfW purchase/sell financial instruments in their own name and for their own account on the basis of information that is not publicly known but is available within KfW.	Obligation to comply with insider legislation
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An independent compliance organisation ("Group Compliance") that reports directly to the Executive Board operates within KfW; its task is to identify, avoid and manage conflicts of interest. In addition, confidential areas have been created with so-called Chinese walls, i.e. virtual or real barriers designed to restrict the flow of information.

Employees who may have regular access to insider information (compliance relevant employees) are required to disclose their transactions with financial instruments.

The Insider Directive sets forth conduct recommendations and instructions for the employees on how to deal with insider information. This Directive is binding on all KfW employees.

The Group Compliance Department keeps a watch list and a restricted list for those financial instruments for which conflicts of interest may arise. Transactions with financial instruments that are on the watch list are permitted but centrally monitored, controlled and, if necessary, stopped. Transactions involving financial instruments on the restricted list are prohibited.

In order to have an effective conflict of interest management system in place in the future as well, KfW regularly reviews its business activities for potential conflicts of interest and takes the necessary measures to resolve them. Thus, it has implemented comprehensive organisational arrangements that ensure the proper handling of conflicts of interest.

If in exceptional cases these measures are insufficient to prevent the risk of compromising customer interests, KfW will inform the affected customers of the nature and origin of the conflicts of interest and, where appropriate, in these cases will abstain from providing an assessment, advice or recommendation on the relevant financial instrument or from entering into a transaction.

We will be pleased to provide our customers with detailed information on possible conflicts of interest and our countermeasures on request.

If you have any further queries regarding possible conflicts of interest, please do not hesitate to contact us.

KfW