



»»» 2020 Sustainability Report  
Data according to GRI, HGB  
and TCFD

## »»» About this report

KfW Group's 2020 Sustainability Report is composed of three sections specifically targeted at different groups of readers. All three sections of the Sustainability Report 2020 focus on the topic '2030 Agenda: a decade of change'.

This first section contains all the data relating to sustainability at KfW Group for the 2020 reporting year. It is aimed at specialists, analysts and investors. It also contains KfW Group's consolidated 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. Text that is marked blue and tables marked with the symbol  represent content of the non-financial report required in accordance with the CSR-RUG. This year the report was not audited externally.

This report was prepared in accordance with the GRI standard 'Core option'. A materiality analysis was also performed in 2020 to determine the relevant contents of the report (see [→ chapter 'Sustainability strategy', page 27](#)). Qualitative information in the report refers primarily to the 2020 financial year. The key figures presented typically relate to a five-year period.

The reporting date for quantitative data was 31 December 2020. Individual deviations are marked accordingly.

Furthermore, this is the second report to contain 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 'Corporate governance', page 54](#)).

This report applies to the entire KfW Group, which is composed of KfW, KfW IPEX-Bank GmbH and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH. Content that relates only to individual parts of the group is marked accordingly. The subsidiary KfW Capital GmbH & Co. KG, which was established at the end of 2018, has been integrated into the scope of reporting where appropriate and where meaningful data was available. Where statements refer to KfW Group as a whole, the name 'KfW Group' is mentioned once at the beginning of each contiguous text and subsequently abbreviated to 'KfW' for easier reading.

The second section of the Sustainability Report 2020 is entitled [→ Dialogue](#), an online magazine that addresses interested members of the public as well as a specialist readership and presents content of the KfW stakeholder communication.

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

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

As no material organisational changes occurred during the reporting period, all data are broadly comparable with the previous sustainability report. The editorial deadline was 24 February 2021.

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 Sustainability Report 2019 was published on 28 April 2020.

## Components of the Sustainability Report 2020

The Sustainability Report 2020 moves into the **Dialogue** on the 2030 Agenda, opens up the **Discourse** on internal sustainability management and delivers **Data** on sustainability in accordance with GRI, HGB and TCFD for the reporting year 2020.

### Website

The image shows a screenshot of the KfW website's sustainability section. The header includes the KfW logo and navigation links: Übersicht, Dialog, Diskurs, and Daten. The main heading is '>>> 2020 Sustainability Report Dialogue, Discourse, Data'. Below this are three icons representing Dialogue (speech bubbles), Discourse (gears), and Data (a network diagram). A green arrow points from the 'Data' icon to a PDF cover page on the right. The PDF cover features a magnifying glass over a checklist, a laptop displaying a bar chart with ESG icons (7, 8, 11, 13), and a blue face mask. The text on the PDF cover reads: '>>> 2020 Sustainability Report Data according to GRI, HGB and TCFD' and 'Bank aus Verantwortung KfW'.

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## »»» Foreword by the Chief Executive Officer

### Dear Readers,

The year 2020 presented enormous challenges for KfW that continue well into this year. We have made available more than EUR 50 billion to support businesses, start-ups, students and non-profit organisations in Germany and in developing and emerging economies in their struggle to overcome the impact of the coronavirus pandemic. I would like to take this opportunity to thank the men and women on our staff for their hard work and dedication.

The pandemic triggered, accelerated or accentuated developments that affect lives and the economy in many different ways. Some people are concerned that climate action may have fallen off the top of the policy agenda. But nothing could be further from the truth. The European Green Deal and the German Federal Government's Climate Action Programme 2030 provide us with a reliable framework that shows us the way to a sustainable and greenhouse gas-neutral future. As a transformative promotional bank, KfW aspires to reflect the Federal Government's climate goals in its own financing activities and to take overall responsibility for the successful transformation. We are guided in this endeavour by the 'KfW Roadmap Sustainable Finance', which we prepared in the past two years and which our Board of Supervisory Directors approved in December. Its core elements are the "mapping" of the contributions of our financing activities to achieving the SDGs as well as their Paris compatibility – meaningful governance instruments that inform our group strategy.

In addition to our traditional promotional business, we are expanding our green bond activities, which we are pursuing to raise capital for the transition to an environmentally sustainable and climate neutral economy. This commitment encompasses our dual role as an issuer and green bond investor. For example, since 2015 KfW has built up a portfolio of green bonds which has reached the target market of EUR 2 billion. We now plan to maintain it at a level of EUR 2.0–2.5 billion. KfW has placed green bonds in the market as an issuer for the past six years, and it is Germany's largest provider. We stand ready to take even more responsibility here in the future as well.

We are at the beginning of a decade that will decide whether we, as a global community, have the ability to tackle global challenges such as our changing climate. This is one of the reasons why this sustainability report places a special focus on the United Nations Sustainable Development Goals, which communicate the urgency of joint action like no other initiative.

I hope you find this report informative.



Yours sincerely,



Dr. Günther Bräunig

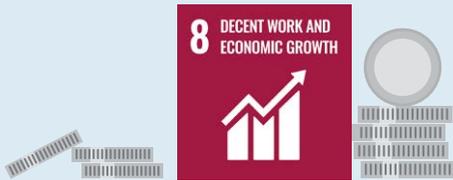
# KfW in figures

# 135.3 billion

EUR commitment volume in 2020  
(2019: EUR 77.3 billion)



KfW received more than 100,000 applications for KfW coronavirus aid by January 2021 – 99% of which have already been completely processed.



KfW's contribution to SDG 8 doubled to approx. EUR 70 billion



Championing SDG 5 in-house:  
34.9% of management positions at KfW are held by women (2019: 33.5%)



KfW is contributing over EUR 40 billion to the achievement of SDGs 7 and 13.

# 7,610

Employees working at KfW Group at the end of 2020  
(2019: 6,934)



For poverty alleviation and health: Nearly 50% increase in contribution to SDG 1 and over 20% increase in contribution to SDG 3 in 2020

# »»» 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 distinguishes KfW from 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, 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 100 offices and representations.

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

[→ KfW Development Bank](#) is a division 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 responsibilities 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 of Deutsche Post AG (20.5%) and Deutsche Telekom AG (17.4%) under holding arrangements with the German Federal Government. Furthermore, it holds an indirect approx. 9.2% stake in Airbus SE via Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG (GZBV) as part of another holding arrangement with the German 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 has a 0.2% stake in AKA Ausfuhrkredit-Gesellschaft mbH via KfW IPEX-Bank GmbH. Since 2013, KfW has consolidated its social activities in the legally independent and operationally active foundation KfW Stiftung.

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"> <li>– Standardisable and digitalisable high-volume business</li> <li>– Promotion of SMEs</li> <li>– Financing of industrial pollution control and energy efficiency measures</li> <li>– Financing of renewable energy</li> <li>– Financing of innovation and digitalisation</li> <li>– Start-up finance</li> <li>– Financing of energy-efficient building and refurbishment measures for residential and non-residential buildings</li> <li>– Education financing</li> </ul>	<ul style="list-style-type: none"> <li>– Financing of municipal and social infrastructure projects</li> <li>– Customised corporate financing (including syndicate financing, venture tech growth financing)</li> <li>– Individual financing for banks, promotional institutions of the federal states and leasing companies</li> </ul>	<ul style="list-style-type: none"> <li>– Investments in venture capital and venture debt funds (with support from the European Recovery Programme Special Fund (ERP-SV) in order to finance innovative tech companies during their start-up and growth phases</li> </ul>	<ul style="list-style-type: none"> <li>– Financing for German and European exports</li> <li>– Financing for projects and investments in German and European interests</li> </ul>	<ul style="list-style-type: none"> <li>– Financing of reform programmes and development projects (KfW Development Bank)</li> <li>– Financing and promotion of private enterprise (DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH)</li> </ul>

## KfW's business sectors

KfW Group has set itself the goal 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 the 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 (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 2020, the SME Bank in particular offered extensive special programmes to provide financial support to companies in Germany to help them overcome the economic impacts of the coronavirus crisis.

The promotional activities in the private customers segment include financing for education (including student loans), the promotion of energy efficiency in the construction and refurbishment of residential buildings as well as the acquisition, construction or barrier-free conversion or construction of owner-occupied residential property. Its promotional products are standardised loans on-lent through the customer's bank (with and without repayment bonuses) and investment grants. Its portfolio is complemented by innovative approaches to promotion (such as the start-up platform "Gründerplattform").

## 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), as well 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 or direct participations as part of bank consortia). Support is provided in particular to German SMEs for investments in innovation and digitalisation and for the acquisition of shares in companies, 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. 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 crisis, 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 borrower’s individual needs.

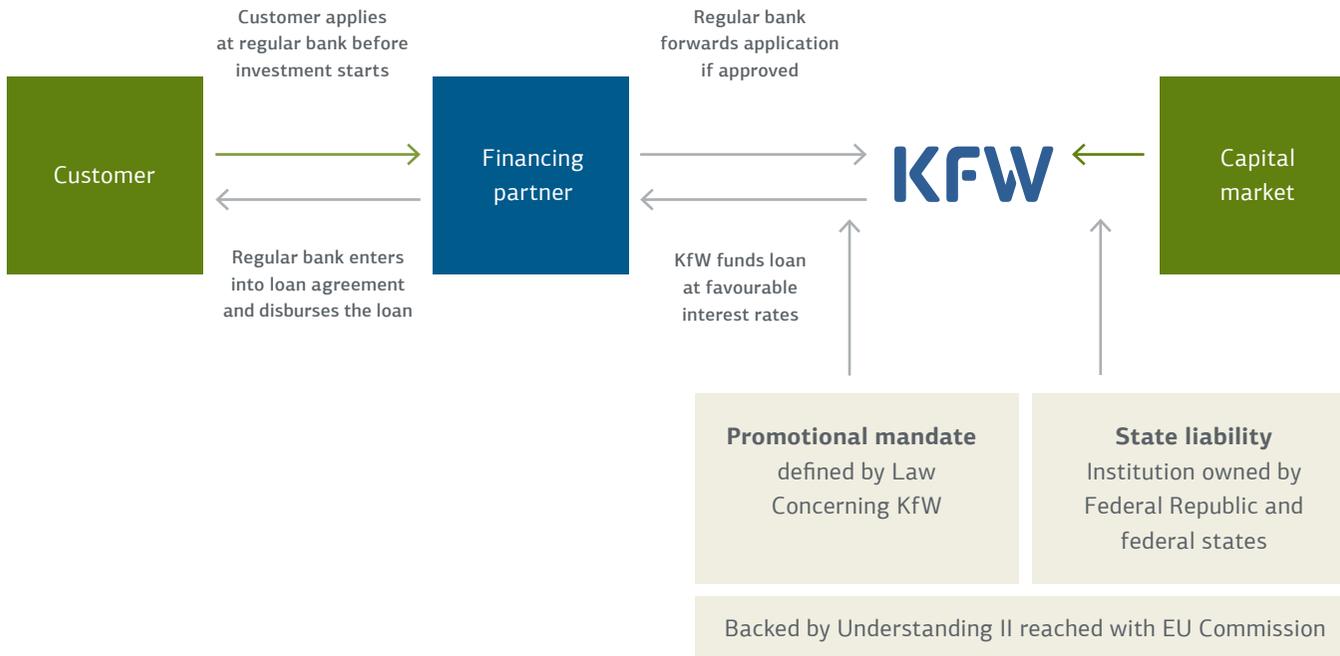
### 3. Business sector: KfW Capital

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 programme. KfW Capital also holds stakes in the co-investment fund coparion and in three generations of the High-Tech Gründerfonds (HTGF) for start-ups. In addition, KfW Capital, together with KfW and the German Federal Government, is designing Pillar 1 of the German Federal Government's coronavirus aid for start-ups, which includes the Corona Matching Facility offered by KfW Capital and the European Investment Fund since May 2020.

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

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 sustainable 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. This signalling effect is intended to mobilise private capital in a long-term perspective.

## Domestic promotional lending business at KfW



### 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 promotional programmes available is the Energy-efficient Construction and Refurbishment programme.

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, public-sector borrowers, customised corporate financing and grants for private individuals and companies.

### 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, by infrastructure investments and securing raw materials as well as 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 that is 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 into 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. 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. This way, 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 not only create skilled jobs and foster economic growth, they also drive sustainable development through responsible action in line with the 2030 Agenda.

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

### **KfW Stiftung**

→ [KfW Stiftung](#) sees itself as a catalyst in addressing the major social challenges of environmental and climate action, demographic change and globalisation. The non-profit, operationally active foundation is endowed with capital of EUR 20 million.

Based on its sponsor's promotional mandate, it supports projects and initiatives in the focus areas of responsible entrepreneurship, social commitment, environment and climate, and arts and culture.

Under the guiding principle of “Spaces for Different Ways of Thinking”, KfW Stiftung focuses primarily on identifying role models and connecting stakeholders with a view to offering possible solutions to the societal challenges in the four focus areas.

At the beginning of the coronavirus pandemic, KfW Stiftung took part in the “Open Innovation Programme Solution Enabler” of the German Federal Government's initiative → [“#WirVsVirus”](#). In this programme, 130 teams that had sprung from an earlier hackathon were supported in developing social innovations for dealing with the crisis, implementing them quickly together with partners and making them widely accessible.

In future, KfW Stiftung would like its civil engagement to have an even greater impact in a changing society. This is why it began systematically assessing both the content of its strategy and the projects it promotes. The aim is to develop projects on issues relevant to the future that help to create opportunities for improving the living conditions of the people being supported.



# Sustainability strategy

# »»» Sustainability Strategy

## How we anchor sustainable action in our corporate strategy.

### Review

The planned strategy for advancing KfW's development into a transformative promotional bank was specified in 2020. The new elements of sustainability-driven bank management that were developed in the Roadmap Sustainable Finance were approved by the Board of Supervisory Directors in December, and the subsequent implementation project tranSForm was commissioned.

#### Highlights

Rated among the **top 5** promotional and development banks in international sustainability ratings again

Two new sustainability goals were anchored in KfW's strategic objectives:

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

### Outlook

With tranSForm, KfW will set the course in the coming years for a core business that measurably contributes to the UN Sustainable Development Goals and is compatible with the Paris climate targets. KfW is also strategically preparing for the EU taxonomy for sustainable investment.

#### Goals

Establish an **impact management system** guided by the Sustainable Development Goals

**Successfully apply the Paris-compatible sector guidelines** for the financing of particularly greenhouse gas-intensive industries and **set up a greenhouse gas accounting system** (including greenhouse gas footprint) for KfW's entire portfolio

Systematically strengthen the analysis of ESG risks in risk management across the group

## Strategic relevance of sustainability

We understand sustainability as a transformative process. We want to successfully support and accompany the transformation of the economy and society. We want to improve the economic, ecological 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's business strategy. The mission statement defines priorities and areas of activity with specific targets. In 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 we strengthen our role as a responsible employer.

We have ambitious plans for our areas of activity:

- In our banking business we want to measure and control the impacts of our financing activities and ensure that they are Paris-compatible (target: a climate-neutral KfW portfolio by 2050).
- While our banking operations are already very resource-efficient, we aim to reduce energy and water consumption even further.
- As a responsible employer, we want to not just make improvements to our employees' work-life balance but, in particular, prepare the men and women on our staff for the challenges posed by the digital transformation.

The most recent measures in our banking operations were developed in the 'KfW Roadmap Sustainable Finance' project. The targets 'SDG contribution of KfW's financing activities' and 'Paris compatibility of KfW's financing activities' are anchored in KfW's strategic objectives for all business sectors with immediate effect. 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 the Roadmap Sustainable Finance 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 historically comprehensive approach to sustainability topics, KfW has for years received very high scores from independent sustainability rating agencies and occupies a top rank in their international sector comparisons. We want to take further measures to secure our top position here as well.



## Sustainability mission statement

KfW's [sustainability mission statement](#), which has been in effect across the Group since February 2019, was a first outcome of the Roadmap Sustainable Finance. The preamble anchors the [2030 Agenda of the United Nations with its 17 Sustainable Development Goals](#) 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 continues with explanations on the sustainable orientation of KfW's strategy in five areas of activity:

- Banking business with the dimensions of financing, capital market and credit risk
- KfW's role as a responsible employer

- Banking operations in the areas of corporate governance/compliance, in-house environmental protection, procurement and social engagement
- Sustainability management structure with a detailed breakdown of responsibilities
- Sustainability-related communication consisting of stakeholder dialogue, the sustainability report and an online sustainability portal

### Sustainability approach and key areas of activity



#### KfW Group

Declaration of KfW Group on respect for human rights in its business operations

KfW sustainability mission statement and areas of activity

Sustainability management	Banking business	Employer	Banking operations	Sustainability communication
<ul style="list-style-type: none"> <li>– Sustainability organisation:                             <ul style="list-style-type: none"> <li>– Chief Sustainability Officer</li> <li>– Group Sustainability Officer</li> <li>– Network of decentralised sustainability officers</li> </ul> </li> <li>– Sustainability guidelines for banking business and operations</li> <li>– Sustainability ratings and rankings</li> <li>– Inclusion in strategic objectives</li> </ul>	Financing activities (in line with the megatrends of climate change and environment, globalisation, social change, digitalisation and innovation)	Employer attractiveness	Corporate governance and compliance	<ul style="list-style-type: none"> <li>– Sustainability report</li> <li>– Sustainability portal</li> <li>– Stakeholder management (dialogue and communication)</li> </ul>
		Gender equality	In-house environmental protection	
	Capital market	Balance between work and family life	Procurement	
	Risk management	Social commitment		

### 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, ecological 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 foundation for this.

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 the year 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 new 'System of Strategic Objectives 2025' will apply from the 2021 financial year.



## 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 top rankings in important sustainability ratings has therefore been a core factor in the promotional principle of sustainability since 2018. Our specific goal is to be listed on average among the top five promotional and development banks worldwide – in the ratings of imug, ISS ESG and Sustainalytics. We achieved this goal in 2020 (Sustainalytics: Negligible Risk [5.8 out of 100 possible points, in the lowest risk category], 'within the top five development banks' [as at 29 September 2020], imug: 2nd place [as at 2 March 2020], ISS ESG: C+ in the prime standard [as at 15 June 2020]). However, it remains ambitious because the agencies' rating criteria are constantly evolving and becoming stricter. In order to meet the standards they have set, KfW's central sustainability management team analyses the detailed rating results and works with the relevant departments to develop measures aimed at maintaining or improving its rating. In this way it adapts its sustainability management practices to the changing environment.



# Strategic Objectives 2025

## Sustainable promotion

### Primary goal

Transformation of the economy and society with the aim of improving economic, ecological 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 regulatory requirements	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 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 'Banking business'](#)).

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 'Banking business'](#)). 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 'Corporate governance'](#)).

KfW Group's employee policies are primarily focused on factors that include gender equality and balancing work and family life (→ [chapter 'Employees'](#)). 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 and Nuclear Safety (BMUB), the issuance of KfW Green Bonds, and the application of sustainability criteria in the management of our liquidity portfolio (→ [chapter 'Banking business'](#)).

All major themes are listed and explained in the section 'Materiality analysis' in this chapter (→ [page 27](#)).

### 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 in 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 2020, KfW Group again covered all 17 SDGs with a 100 per cent mapping rate, which means that every new KfW financing aims to contribute to at least one SDG (→ [chapter 'Banking business'](#)).

- The implementation of the KfW Roadmap Sustainable Finance, which will begin in 2021 as part of the two-year tranSForm project, will modernise the bank's sustainability governance and align 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 54](#)) and the National Action Plan on Business and Human Rights (NAP, → [page 51](#)) as well as through its commitment to the Principles for Responsible Investment (UN PRI, → [pageSeite 85](#)).



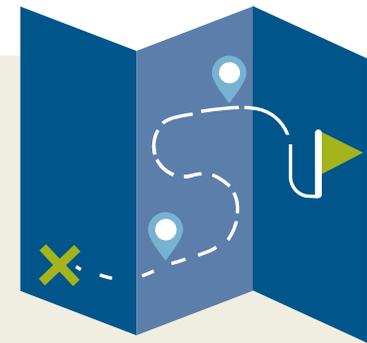
The Sustainable Development Goals: central frame of reference for KfW's wide range of activities

### From the 'KfW Roadmap Sustainable Finance' to 'tranSForm'

The two-year strategic project 'KfW Roadmap Sustainable Finance' was completed at the end of 2020. 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 first uniform group-wide [→ exclusion list](#), KfW's first [→ SDG mapping](#) and the group's first [→ TCFD report](#).

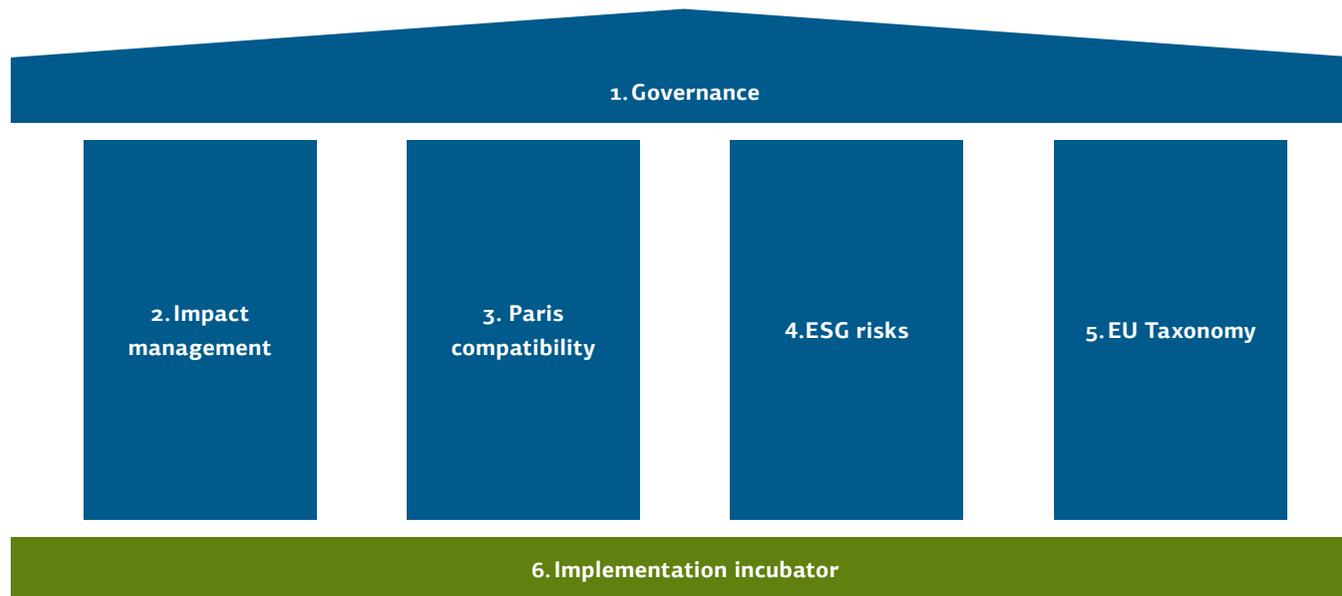
Further proposals of the Roadmap for an expanded bank management that is even more closely aligned with Sustainable Development Goals were adopted by the Executive Board in July 2020 and by the Board of Supervisory Directors in December 2020. They ensure that KfW's contribution to the Sustainable Development Goals (SDGs) and the Paris climate goals is strengthened demonstrably and substantially. These innovations underscore KfW's role as a transformative promotional bank for a greenhouse gas neutral future in line with the Federal Government's mandate under the [→ Climate Action Programme 2030](#) which it presented in 2019: KfW is working effectively towards a greenhouse gas neutral future while also fully performing its broad statutory promotional mandate beyond climate action.

Within the context of tranSForm, the Roadmap implementation project rolled out at the beginning of 2021, six subprojects will be implemented in parallel with the inclusion of different central units and all market areas: a modernised sustainability governance, the 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 the forward-looking consideration of the EU taxonomy. A sixth subproject is devoted to implementation in KfW's data systems.



The 'tranSForm' project begins in 2021 with six pillars for more sustainability.

## The six subprojects of tranSForm



Subproject 1 'Governance' brings the sustainability-related organisational and committee structure in line with modern demands and new tasks resulting from other subprojects. This includes, for example, establishing a high-level committee for the overall management of KfW's business with respect to sustainable finance and for supporting the Executive Board.

Subproject 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. Already in 2019, the SDG mapping ([→ chapter 'Banking business'](#)) was a first step in addressing the structural implications of the UN SDGs. In this regard, further important stages are being implemented under tranSForm, including a uniform group-wide understanding of impacts with definitions of up to 40 impact indicators for improved measurement and reporting on the sustainability effects of projects financed or co-financed by KfW.

Subproject 3 'Paris compatibility' underpins the new monitoring parameter 'Paris compatibility of KfW's financing activities'. It comprises technology-based sector guidelines for at least six particularly greenhouse gas intensive sectors such as electricity generation and buildings as a key steering instrument. 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 subproject 3, a greenhouse gas accounting system is also being established in order to regularly capture the greenhouse gas 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 2050. Beyond the greenhouse gas footprint, this strand of work includes developing uniform group-wide methods for measuring greenhouse gas reductions and sequestration.

The purpose of Subproject 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 groupwide key account for ESG risks) and identifying and implementing adapted ESG risk management procedures. The subproject also comprises the further development of reporting (e.g. in accordance with TCFD).

Subproject 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.

Subproject 6, 'Implementation incubator', is important because the rather more technical subprojects 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 into suitable IT projects where appropriate.



## 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 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. All events had to be cancelled in 2020 because of the coronavirus pandemic. A virtual round table was held for the first time in the spring of 2021.
- In 2018 KfW launched a **Stakeholder Panel** which reflects the whole array of stakeholders in the area of sustainability. The members of the panel are interviewed once a year on various issues and aspects of sustainability. After individual telephone interviews in 2019, the participants for the 2020 financial year were invited to attend a digital round table in the spring of 2021 (see next page).

- KfW's **participation in conferences and network meetings** enables it to maintain ongoing dialogue with its stakeholders during the year.
- KfW launched its first ever **podcast** in 2019: In 'Ausgesprochen nachhaltig' ('Distinctly sustainable'), KfW strategist Alexander Baunach discusses a current sustainability issue roughly every 2 months with interesting guests from the science and business community. In 2020 the guests included the Chief Executive Officer Dr Günther Bräunig and the digital entrepreneur Christoph Bornschein.
- When necessary, KfW addresses important innovations and milestones in its sustainability strategy in **bilateral meetings**, for example with other nationally and internationally active promotional banks or commercial banks.

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 partner in politics and business
- Final customers and borrowers from the promotional programmes, 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

### Dialogue on the KfW Roadmap Sustainable Finance and the SDGs

The German Federal Government has included in its Climate Action Programme 2030 the mandate to advance KfW's development into a transformative promotional bank for a greenhouse gas neutral future – an aspiration which KfW specifically addresses with the Roadmap and the 'tranSForm' implementation project. In March 2021 KfW invited experts to a virtual stakeholder panel round table to discuss its own strategic projects. It was characterised by lively debate, with KfW's management, including the Chief Executive Officer, taking important suggestions for improvement on board.

### 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
- German Asia-Pacific Business Association

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:

- 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)
- Resource Efficiency Network
- Principles for Responsible Investment (PRI)
- Transparency International Germany
- United Nations Environment Programme – Finance Initiative (UNEP-FI)
- Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies

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.



First virtual stakeholder round table in spring 2021

## Materiality analysis

We updated our materiality analysis in autumn 2020 in order to identify relevant sustainability topics for our reporting in accordance with the GRI standards and Section 289c para 3 of the German Commercial Code.

To this end we adopted the system for sustainability topics introduced in the previous year. Promotional business as KfW's central task is the main focus and regarded as material. The system of strategic objectives clearly defines the focal areas of promotional business (see → page Seite 20). The materiality analysis therefore focused again on prioritising management issues.

All 18 topics were assessed for their relevance for KfW's stakeholders, for KfW's impacts on the environment and society in this thematic area, and for their respective relevance to business success.

The comprehensive survey of the stakeholder panel at the end of 2019 served as a starting point for assessing impact and stakeholder relevance. Eight representatives from the financial sector, non-governmental organisations, the research community and official authorities participated in this survey.

An internal group of sustainability experts composed of all the sustainability officers within KfW Group and representatives of KfW's sustainability management, group development and risk management teams validated the previous year's assessment, among other things with the aid of a context analysis.

In a next step, the business relevance of the topics was reassessed. It included an analysis of the specific added values for sustainability for the group as well as an assessment of risks and opportunities.

As a result of the assessment, ten of the 18 management topics were identified as material. Both the evaluation from an outside perspective and the assessment from the business perspective revealed that the topic of occupational health and safety has gained in importance. Its stakeholder, impact and business relevance was ranked moderate.



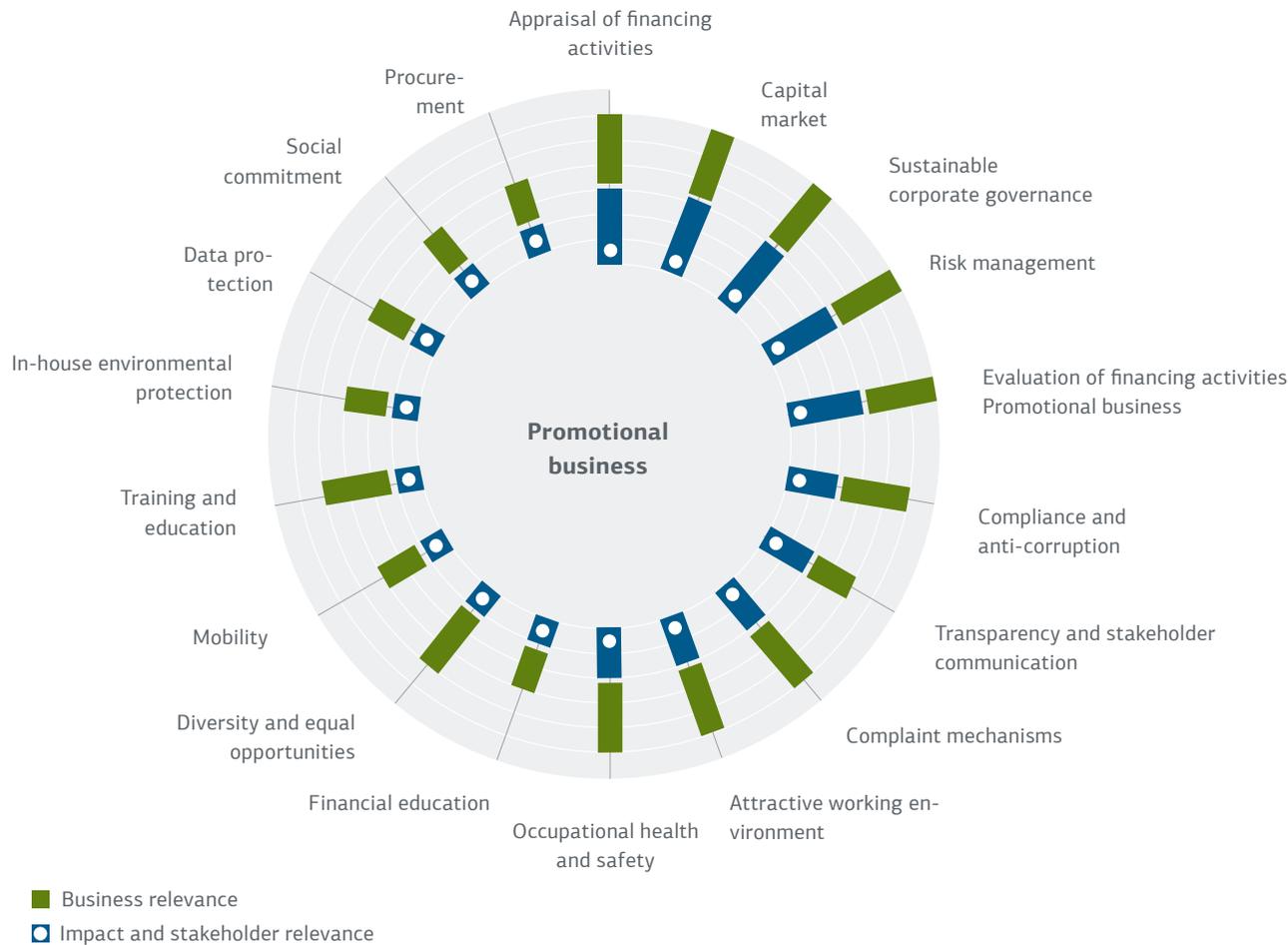
Ten sustainability topics were identified as material for KfW



Topics that have moderate or high stakeholder / impact relevance and / or business relevance were defined as material. Both impact and business relevance are decisive factors for materiality in accordance with Section 289c para 3 of the German Commercial Code, while stakeholder/impact relevance

determines materiality in accordance with the GRI standard. The table of material topics (→ page Seite 29) and the graph below show the results of the materiality analysis 2020 in detail.

### Results of the materiality analysis



**Material topics in 2020**

Topic	Description	Material under GRI standards	Material under the German Commercial Code (Aspects)
Promotional business (set as material)	Financing business aimed at transforming the economy and society in order to improve economic, ecological and social living conditions around the world. Promotional business is aligned with the four megatrends of '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 (environment, respect for human rights, social concerns) Appraisal of financing activities
Appraisal of financing	Consideration of ecological 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 (environment, respect for human rights, social concerns)
Capital market	Consideration of sustainability criteria in refinancing activities (i.a. using green bonds) and liquidity management i.a. by integrating ESG or exclusion criteria).	Yes	Yes (environment, respect for human rights, 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 (environment, 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 (environment, respect for human rights, social concerns)
Evaluation of financing activities*	Regular evaluation of financing activities completed by KfW Development Bank and DEG and of parts of the domestic promotion business to verify achievement of the promotional objectives and impacts on the climate, environment, society and human rights.	Yes	Yes (environment, social concerns)
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 (anti-corruption)
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 (Aspects) <input checked="" type="checkbox"/>
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 ecological impacts.	Yes	Yes (environment, respect for human rights, social 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 (employer)
Occupational health and safety	Ensuring a healthy and safe working environment for all employees through preventive healthcare and responsive health management.	Yes	Yes (employer)
Financial education	Promotion of access to financial products and financial education, particularly for young people (encompassing communication and promotion of sustainable finance outside KfW).	No	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.	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 by involving employees and raising their awareness of mobility issues.	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
In-house environmental protection	Reducing the impacts of office operation on the environment and climate, i.a. through sparing resource consumption, the use of recyclable materials and renewable energy, and the reduction and more thoughtful disposal of waste.	No	No
Data protection	Expansion of cybersecurity to protect customer and employee data, as well as responsible handling of information technology.	No	No
Social commitment	Assumption of social responsibility by encouraging engagement among employees and through KfW Stiftung.	No	No



Topic	Description	Material under GRI standards	Material under the German Commercial Code (Aspects) <input checked="" type="checkbox"/>
Procurement	Ensuring responsible procurement and sustainable supplier relationships in compliance with social and ecological guidelines.	No	No

\* Concepts were refined compared with the previous year

The non-financial report on the topics that are relevant in accordance with Section 289c para 3 of the German Commercial Code is part of this data report and is sorted by topic in the chapters that relate to the relevant material topics: 'Sustainability strategy' (for the topic of Transparency and stakeholder communication), 'Corporate governance' (for the topics of Sustainable corporate management, Risk management, Compliance and Anti-corruption), 'Banking business' (for the topics of Appraisal of financing activities and Complaints mechanisms) and 'Employees' (for the topics of 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 147](#). In addition, a table showing all content that is of relevance to the non-financial report is provided on [→ page 158](#).

Assessment of non-financial risks is part of KfW's risk management. The 'Corporate governance' chapter contains information on on sustainability-related risks ([→ page 50](#)).

## Sustainability programme

KfW Group has set goals with deadlines in the 2020 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. A selection of central issues and measures is presented below, broken down according to the

five areas of action of the sustainability mission statement. The complete programme is available on KfW's Sustainability Portal at → [www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/](https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/).

Area of action and thematic area	Objective	Target year	Implementation
<b>Banking business</b>			
Capital market	Implemented a sustainable investment approach	Continuous	New investments in treasury portfolio taking into account the best-in-class approach
Capital market	Implemented a sustainable investment approach	2021	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 peergroup regarding implementation of all six UN Principles for Responsible Investment
Capital market	Target volume of the green bond portfolio on behalf of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU): EUR 2 billion	2022	Ongoing investment in green bonds; status as of 2020: around EUR 1.9 billion
Risk management	Strengthened ESG risk management	2021	Owing to the coronavirus crisis, the assessment of options for embedding ESG factors more strongly into the fixed written rules, rating tools and credit processes was deferred to the year 2021. Further developing the ESG risk management is part of the 'tranSForm' project.
Financing activities	Achieved the internally defined environmental commitment ratio of 38% of total promotional value	2021	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 2020 (adjusted for special coronavirus aid programmes): 50%
Financing activities	Ensured 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

Area of action and thematic area	Objective	Target year	Implementation
Financing activities	Prepared for EU taxonomy	2021	Analysed the regulatory requirements in connection with the European Commission's Taxonomy Regulation for facilitating sustainable investment; assessed impacts on reporting obligations and business policy
Financing activities	Established 'Green Loans – made by KfW IPEX-Bank'	2021	Integrated the Green Loan product segment: KfW IPEX-Bank assesses both the possibilities of certification for a Green Loan framework of the bank and of second party opinions of the potential Green Loans.
Financing activities	Climate action programme for the industrial sector: Investment programme for energy efficiency and process heat from renewable energy in industry	2021	Supported the Federal Ministry of Economic Affairs and Energy to achieve the Federal Government's energy and climate targets through the 'Federal Promotion of Energy Efficiency in Industry Programme – Loans'
Financing activities	Promoted climate action projects in the SME sector (implementation of the SME initiative of the Federal Ministry of Economic Affairs and Energy)	2021	Introduced the Climate Protection Initiative for SMEs on behalf of the Federal Ministry of Economic Affairs and Energy in order to prepare SMEs for the EU taxonomy and support them in transitioning to climate-friendly, sustainable business practices; programme start: March 2020
Financing activities	Climate mainstreaming in Financial Cooperation (FC)	Continuous	Progress made in 2020: Introduced the climate mainstreaming instrument. From now on, climate impacts and risks are analysed in the early design stage of all FC projects and systematically accounted for in project design. This allows the effectiveness of projects to be further enhanced with a view to climate action and possible risks to be taken into account more effectively.
Financing activities	Increased businesses' energy efficiency and use of heat from renewables	2023	<p>Implemented the promotional strategy for energy efficiency and heat from renewables in business of the Federal Ministry for Economic Affairs and Energy, with annual reduction of 2.8 million t CO<sub>2</sub> through energy efficiency and process heat from renewables</p> <p>Introduced support under the Federal Promotion of Energy Efficiency in Industry Programme, the scope of which is tied to the level of CO<sub>2</sub> reduction</p>
Financing activities	Increase of energy efficiency and reduction in CO <sub>2</sub> emissions in the building sector	2021	<p>Implemented the promotional strategy of the Federal Ministry for Economic Affairs and Energy and the Climate Action Programme 2030 (building sector), above all through the fundamental reorganisation of the promotion of residential and non-residential buildings. In the framework of the new 'Federal Funding for Energy-Efficient Buildings', comprehensive, target group-specific promotional options for investments in energy efficiency will be made available from January 2021.</p> <p>The promotional amounts (maximum loan amounts, repayment grants and investment grants) were already increased under the ongoing 'Energy-efficient Construction and Refurbishment' programmes in January 2020 to support the objectives of the → <a href="#">German Climate Protection Act</a>.</p>

Area of action and thematic area	Objective	Target year	Implementation
Financing activities	Support private individuals and businesses in implementing sustainable construction, modernisation and energy-efficiency measures in their businesses; attract new customers	Continuous	<p>Progress made in 2020: The online and offline domestic marketing campaigns in the fields of 'Energy-efficient Construction and Refurbishment' and 'Energy Efficiency in Businesses' were carried out as planned.</p> <p>Planned for 2021: Modify the campaign architecture in response to the new 'Federal Funding for Energy-Efficient Buildings'.</p>
Financing activities	Expand promotional activities in the field of circular economy and implement measures of the Joint Initiative on Circular Economy	2023	<p>Supplemented selected promotional programmes by adding promotional purposes that support business investment in the circular economy</p> <p>Progress made in 2020: - The promotional purpose 'Circular Economy' was introduced as a purpose-tied variant of general funding for promotional institutions of the federal states (Landesförderinstitute).</p> <p>Planned for 2021: - Conducted a webinar on the importance of circular economy for the building sector as part of KfW's contribution to the Joint Initiative on Circular Economy. In addition, further possible financing purposes that support circular economy objectives are constantly being explored.</p>
Financing activities	Successful promotion of entrepreneurs through the Gründerplattform (Start-up platform)	2021	<p>Progress made in 2020: Improved advisory process for users including expanded advisory services - Offered crash courses for aspiring entrepreneurs - Created a new layout and improved user guidance - As at 2020: one of the entrepreneur websites with the broadest outreach in Germany, with some 130,000 visitors per month (+57% on 2019) and around 9,000 registrations (+45% on 2019).</p> <p>Planned for 2021: - Expand the community through regular webinars with partners (e.g. chambers of commerce and industry) for aspiring entrepreneurs and through the partner webinar 'Integrating the start-up platform into everyday advisory work' - Continuously improve usability and increase traffic to improve visibility</p>

Area of action and thematic area	Objective	Target year	Implementation
<b>Employer</b>			
Balance between work and family life	Provide easier options for mobile working when needed	Continuous	<p>Progress made in 2020:</p> <ul style="list-style-type: none"> <li>- Extended the service agreement on working hours to remain in effect until the end of 2021. 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</li> <li>- Further expanded flexible working models: Work arrangements that include autonomous working hours and increased use of home-working options</li> <li>- Adopted a service agreement on mobile working. The agreement defines conditions and reliable guidelines for the sustainable mainstreaming of experiences of mobile working during the pandemic.</li> <li>- Support measures: hardware equipment, virtual training opportunities, psychological advisory services and sporting activities</li> </ul>
Gender equality	Increase the proportion of women in management and senior specialist positions	2023	<ul style="list-style-type: none"> <li>- Implemented the new Gender Equality Plan 2020-2023 (<a href="#">→ 40% female team leaders, 32.5% female heads of division, 25% female heads of department</a>)</li> <li>- <a href="#">Elimination of all structural inequities (in relation to remuneration and opportunities for promotion and development)</a></li> </ul>
Gender equality	Establish a network on diversity and gender equality for all employees and managers	2020	Joined the 'Employers for Equality' programme of PANDA GmbH as a founding member. This programme offers workshops, lectures, conference calls and company-wide exchange on the topics of gender equality and diversity. All KfW employees can register for the various events.
Employer attractiveness	Expand and assure the quality of leadership development	2021	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.
Employer attractiveness	Expansion and quality assurance of management development measures	2021	<p>Progress made in 2020: Adapted the tools of the potentials identification procedure to the new management competence model and revised the management feedback taking into account the new competence model</p> <p>Planned for 2021: Upgrade IT support for the potentials identification procedure</p>

Area of action and thematic area	Objective	Target year	Implementation
Employer attractiveness	Strengthen KfW's positioning as an employer	2020	<p>Progress made in 2020:</p> <ul style="list-style-type: none"> <li>- Completed the analysis of the results from the 2019 staff survey, addressed the thematic areas detected in the sector departments with the aid of the employees; conducted more than 80 hosted workshops to address the results in the sector departments; further workshops conducted by the sector departments themselves</li> </ul> <p>Planned for 2021:</p> <ul style="list-style-type: none"> <li>- Continue developing employer positioning and recruiting in order to establish a simple, fast and sustainable digital recruitment system:               <ul style="list-style-type: none"> <li>- Use digital formats for sustainable recruiting</li> <li>- Sustainably build contact networks through an external talent pool</li> <li>- Substitute trade fairs and events with digital/virtual formats</li> </ul> </li> <li>- Introduce an employee recommendation programme</li> <li>- Continue measures aimed at further developing employer positioning</li> </ul>
Employer attractiveness	Promotion and protection of the physical, mental and social health of employees	2021	<p>Planned for 2021:</p> <ul style="list-style-type: none"> <li>- Continue raising awareness of the four areas of prevention – exercise, nutrition, stress management and addiction – with links to the expansion of measures that promote good health through the implementation of a health platform</li> <li>- Introduce a new procedure to analyse psychological stress</li> </ul>
Employer attractiveness	Establish agile working methods	2021	<p>Progress made in 2020:</p> <ul style="list-style-type: none"> <li>- Continued CoP (Community of Practice) and TTS activities (Translation Team Scrum)</li> <li>- Established 'Transformation team agile KfW'</li> <li>- Participatory development of a vision for the future entitled 'agile KfW'</li> </ul> <p>Planned for 2021:</p> <ul style="list-style-type: none"> <li>- Establish and roll out company-wide principles of agile cooperation</li> </ul>
<b>Bank operation</b>			
Corporate governance and compliance	Efficient identification of compliance risks for the active control of non-financial risks (NFR)	2021	Introduced an IT-based data capture and processing tool for assessing the compliance risk of FC projects
In-house environmental protection	Sustainable energy supply at the Frankfurt location; reduction of CO <sub>2</sub> emissions by around 1,500 t/a	2020	<p>Progress made in 2020:</p> <p>Completed the conversion of the heating and cooling system at the Frankfurt location and commissioned the new installation</p>

Area of action and thematic area	Objective	Target year	Implementation
Procurement	Comply with and revise sustainability requirements in procurement	2010	<ul style="list-style-type: none"> <li>- Revised and published the 'Sustainability requirements for procurements at KfW' on the basis of the Sustainability mission statement and the ILO core labour standards</li> <li>- Surveyed main supplier companies on sustainability aspects</li> <li>- Completed four supplier audits per year for on-site inspection; discussed the survey results with the relevant suppliers and, where necessary, worked with them to find solutions to problems</li> </ul>
Procurement	More consistent incorporation of sustainability aspects into current and future service and supply agreements for food and beverages; target quota: 25% of total food supplied is to be organically grown	Continuous	<p>The share of organically grown food was 23% of all food supplied in 2020. This was partly due to restrictions imposed during the coronavirus pandemic.</p> <p>Ongoing optimisation and incorporation of sustainability aspects into the selection of suppliers:</p> <ul style="list-style-type: none"> <li>- Give preference to products from the region, from farms that meet animal welfare standards and from sustainable fisheries, focus on seasonal produce; procure more organically grown food</li> <li>- Mainstream sustainability aspects in the selection criteria for EU tenders</li> </ul>
<b>Sustainability management</b>			
Sustainability ratings and rankings	First-class positions (among the top 5) in major sustainability ratings (Imug, Sustainalytics, ISS ESG) compared with the peer group	Continuous	<p>Progress made in 2020:</p> <ul style="list-style-type: none"> <li>- Incorporated rating results into strategic corporate developments and ongoing dialogue with the divisions involved</li> <li>- Imug: Ranking 2 (as at: 2 March 2020)</li> <li>- Sustainalytics: Negligible Risk [5.8 out of 100 possible points, in the lowest risk category], within the top five development banks [as at 29 September 2020]</li> <li>- ISS ESG: C+ in the prime standard [as at 15 June 2020]).</li> </ul>
Sustainability organisation	Continue developing company-wide sustainability guidelines and standards	2021	<p>Progress made in 2020:</p> <ul style="list-style-type: none"> <li>- Updated the sustainability requirements for procurement and the general purchase conditions</li> <li>- Revised the Sustainability Guideline of KfW IPEX-Bank</li> <li>- Introduced climate mainstreaming into KfW Development Bank's sustainability guidelines</li> </ul> <p>Planned for 2021:</p> <ul style="list-style-type: none"> <li>- Revise the sustainability guidelines for domestic promotion</li> <li>- Update the KfW human rights declaration</li> </ul>
Sustainability organisation	Introduce a KfW-wide impact management system	2022	Expand the evidence of the promotional impacts of KfW's financing activities in the framework of the 'transForm' project; compose a dedicated team for impact management in the Group Development Department

Area of action and thematic area	Objective	Target year	Implementation
Sustainability organisation	Introduce a KfW-wide greenhouse gas accounting system	2022	Introduce the group-wide measurement of, among other things, greenhouse gas reductions and the greenhouse gas footprint of KfW's financing activities as part of the 'transForm' project
Sustainability organisation	Improve the quality of ESIA's at KfW Development Bank and KfW IPEX-Bank	2021	<p>Progress made in 2020:</p> <ul style="list-style-type: none"> <li>- A heavy focus was placed on ESIA mainstreaming in 2020. In addition to comprehensive training for the growing number of employees, this included raising the number of environmental and social experts from 17 (2019) to 32 (2020).</li> <li>- A total of 175 employees were trained on ESIA at KfW Development Bank in 2020.</li> <li>- At KfW IPEX-Bank, 134 (new) employees received general training on sustainability at IPEX-Bank and 134 employees of the market areas received specific training on ESIA in 2020.</li> </ul> <p>Planned for 2021:</p> <ul style="list-style-type: none"> <li>- A further 20 ESIA positions are to be staffed in 2021.</li> </ul>
Sustainability organisation	Cross-pillar mainstreaming of sustainability topics at KfW IPEX-Bank	2020	The sustainability committee of KfW IPEX-Bank was established in October 2020 in order to advance cross-pillar topics around sustainability between the market areas, risk management and staff departments at management level
Sustainability organisation	Expand sustainability governance	2021	Create a permanent 'Management Panel Sustainable Finance' at head of department level
<b>Sustainability communication</b>			
Sustainability reporting	Improve the transparency and communication of environmental, social and climate sustainability aspects of FC projects	2020	Published the ESIA category since July 2019 and the summary of the environmental and social impact assessment since January 2020; see also Chapter 6 of the Sustainability Guidelines and the transparency portal of KfW Development Bank. The project was completed in 2020.
Stakeholder management	Continue developing and strengthening sustainability communication focused on targets and target groups	Continuous	<p>Media and public relations work on sustainability topics, platform use for active communication of sustainable finance aspects and sustainability topics around products and processes</p> <p>Conduct a virtual stakeholder round table in spring 2021</p>
Stakeholder management	Strengthen stakeholder communication at KfW IPEX-Bank	Continuous	Sustainability dialogues for employees at KfW IPEX-Bank; various events on current topics of strategic relevance; continue the series in 2021, above all in a virtual format



# Corporate governance

# »»» Corporate governance

## How we mainstream sustainability in our organisational structures.

### Review

Promoting sustainable development is at the core of KfW Group's activities. To achieve this, it is imperative for the group to critically question and continue developing not just its strategic but its structural approach. This approach centres on KfW Group's sustainability mission statement, which was further developed in 2019. At operational level, the Sustainability Guidelines of the business sectors, business areas and subsidiaries mainstream the topic in its day-to-day work.

#### Highlights

Establishment of a **Sustainability Committee** at KfW IPEX-Bank

Expansion of **climate risk reporting** in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

### Outlook

KfW Group places a key focus on its risk management by examining how ESG factors can be more effectively anchored in rating tools and credit processes. Presentations on ESG risks and scenario analyses for employees aim to raise managers' awareness about the topic. A further objective is to consolidate KfW's commitment to sustainable finance in its organisational structure through new committees and teams.

#### Goals

**Establish an impact management team** in the Group Development Department

**Implement digital tools** for risk identification and assessment

Create a permanent '**Management Panel Sustainable Finance**' at head of department level

## Corporate governance

KfW's Executive Board, which is chaired by Dr Günther Bräunig, is responsible for managing business in accordance with the Law Concerning KfW, the KfW Bylaws and the procedural rules. A schedule of responsibilities stipulates their responsibilities. Significant changes require the approval of the Presidial and Nomination Committee. As a public-law institution, KfW adheres to the principles of the Public Corporate Governance Code of the German Federal Government (PCGC), which is based on the legal framework for public limited companies. KfW explains how it fulfils the principles of this Code in an annual Declaration of Conformity 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 – two of whom are women – are appropriately compensated in accordance with their duties and responsibilities. None of the Executive Board members received variable components in their compensation in 2020. 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 on compensation, including a breakdown of the compensation paid to the individual members of the Executive Board and Board of Supervisory Directors, can be found in the [→ 2020 Financial Report, page 190](#) (Information on employee remuneration [→ chapter 'Employees', page](#)Seite 117).

The Compensation 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. According to the Law Concerning KfW, it is composed of 37 members, including eight women in the year under review (around 22%). The Law Concerning KfW 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 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 about 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. The current composition of the Board of Supervisory Directors can be viewed at any time 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 share of women on the Board of Supervisory Directors rose again in 2020 and is now 22%.

## Sustainability organisation

The Board of Supervisory Directors maintains four committees that make their work more efficient: the Presidial and Nomination Committee, the Compensation Committee, the Risk and Credit Committee, and the Audit Committee (for the individual duties please see the [→ 2020 Financial Report, page 24](#)). The Presidial and Nomination Committee evaluate the performance of the Board of Supervisory Directors and the Executive Board on an annual basis (pursuant to Section 25d (11) of the German Banking Act). To expand their knowledge with regard to their role or regulatory matters, KfW offers the members of the Board of Supervisory Directors regular training courses by external experts. It also provides a budget for their participation in external training events.

The Supreme Audit Institution (Bundesrechnungshof), the 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 parts 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 Energy.

As an organisation especially committed to sustainable development in Germany and worldwide, we see sustainability as a particularly important factor in the orientation of our core business and the management of our 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 new programme-based mission statement that sets out the sustainability management structure throughout the five areas of action: banking business, banking operations, employer, sustainability management and sustainability communication ([→ chapter 'Sustainability strategy', pages 18–19](#)). 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 action area 'Employer' 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 and KfW IPEX-Bank and to the environmental and social guidelines of DEG, as well as to the joint sustainability guidelines for domestic promotion. KfW IPEX-Bank revised its sustainability guidelines in October 2020. The updated guidelines contain new requirements for

environmental and social impact assessments based on the updated equator Principles → [EP4](#), which also came into effect in 2020. Furthermore, the guidelines take into account KfW Group's Exclusion List and Sectoral Guidelines and specify further sustainability requirements for financing activities of KfW IPEX-Bank. The sustainability guidelines for KfW's domestic promotion are currently being revised as well. Once aligned with the group's objectives, the new guidelines will presumably be published in 2021.

The sustainability guidelines of KfW Development Bank were expanded during the period under review through the addition of the newly introduced climate mainstreaming instrument (→ [chapter 'Banking business', page 92](#)).

Theme-based sustainability guidelines are also in place across the group, including for in-house environmental protection (→ [page 102](#)) and responsible procurement (→ [page 112](#)), setting out relevant standards, responsibilities and processes. KfW's sustainability requirements for procurement were updated in 2020.

### Responsibilities and organisation

Overall responsibility for KfW'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, the CSO thereby also ensures operational implementation of sustainability-related issues with regard to sustainable financing transactions and sustainable banking operation.

Since the 2018 financial year, KfW Group's central Sustainability Management team has been a part of the Group Development Department, where it was integrated into the 'Corporate Strategy and Sustainability' division (see organisation chart overleaf). The Group Sustainability Officer represents the topic within this department. This officer coordinates the work performed by the Group Environment and Climate Steering Committee (KUK), which is responsible for sustainability management within business operation, and the task force on business ecology. These two committees consolidate the work performed by the 17 decentralised sustainability officers from all relevant organisational units.

The KUK facilitates group-wide exchange on financing activities in the area of climate action and environmental protection, and provides impetus for the further development of procedures and standards for environmental and social impact assessments. The task force on business ecology has various duties, including directing the further development of the Sustainability Programme as it relates to in-house environmental protection (→ [page 45](#)).



KfW IPEX-Bank updated its sustainability guidelines in 2020.

**Organisation chart for sustainability management at KfW Group**

The Group Sustainability Officer and the decentralised sustainability officers from the market areas and central units jointly develop proposals for decision by the Executive Board. In addition, the formulation and implementation of KfW's Sustainability Programme ([→ chapter 'Sustainability strategy', page 32](#)) 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 the central Sustainability Management team, signed off by KfW's Executive Board and presented to the Board of Supervisory Directors for information.

### Expanding sustainability governance

Work on KfW Group's sustainable finance strategy will continue in the shape of the tranSForm implementation project in 2021. In this context KfW is also expanding its sustainability governance, especially by creating a permanent 'Management Panel Sustainable Finance' at head of department level, further developing the Group Environment and Climate Steering Committee into a 'Network Sustainable Finance' and establishing a new 'Impact Management' team in the Group Development Department. This team will be responsible for, among other tasks, the central management of the topics 'SDG contribution of KfW financings' and 'Paris compatibility of KfW financings'. An explanation of the project is provided in the [→ chapter 'Sustainability strategy' from page Seite 15.](#)

The governance structures are being developed further at KfW IPEX-Bank as well. In October 2020 KfW IPEX-Bank established a sustainability committee that decides on strategic projects and on specific measures for the sustainable design of banking business. The Management Board continues to be responsible for deciding on topics that have far-reaching implications for business policy. The committee comprises the Management Board members and works across pillars, that is, it includes representatives from the market areas and risk management, product advisors and the strategy team. 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 protection as well as economic and social sustainability.

## 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 programme 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.



The new 'Impact management' team manages the SDG contributions and Paris compatibility of KfW's financing activities.

### 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 early on, 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.

### Prevention of corruption and fraud

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

Twelve cases associated with corruption-related matters were confirmed in 2020. In none of these cases were any of KfW's employees involved, and no agreements were terminated as a result of corruption-related matters in the year under review.

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 confidentially to the Fraud and Corruption Prevention Officer or the external ombudsman, who can also receive anonymous complaints (attorney at law, Arndt Brillinger, phone +49 721-91546568, fax: +49 721-91546580; E-Mail: [kfw@brillinger-rechtsanwaelte.eu](mailto:kfw@brillinger-rechtsanwaelte.eu)). All complaints are rigorously acted on 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.

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 EITI on behalf of KfW Group. KfW cooperates with the Federal Ministry for Economic Cooperation and Development (BMZ) in implementing the strategy on anti-corruption and integrity in German development policy.



Allegations of corruption can be submitted confidentially to an external ombudsperson.

### Tax policy

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 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 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. KfW engages in open, transparent and cooperative interaction with domestic and foreign tax authorities.

The foundations of KfW'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 tax mission statement, it also describes KfW's Tax Compliance Management System (TCMS), 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.

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 into 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 uncooperative countries and territories in tax matters<sup>1</sup>, the results of phases 1 and 2 of the 'Monitoring and Peer Review Process' (PRP) of the Global Forum of the OECD<sup>2</sup> and the lists of the FATF<sup>3</sup>. Compliance with these EU and national directives is mandatory and monitored by KfW's Compliance Department.

KfW complies with its tax payment obligations and submits a country-by-country report to the Federal Central Tax Office as required by law. Only KfW IPEX-Bank has a foreign subsidiary subject to this reporting obligation. The country-by-country report submitted by KfW IPEX-Bank in accordance with Section 26a of the German Banking Act can be accessed in the [annual report of KfW IPEX-Bank \(page 81\)](#).

Possible misconduct can be identified using a globally accessible whistleblower system for anonymous reporting of alleged breaches. Whistleblowers who do not wish to contact the in-house Compliance Department can contact the external ombudsperson, who is required to maintain confidentiality.

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

### Code of Conduct and training

The guideline for legal and ethical conduct at KfW Group is the Code of Conduct, which was updated in the year under review 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.

<sup>1</sup> 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 noncooperative jurisdictions for tax purposes (Annex II). A tax jurisdiction is removed from the list as soon as it has met all its obligations.

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

<sup>3</sup> The blacklist of the FATF lists noncooperative jurisdictions and high-risk countries ('High-Risk Jurisdictions subject to a Call for Action'). The FATF greylist 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.

Departments hold workshops on the subject of fraud and corruption prevention. Face-to-face meetings with some 120 participants were held in addition to the mandatory online training courses in 2020.

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 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.

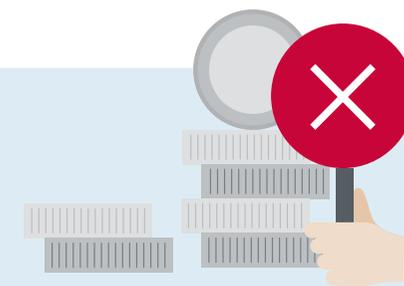
Our understanding of ethical conduct also includes the aspect of political donations. According to its donation guidelines, KfW does not provide financial support or other allowances to individuals or political parties including organisations that are affiliated with parties.

### Money laundering prevention and data protection

An in-house Anti-Money Laundering Officer coordinates preventive measures against money laundering and terrorism financing. 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 most recent 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 2020, KfW reported two data protection incidents to the responsible supervisory authority. These related to cases where data was inadvertently misdirected. Suitable awareness-raising measures are carried out continuously.



Mandatory online and face-to-face trainings on the subject of fraud and corruption prevention

## Risk management

The 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. Risks within the group are managed by various decision-making bodies working closely together. 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 it 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 as a whole of its duties related to the overarching management and requisite decisions and approvals concerning
  - Operational risks (OpRisk) and reputation risks (RepRisk) and
  - Group security incl. business continuity management (BCM).

The Committee for Operational Risks deals with overarching specialist issues and supports the overall 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 2020.

### 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 ecological and social challenges as well as from governance weaknesses (known as 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 a routine assessment within the New Products Process (NPP). It verifies whether the new product has any adverse ecological 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 or joint initiatives carried out with a third party. The co-financed projects are assessed for their environmental and social impacts. The → [chapter 'Banking business' from page 68](#) provides detailed information concerning the environmental and social impact assessment (ESIA).

The inside-out perspective with the focus of climate has been dealt with in more detail since 2018 as part of the in-house 'KfW Roadmap Sustainable Finance' project and the 'trans-Form' implementation 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 steadily expanded. An explanation of the project is provided in the → [chapter 'Sustainability strategy' from page 15](#).

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 generally applies to products and services below the thresholds that are procured in accordance with KfW's rules (→ [chapter 'Banking operations'](#)). 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's business, the focus is currently on climate change and its potential effects on KfW's risk exposure. The chapter 'TCFD-aligned climate reporting' from → [page 54](#) contains more details on this. Most of the content included in that chapter is the result of the third sub-project entitled 'Risk management' which is part of the in-house 'KfW Roadmap Sustainable Finance' project (→ [chapter 'Sustainability strategy', page 21](#)). It focuses on analyses of potential impacts of physical and transitory climate risks on KfW's credit risk position.

Reputation risks are initially classed as outside-in risks. However, a close link to the inside-out perspective exists through the perception and response of major stakeholders to effects that arise from KfW. The reputation risk is categorised within the group as a separate significant risk type and thus subject to the risk management cycle. Every year, KfW identifies potential reputational risks at group level and has them internally assessed by experts for ten relevant stakeholder groups. In accordance with the guidelines on risk reporting, significant new reputational risks or trigger events are included in the group risk report. This report is presented to the Board of Supervisory Directors, the Federal Ministry of Finance, the Federal Ministry for Economic Affairs and Energy and the Financial Supervisory Authority. Particularly critical issues are addressed to the Executive Board in the form of ad-hoc reports. Two relevant incidents were reported in the year 2020, both in the context of ongoing financing activities of KfW IPEX-Bank. KfW IPEX-Bank then added considerable structural strength to the topic of RepRisk in 2020.



Sustainability-related risks are assessed from the inside-out and outside-in perspective.

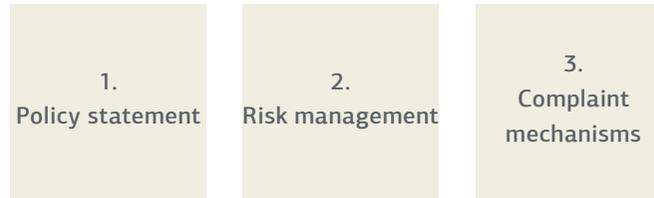
## Human rights due diligence: German National Action Plan on Business and Human Rights (NAP)

The German Federal Government documented its expectation for enterprises (including financial institutions) to perform their human rights due diligence in the National Action Plan on Business and Human Rights adopted in 2016. The NAP therefore encourages all enterprises to put structures in place by the end of 2020 to ensure the protection of human rights in their business processes. KfW Group welcomes this initiative by the Federal Government.

Over three years between 2018 and 2020, the Federal Government monitored the extent to which enterprises were performing their human rights due diligence and established relevant structures. The final NAP monitoring report was presented in October 2020. The target of at least 50 per cent NAP achievers was missed.

KfW is aware of its role model function as a state-owned finance institution. The following chapters – including the passages in the present report, which we refer to here – represent KfW's second summarised corporate report in the context of the NAP since 2019.

In order to fulfil its human rights due diligence, KfW has defined three core elements for implementing the NAP which it is progressing 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 Group therefore published a [→ 'Declaration on respect for human rights in its business operations'](#) already in 2008, in which it explicitly commits to the protection of human rights and declares its compliance with the International Labour Organization's (ILO) core labour standards and its position against forced labour, child labour and discrimination. 'KfW Group's declaration on respect or human rights in its business operations' is currently under revision and will be updated in due course.



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 in development cooperation which were issued by the Federal Government in 2013. As described in the sustainability guidelines of KfW Development Bank, the principles described 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 for Business and Human Rights](#), which are part of the Equator Principles (EP4) and thus part of the sustainability guidelines of 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 to enable it to 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 the business sectors' relevant ESIA are explained in detail in the [→ chapter 'Banking business' from page 68](#).

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 the balance between work and family life. Detailed information on this subject is provided in the [→ chapter 'Employees', page 114](#).

KfW Group also ensures its compliance with social standards and the protection of human rights in its own banking operations, including by defining ecological and social criteria – including those related to human rights – for its procurement processes (governed specifically in the 'Sustainability requirements for procurement at KfW'). Human rights is a theme that is also regularly included in our ongoing surveys of service providers and suppliers in our procurement management ([→ chapter 'Banking operations', page 112](#)).

## Complaints mechanisms and countermeasures for suspected human rights violations

KfW's goal is to prevent human rights breaches as best possible using established processes and preventive measures. In order to give all persons who feel negatively affected by projects supported by KfW Group – despite comprehensive ESIA and defined preventive measures – the opportunity to submit a complaint, bank-wide complaints mechanisms are in place that are tailored to the relevant business sectors and the formats of the complaints received. A detailed description of these mechanisms and the projects supported that were the subject of complaints in the year under review is provided in the [→ chapter 'Banking business' from page 68](#).

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. Further information on measures taken is provided in the project examples in the [→ chapter 'Banking business' from page 68](#).



# »»» Climate reporting according to 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 successfully expanding its ESG risk management and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The second TCFD report contained in this chapter presents KfW's most recent steps and most important structures for managing climate-related opportunities and risks.



KfW has supported the TCFD since 2018 – as Europe's first promotional bank.



Climate scenarios and their impacts were analysed using three tools in 2020.



Climate risks can have the most severe impact on KfW's credit risk.

## Transparency regarding the risks and opportunities of climate change

The [→ recommendations](#) of the Task Force on Climate-related Financial Disclosures of the Financial Stability Board are increasingly becoming the standard for reporting on the risks and opportunities of climate change for enterprises. KfW Group has also adopted these recommendations and is

reporting in line with the TCFD criteria for the second time. As a public-sector institution we are doing this in order to present any risks in a transparent manner, take ownership and create trust towards our stakeholders – owners, associations, investors and the general public.

The TCFD recommends reporting based on four building blocks:

### Four TCFD recommendations and dimensions for climate reporting



Implementing the TCFD recommendations in their entirety currently poses considerable challenges for many enterprises as some of the calculations required are fraught with uncertainty and are new to corporate reporting practice. We are therefore focusing 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 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 based primarily on fossil fuels (oil, coal, natural gas), towards a low-greenhouse-gas economy. Transitory risks can also affect our borrowers and therefore impact on 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 mainly in the chapters Banking business ([→ page 68](#)), Corporate governance ([→ page 50](#)) and Banking operations ([→ page 100](#)) of this Sustainability Report.

We want to develop our climate risk reporting process on an ongoing basis and use it to provide transparency regarding the questions we are asking ourselves, the answers we have already found, and the challenges we are facing. We are aiming for an annual reporting cycle for KfW Group that includes the subsidiaries KfW IPEX-Bank, KfW Capital and DEG.

#### **Further development of our reporting approach**

As early as October 2018, KfW became the first national promotional bank in Europe to declare its support for the TCFD recommendations. This is based on our conviction that businesses should actively address climate change as a risk driver. They should also explain in a transparent manner how they intend to manage material risks resulting from climate change. The high level of interest our stakeholders have in climate risks is another incentive for us. In particular, for our first report we took the first important step in the scenario analysis, which was to conduct a pilot study of a 2° scenario in regard to our oil and natural gas portfolio.

In addition, we were able to report on further developments surrounding the topic of climate and environmental risks at our subsidiary IPEX-Bank. To this end we developed a sector heat map on the basis of which we conducted more in-depth studies of eight sectors (automotive industry, steel industry, commercial shipping, cruise shipping, oil and natural gas, petrochemicals, aviation and thermal energy).

## 1. Governance

To be sure, the coronavirus crisis slowed down the planned further development of our climate risk management activities for this second report on the reporting year 2020. Nevertheless, we were able to complete three pilot projects that studied physical climate risks and carry out a first climate stress test relating to a defined corporate portfolio in our business sector Export and project finance and to a number of financial institutions.

KfW Group has been observing and taking into account the risks and opportunities of climate change for its business for some time. We take them just as seriously as other drivers of risk within our risk management approach, within our organisation and within 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 thus 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 or decision as required. The business or risk strategy can subsequently be adjusted accordingly. Any targets related to substantial climate risks or opportunities can then be included in the group's business sector planning and aligned accordingly.

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 remits ([see → section Risk management, page 65](#)).



The Executive Board is responsible for central decisions regarding risk policy.

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 have 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, ecological and social living conditions around the world. This is underscored by measures that have already been implemented (e.g. a new sustainability mission statement, an extended exclusion list with sectoral guidelines, and SDG mapping for the portfolio). In recognition of the special importance of climate change, the environmental commitment ratio was set to an ambitious target of  $\geq 38\%$  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 to the SDGs, as well as being listed on average among the top five promotional and development banks – in the ratings of imug, ISS ESG and Sustainalytics.

Furthermore, the in-house 'KfW Roadmap Sustainable Finance' project was successfully completed in mid-2020. The aim of the project was to find approaches to a stringent and multi-dimensional sustainability strategy that enables an extended management of KfW Group's business in alignment with sustainability aspects and to enhance the management of ESG risks.

After the 'KfW Roadmap Sustainable Finance' was completed and on the basis of the findings derived from it, the Executive Board adopted a strategic initiative for the coming years that is aimed at advancing and implementing the approaches of the Roadmap. Climate risks are addressed in the 'Strengthening ESG risk management' subproject as part of the 'tranS-Form' implementation project.

### 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 over 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 usable new insights are gained.



Climate risks are addressed in the framework of the 'ESG risk management' as part of the 'tranSForm' sustainability project.

### Pilot studies on physical climate risks

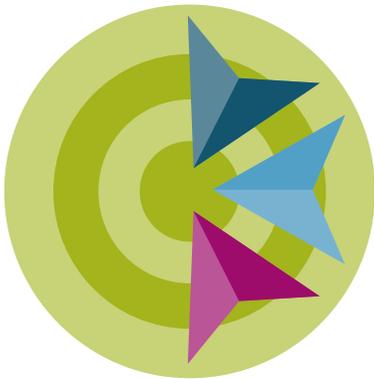
In order to obtain initial findings on physical climate risks, in 2020 we considered the IPCC's worst-case climate scenario. The scenario labelled RCP 8.5 corresponds to average global temperature increases of around 3.2 to 5.4 degrees. This scenario gains momentum primarily in the long term. Observation years were therefore 2050 and 2100. In individual aspects the year 2030 was also observed.

We carried out the exemplary analysis for six of our top ten corporate customers (measured by net exposure with maturities exceeding ten years). Furthermore, we analysed four countries: Germany, the USA, China and Viet Nam. We used three analysis tools from various providers with three different approaches:



While Tool 1 was used to analyse particularly greenhouse gas-intensive sectors in Germany and the US overall, the analyses conducted in Tool 2 also included individual companies and their locations in various countries. Tool 3 focused on company locations in Viet Nam and effects they suffered under two specific scenarios.

The analyses yielded interesting findings:



#### Tool 1 – key findings

- Automotive and chemical industry in the US affected around three to four times more severely by a climate-driven EBIT drop than in Germany

#### Tool 2 – key findings

- USA: Most critically affected by drought in scenario RCP 8.5
- Viet Nam: significant increase in the risk of forest fires, tropical storms and droughts
- China: significant increase in temperatures and droughts
- Sealevel rise plays a minor role in these three countries
- Locations in Viet Nam: two locations at very high risk from sealevel rise
- Remaining locations: Multiple cases of extreme temperature increases, droughts and risk of forest fire

#### Tool 3 – key findings

- Viet Nam (total): in scenario SCP 8.5, increase in damage to buildings by around one third as a result of storms – less damage as a result of storm surges
- Locations in Viet Nam: disproportionately impacted by storm damage to buildings compared with the national average – damage as a result of storm surges differs widely

## Conclusion

As the three tools have different output parameters (risk scores, EBIT variation, damage to buildings), a direct comparison cannot be easily performed. A general observation, however, was that the negative physical effects in the hard RCP 8.5 scenario turned out weaker in all tools than we would have expected.

What also became clear was that the tools do not yet incorporate all interdependencies that we already take into account in some of our due diligence processes when we assess individual projects, such as interdependency between groundwater bodies in Viet Nam, for example. Furthermore, the phenomena are not always immediately comprehensible. For example, some locations show a stronger occurrence of droughts for the year 2050 than for the year 2100. Such phenomena can be explained only by delving deeply into climate modelling. In this case the cause was the specific interplay of temperature and precipitation over an extended period of time.

With regard to the possible impacts on our portfolio we have established that

- our existing portfolio naturally cannot be exposed to any risk because the maturities end long before the year 2050;
- for new business operations, the question arises whether the world is actually heading for this strict scenario RCP 8.5 and whether relevant risk parameters need to be applied in that case. The current task of our risk management is therefore to monitor developments in order to detect early on whether the world is actually moving on that pathway. Only then would further-reaching risk parameters be warranted.

In our view, more in-depth and more extensive analyses are necessary to identify a clearer pattern of physical climate risks and be able to develop more detailed risk parameters than the 'early warning system' referred to. The findings from the pilot studies will therefore be used further and expanded in the 'tranSForm' project in the year 2021.



Even in the 'worst-case' climate scenario RCP 8.5, the impacts on KfW turn out weaker than expected.

### Climate stress test

A climate stress test is a scenario analysis in which possible adverse effects of the scenario on our own portfolio and thus on the bank's financial substance are simulated under very conservative assumptions. A downside analysis offered by a stress test can yield valuable insights as it can reveal hotspots and weaknesses in the portfolio. We therefore started a climate stress test pilot project in the Risk Controlling Department at the end of 2020.

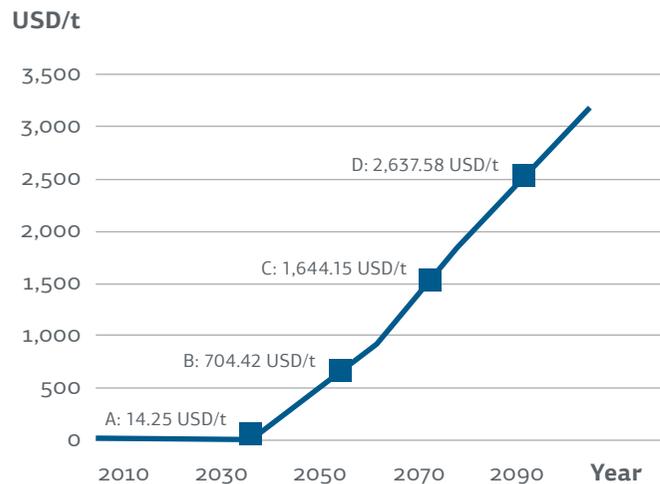
Content and assumptions of the pilot project:

- Focus on an initial scenario from the catalogue of the Network for Greening the Financial System (NGFS) organised by central banks
- In the selected scenario entitled 'Disorderly Transition': particularly pronounced increase in transitory risks from 2030
- Analyse the credit risk in the bank and corporate portfolio

Main scenario assumptions for the 'Disorderly Transition':

- No effective measures aimed at mitigating climate change are adopted worldwide before 2030.
- Steps that follow from 2030 take effect comparatively late and are limited by available technologies.
- Significant CO<sub>2</sub> emission reductions are achieved by a sudden and abruptly rising price on CO<sub>2</sub>, through which the global temperature rise is successfully limited to 2°C within the scenario horizon.
- As a result, the effects of physical climate risks in the scenario are comparatively minor.
- The focus of the scenario, on the other hand, lies on transitory risks that are driven by sudden and strong intervention.
- In the scenario, this leads to the disruption of various markets, for example to a rapid transition from 'brown' to 'green' energy sources.

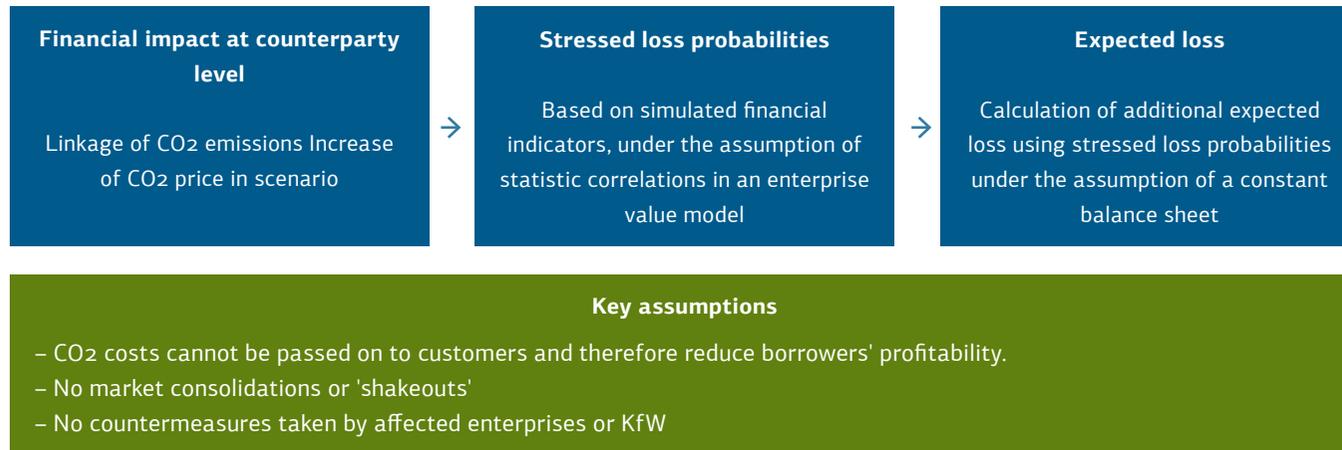
### CO<sub>2</sub> price in the scenario 'Disorderly Transition'



- Only minor increase in CO<sub>2</sub> price expected before 2030
- Sudden and continuous increase in global CO<sub>2</sub> price from 2030 as a textbook example of a transitory risk driver
- CO<sub>2</sub> price as a good starting point for quantitative analysis of stress effects in the scenario

A = CO<sub>2</sub> price in the year 2030: 14.25 USD/t  
 B = CO<sub>2</sub> price in the year 2050: 704.42 USD/t  
 C = CO<sub>2</sub> price in the year 2070: 1,644.15 USD/t  
 D = CO<sub>2</sub> price in the year 2090: 2,637.58 USD/t

## Model prototype: Simulation of transitory risks in the corporate portfolio



For an initial analysis of the scenario impacts on banks' capitalisation, we selected individual important business partners and estimated the scenario impacts across their corporate portfolios. Additional effects from retail and interbank business were not taken into account.

The climate stress test revealed the following: Taking into account the very conservative assumptions and limitations of the model, the modelled scenario of a 'disorderly transition' will first create financial burdens in the years 2020 to 2030 for enterprises operating with low profitability in the CO2 price-sensitive corporate sectors. Even a minor increase in CO2 costs would cause such enterprises to suffer losses. From 2031 the sharp CO2 cost increase would also start impacting on financially better positioned enterprises and other sectors. With respect to the short residual terms for loans currently contracted in comparison with the observation period, it must be noted that once the scenario began there would be sufficient time for KfW to implement portfolio management measures.

The scenario would not have any significant impact on banks until the year 2031. Initial negative effects on capitalisation, however, would usually be followed by a stabilisation. The findings of the stress test illustrate how necessary it is to carefully monitor exposed sectors and individual significant banks.

Given the long time horizon, the very conservative assumptions and the portfolio management possibilities, there is no need for further action for the time being. From KfW's point of view, however, it is advisable to further flesh out and regularly monitor this and other scenarios.



### 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 these are, in particular,

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

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 CO<sub>2</sub> prices, for example. The transition to a climate-neutral economy is also increasingly taking place in the form of concrete action, 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 via 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 recommendation) that focuses primarily on the structure of the transaction, such the term of the loan. If a climate topic 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). Separate divisions exist 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

If the security valuation or rating method demonstrate climate risks to be relevant enough that they have to be explicitly taken into account as a separate criterion within the methodology, the risks are examined by the security or rating systems task forces 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 2020. During this process, we realised 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.

Climate risks can 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 reputation risks

Climate risks are also linked to reputation 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 reputation 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 reputation 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 for explaining climate risks) so that risks can be identified at an early stage.

## Key figures and targets

For the area of climate-relevant indicators 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, the question of how our business activities affect the climate.

The development of indicators for the 'outside-in' risk perspective is still in the planning stages. Over the medium term we aim to generate multiple indicators and, if required, targets for the 'outside-in' risk perspective.

Indicators in a broader sense include the findings from the scenario analyses and stress tests, which represent findings obtained through the years and are to be combined to form a single picture:

### Results of scenarios and stress test

Year	Scenario	Climate risk category	Focus	Timescale	Result	
2019/2020	IEA 2017 2° scenario	Transitory risk	Oil and natural gas sector	2030	No major risks to portfolio business identifiable 2020/2021	
↓	2020/2021	IPCC RCP 8.5	Physical risk	USA and Germany; automotive, chemicals, electric utilities sectors	2030, 2050	No major risks to portfolio business identifiable 2020/2021
↓	2020/2021	IPCC RCP 8.5	Physical risk	USA, China, Viet Nam	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 <sub>2</sub> price	Excerpt for corporates and excerpt for major banks	2030 ff.	Considerable risks exist – generally manageable for KfW

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 'Banking operations' of the Sustainability Report ([→ page 107](#)).



# Banking business

# Banking business

## How we promote sustainable development

### Review

The 2020 financial year was an unusual year for KfW Group. It was largely shaped by KfW's special coronavirus aid programmes, which it has been implementing on behalf of the German Federal Government and in close cooperation with the German banking industry. But demand for financing for energy-efficient housing also saw a huge increase compared with the same period last year.

#### Highlights

**Increase in the promotional business volume to EUR 135.3 billion.** KfW coronavirus aid played a key role in this development.

KfW issued **14 green bonds** for the equivalent of EUR 8.34 billion in 2020.

**SDG mapping for 2020:** KfW's new commitments cover all 17 SDGs.

### Outlook

The impacts of the coronavirus pandemic will continue to occupy KfW in 2021. To emerge from the crisis stronger overall, KfW Group will use its combined forces to bring about a digital and climate-friendly transformation of the economy and society. It is important to invest in the opportunities presented by the transformation and at the same time ensure that the transition is successful.

#### Goals

**In 2021:** issue additional green bonds amounting to up to EUR 10 billion

**Expand Environmental and Social Impact Assessment:** There are plans to fill 20 more ESIA positions in 2021.

**Introduce sector guidelines** for financing in emission-intensive sectors to ensure Paris compatibility of KfW's financing activities

## 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 hampering 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 promotional priorities broken down by megatrend (on [page 69](#)). The promotional principles are explicit components of KfW Group's 2025 Strategic Objectives (→ chapter "Sustainability strategy", [page 20](#)).

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 the report)
- Financial controlling report (secondary target of profitability and efficiency, Financial and Promotional Business Controlling is responsible for the report)

### Contribution to the SDGs significantly increased in 2020

To make its diverse contributions to the global Sustainable Development Goals transparent, KfW 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 2020. For the first time, 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 2020 SDG mapping shows how KfW has contributed to economic stabilisation in Germany and around the world against the backdrop of the coronavirus pandemic. KfW's commitments for sustainable economic development (SDG 8) increased by a good 150% to over EUR 70 billion compared with 2019. 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 thus increased from EUR 29 billion in 2019 to almost EUR 46 billion in 2020. And KfW also recorded an increase of over 50% in climate action (SDG 13) in 2020, with EUR 43 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 is contributing to sustainable development\*



\* Volume-weighted presentation for 100% of new commitments

## Development of promotion by megatrend

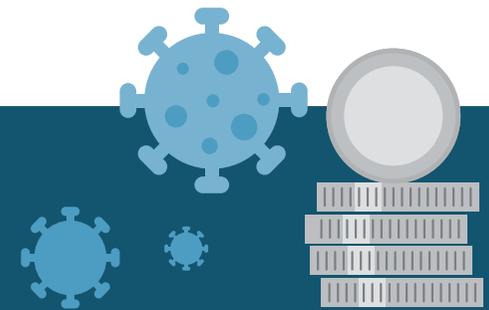
### Focus on global challenges

In 2020, KfW 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. KfW coronavirus aid, which played a major role in setting a new promotional record in the year under review, is also categorised as a non-trend-related promotional area. One exception is KfW Capital’s coronavirus aid, which falls under the megatrend of digitalisation and innovation.

To address the special importance of the “climate change and the environment” megatrend, KfW set itself a target quota for these two areas of over 35% of its total annual promotional business volume as far back as 2012. At the start of the 2020 financial year, the group’s target quota was increased to 38%. This value, adjusted for coronavirus emergency measures, was exceeded in 2020.

The → [table on page 74](#) shows how the 2020 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 and DEG 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 and environmental action are mainly categorised under the globalisation megatrend.



KfW coronavirus aid will result in new record-high promotion in 2020.

**KfW Group commitment volume according to business sector and megatrend in 2020, EUR in billions<sup>1</sup>**


	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	86.3	19.2	0.9	16.6	11	1.4	135.3 <sup>2</sup>
Including climate change and the environment (environment quota) <sup>3</sup>	34.5 (40%)	1.8 (9%)	n.a.	2.9 (17%)	4.5 (41%)	0.5 (36%)	44.4 <sup>4</sup> (33%)
Of which globalisation	n.a.	1.1	n.a.	13.2	n.a.	0.7	15.0
Of which social change	12.9	1.6	n.a.	n.a.	n.a.	n.a.	14.5
Of which digitalisation and innovation	0.8	0.7	0.9	0.5	0.05	0.2	3.2
Of which non-trend- related promotional issues <sup>5</sup>	38.0	14.0	n.a.	n.a.	6.5	n.a.	58.5 <sup>6</sup>

<sup>1</sup> Differences in the totals are due to rounding

<sup>2</sup> Also includes commitments in the capital market business sector in the amount of EUR 0.4 billion, of which EUR 0.39 billion is attributable to climate change and the environment and EUR 0.01 billion to non-trend-related promotional issues; adjusted for the export and project financing commitments from KfW's programme loans.

<sup>3</sup> Percentage of total commitments for the business sector or area

<sup>4</sup> Also includes commitments from the financial markets business sector in the amount of EUR 0.39 billion.

<sup>5</sup> Including KfW coronavirus aid commitments

<sup>6</sup> Also includes commitments from the financial markets business sector in the amount of EUR 0.01 billion.

The product range for domestic promotional business mainly consists of promotional programmes focused on specific topics. The table ([on page 74](#)) 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 2020 (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 (26.8)	IKK/IKU – Energy-efficient construction and refurbishment, IKK/IKU – Energy-efficient Urban Rehabilitation (1.0)	
Globalisation		Refinancing of export loans covered by federal guarantees (1.1)	
Social change	KfW Home Ownership programme (5.8)	IKK/IKU – Investment loans for municipalities/municipal enterprises (1.3)	
Digitalisation and innovation	ERP Digitalisation and Innovation Loan (0.8)	Smart City – Financial contribution (0.3)	Pillar 1 of the federal coronavirus start-up aid programmes (0.685) ERP VC funds (0.184)
Non-trend-related promotional issues	KfW Entrepreneur Loan (coronavirus aid) (28.3)	Special Programme: Direct Participation for Syndicated Financing – as part of the KfW Special Programme 2020 (8.4)	

### Non-trend-related promotion

In 2020, KfW 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. 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 Development Bank's contributions under the Federal Ministry for Economic Cooperation and Development's Emergency COVID-19 Support Programme were particularly effective in 2020. A total promotional business volume of EUR 59.4 billion (2019: EUR 14.2 billion) was allocated to non-trend-related promotion in 2020.

### 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.

It provides low-interest financing for young companies that have been in operation for at least three years but less than five years.

As part of the German Federal Government's package of measures to mitigate the economic impact of the coronavirus crisis, the range of available loans on offer was significantly expanded. The Instant Loan offers 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. The Entrepreneur Loan was expanded so

that up to EUR 100 million can be used for purchases and working capital. KfW assumes up to 80% of the default risk for large companies and up to 90% for smaller companies. The ERP Start-Up Loan – Universal provides 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

Under the KfW Special Programme 2020 "Direct equity investment in structured financing schemes", KfW expanded its range of financing offers for companies that experienced temporary financing difficulties due to the coronavirus crisis to a total of EUR 8.4 billion.

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 to support start-ups and small SMEs as well as non-profit organisations as temporary Coronavirus Special Programmes.

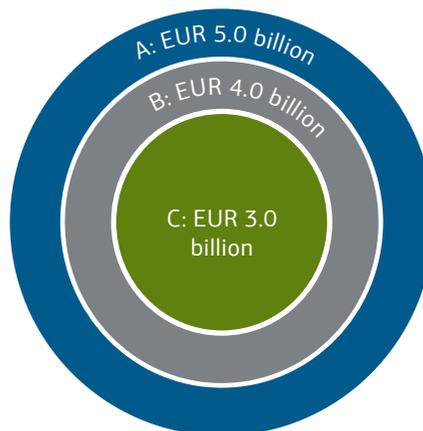
KfW also provides working capital financing for a limited period under the Investment Loan for Municipal and Social Enterprises (IKU) programme.

### 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. Nearly 18.6% 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. In 2020, KfW Development Bank significantly increased its commitments and disbursements in developing countries and emerging economies on the previous year. Of the total commitments of EUR 11 billion, EUR 3.9 billion was allocated to the Federal Ministry for Economic Cooperation and Development's Emergency COVID-19 Support Programme. KfW Development Bank has thus made an important contribution to stabilising the living conditions of people in developing countries and emerging economies ([→ KfW Development Bank coronavirus aid](#)).

In 2020, DEG provided financing for 84 projects in 33 countries with a volume of around EUR 1.4 billion. Furthermore, more than EUR 63 million was committed for promotional projects, of which about EUR 31 million for 114 entrepreneurial initiatives to prevent and combat the COVID-19 pandemic.

### Coronavirus support for developing countries and emerging economies



A = overall programme: up to EUR 5 billion

B = total contractually committed: EUR 4.0 billion

C = already disbursed: EUR 3.0 billion

Implementation status 31 December 2020



## Start-up aid for booking platform

With the help of software from Berlin-based start-up [→ bookingkit](#), providers of tours, attractions and activities can sell their tickets online – from canoeing to skydiving to yoga classes. However, business came to a virtual standstill due to the first lockdown. In no time at all, the start-up refocused and offered its booking platform to new customers such as zoos and museums that needed to create an online solution during the lockdown to be allowed to reopen. Through the investment from the High-Tech Gründerfonds, bookingkit received the capital it needed for its measures in this crisis year via the 1st pillar of the German Federal Government's start-up aid, which is handled by KfW Capital, among others, and was thus able to make optimal strategic use of the industry's push towards digitalisation as a result of the pandemic.



## Coronavirus crisis: practical help

More than 100,000 companies applied for loans and equity capital support as part of KfW's coronavirus aid in 2020 ([→ Statistics on KfW coronavirus aid](#)). One company was Stecher GmbH, which was granted an Entrepreneur Loan of EUR 2 million by KfW. The family business manufactures metal components for the automotive industry. It was therefore inevitable that the coronavirus crash in the spring of 2020 would also affect the Baden-Württemberg-based business. The KfW loans made it possible for the company to retain its core workforce.

### Climate change and the environment

KfW's business activities focus on content related to climate and environmental protection. In 2020, new commitments in this area accounted for around 33% of the total funding volume at EUR 44.4 billion (2019: EUR 29.7 billion) ([→ Table page 73](#)). 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**

Owing to the provision of coronavirus aid, the promotional priority of corporate investment accounted for the largest share in the SME Bank business segment with a promotional volume of EUR 46.3 billion. It includes the standard KfW Entrepreneur Loan and the KfW Entrepreneur Loan offered for coronavirus aid, as well as the standard KfW Start-up Loan and the KfW Coronavirus Start-up Loan – Universal offered as coronavirus aid.

In 2020, the private clients business segment recorded new business volume of EUR 38.2 billion. With a commitment volume of EUR 35.3 billion, the energy efficiency and renewable energy priority area made up the largest share of new business. These commitments were primarily used for the Energy-efficient Construction and Refurbishment (EBS) programmes. This also includes 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 EBS programmes.

**Business sector: Customised Finance & Public Clients**

On behalf of the Federal Ministry of the Interior, Building and Community, 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 EBS 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. The promotional programmes are thus an important building block for achieving Germany's climate action goals, they support the cities and municipalities as role models in climate action and at the same time help to reduce the investment backlog in the municipalities.

With its suite of investment loans for municipalities (known as IKK/IKU-EBS programmes), KfW finances the construction of new energy-efficient buildings with low energy requirements and carbon emissions, as well as the refurbishment of energy systems in existing buildings to significantly reduce energy consumption and cut carbon emissions.

Overall, the Energy-efficient Urban Rehabilitation and the IKK/IKU-EBS programmes accounted for around EUR 1.0 billion in new commitments in 2020.

**Business sector: Export and project finance**

The highest commitments in the export and project finance business sector – for which KfW IPEX-Bank is responsible – that are attributable to the megatrend of climate change and the environment were EUR 2.0 billion in the Power and Environment business sector. A significant portion of this amount was used to finance wind farms. All in all, the business area contributed around EUR 2.9 billion to the megatrend. This underscores KfW IPEX-Bank's efforts to make a significant contribution to climate action and environmental protection.

35.3

7 AFFORDABLE AND CLEAN ENERGY



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

### Business sector: Promotion of developing countries and emerging economies

In 2020, EUR 11 billion in financing was provided to developing countries and emerging economies on behalf of the German Federal Government (2019: EUR 8.8 billion). Around 41% of financing was earmarked for climate action and environmental protection projects. This underscores the fact that one priority area of Financial Cooperation is climate finance.

DEG financed climate action and environmental protection projects totalling EUR 507.7 million in 2020 (2019: EUR 690.6 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.



### German Environmental Award 2020 for KfW project

Blechwarenfabrik Limburg has been awarded the German Environmental Award 2020 for its efficient use of resources. KfW supports the medium-sized enterprise's sustainability projects with promotional loans. Replacing gas ovens for drying with induction ovens has reduced energy consumption, as did the acquisition of electricity-saving plastic injection moulding equipment.



### Green recovery in Latin America

KfW Development Bank has granted Peru a loan in the equivalent of EUR 250 million to mitigate the impacts of COVID-19 and, at the same time, to help it achieve its climate targets. The funds, which KfW is providing in the short term on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), will benefit both objectives. Loans are extended to help small businesses and their employees to overcome the current economic crisis. As soon as the economy begins to recover, the funds will be used to promote climate-friendly investments.

DEG is also helping to alleviate the impact of the pandemic in Latin America. For example, DEG's customer WEIG supported the project "United against COVID-19" in Paraguay by providing food and hygiene packages not only to local employees and suppliers, but also to waste paper collectors and other people in need in the neighbouring communities. DEG is providing EUR 70,000 from BMZ funds through its COVID-19 Response programme.

The WEIG GROUP, based in the German town of Mayen, supplies cardboard products, packaging and recycling services with its own value chain.

# 11

billion EUR in financing for developing countries and emerging economies

### 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 2020, around EUR 15 billion (2019: EUR 19.9 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 of export loans covered by Federal Guarantee” programme. These funds amounted to EUR 1.1 billion in 2020. It thereby supports German exports and secures long-term growth and employment in Germany.

### 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 16.6 billion in 2020 (2019: EUR 22.1 billion), it provided project and export finance for medium-sized and large enterprises in key industries. Of this sum, EUR 13.2 billion was related to the megatrend of globalisation.



## Hybrid ro-ro ferry for Finnlines

KfW IPEX-Bank and the Finnish shipping company concluded a loan agreement worth EUR 40 million in 2020 to finance a “hybrid ro-ro ferry”. Most of the equipment for the ferry will mainly be supplied by German and European exporters. The modern and environmentally friendly ship features the latest technologies to ensure low carbon emissions. In addition to the environmentally friendly hybrid drive, the ferry will be equipped with state-of-the-art technologies and innovative solutions such as an air lubrication system to reduce hull resistance and an energy-saving rudder and propulsion system.

## 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 2020, the main contribution to the megatrend of social change was made by the homes and living priority area with a commitment volume of EUR 8.8 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 to purchase their own homes with a commitment volume of EUR 2.6 billion in total in 2020. 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 Customised Finance & Public Clients business sector 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 totalling EUR 1.6 billion to help customers purchase residential property in Germany.



## Cooperation for student financing

The Berlin start-up → [“deineStudienfinanzierung”](#) is using an online platform to improve the financial situation of students in Germany – and has been cooperating with KfW in these efforts since 2020. Digital interfaces create a direct link between platform-based financial advisory services and KfW. This makes the entire process faster and leaner, with no paper and organised by algorithms – all the way to automatic commitment.

# 8.8

billion EUR for the residential and housing priority area

### 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 800 million, the SME Bank & Private Clients business sector financed digitalisation and innovation projects as well as investments and working capital of innovative companies in 2020. KfW can assume up to 70% of the credit risk from the regular bank for these loans, thereby facilitating access to credit funds.

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

#### Customised Finance & Public Clients

Through the KfW Loan for Growth, the Customised Finance & Public Clients business sector promotes investments and working capital for larger projects involving innovation and the digitalisation of commercial enterprises.

The Venture Tech Growth Financing product of the Customised Financing & Public Clients business sector 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 2019, KfW has been working with the Federal Ministry of the Interior to promote digitalisation in municipalities, cities and districts with the [→ Smart Cities pilot projects](#).

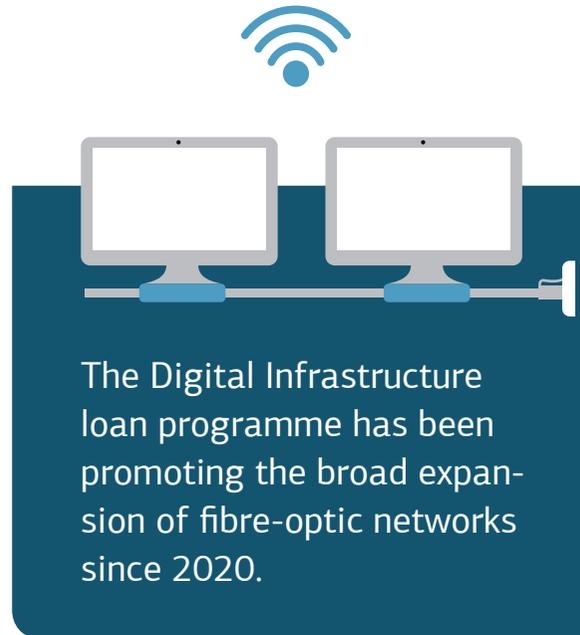
Since 2020, the Digital Infrastructure Investment Loan has been promoting broadband expansion on the basis of fibre-optic networks on behalf of the Federal Ministry of Transport and Digital Infrastructure from federal funds at attractive financing terms.

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

#### KfW Capital

In the ERP-VC Fund Investments programme supported by the ERP Special Fund, KfW Capital invests in venture capital and venture debt funds, which in turn invest in innovative, technology-oriented companies in their start-up and growth phases in countries including Germany. KfW Capital's goal is to enable innovative tech companies in Germany to obtain better access to growth capital through financially strong funds with the aim of strengthening Germany as a location for innovation and creating jobs.

In addition to its own market business, KfW Capital, together with the European Investment Fund (EIF), administers Pillar 1 of the German Federal Government's coronavirus aid for start-ups, which includes the Corona Matching Facility, on a fiduciary basis on behalf and for the account of KfW and indirectly of the German Federal Government.



In addition, government venture capital funds such as High-Tech Gründerfonds (HTGF) can apply for liquidity aid for start-ups. Funds are also granted through the ERP Start-up-Fund financing programme. The financing supports VC-funded start-ups and young growth companies that need financing during the coronavirus crisis and have a strong link to Germany.

#### **Business sector: Export and project finance**

The export and project finance business sector, for which KfW IPEX-Bank is responsible, contributed around EUR 480 million to the megatrend of digitalisation and innovation in 2020. The financing is channelled, for example, into digital infrastructure projects and broadband expansion.

#### **Business sector: Promotion of developing countries and emerging economies**

The number of digitalisation projects in the FC portfolio is also on the rise. According to an internal estimate, the number of digitalisation projects in FC is 147 in total, with a total volume of around EUR 4 billion (as at October 2020). Around 15–20% 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.



## Rwanda: e-governance in the municipalities

In Rwanda, digital solutions will help decentralised administrative entities to work more effectively with the active participation of citizens. With KfW's support, the Local Administrative Entities Development Agency (LODA) has rolled out the digital Monitoring and Evaluation Information System (MEIS). This programme enables infrastructure projects such as hospitals, schools and traffic projects to be comprehensively planned and implemented. The technology includes, for example, digital procurement systems, online databases and monitoring tools and even an app that can be used to request feedback about public hearings. This will not only improve the digital infrastructure and increase the efficiency of operations – the roll-out of MEIS has also created more than 200,000 temporary jobs in total.

## KfW in the capital market

KfW Group's good reputation on international capital markets is based not only on its sense of environmental and social responsibility, but also on its excellent credit and sustainability ratings. Due to its first-class credit standing, supported by the institutional liability and direct guarantee from the Federal Republic of Germany in particular, KfW has a Triple-A rating from Moody's, Scope Ratings and Standard & Poor's. This makes KfW a reliable partner for investors.

The activities aimed specifically at sustainability targets within the capital markets sector can be broken down as follows:

- Green Bond portfolio
- Sustainability-oriented management of the liquidity portfolio
- Funding via green bonds

The first activity mentioned is to be classified as promotional business.

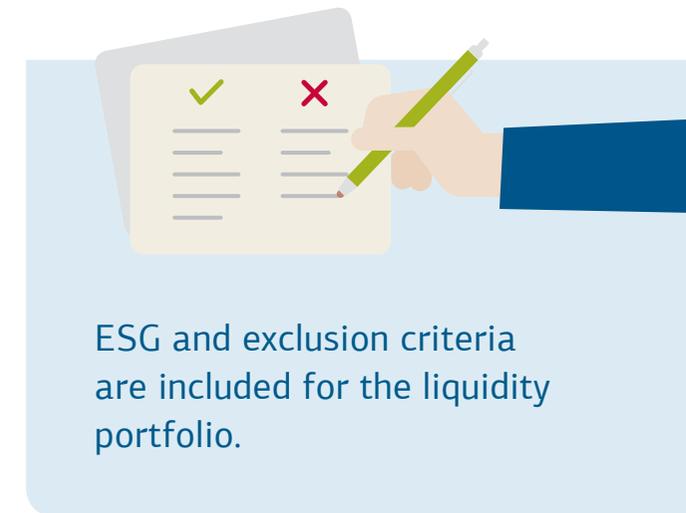
### Green Bond portfolio

KfW began to establish a green bond portfolio under a mandate by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety 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 green bond portfolio is a pure fixed-income portfolio with a buy-and-hold approach. Its target volume is EUR 2 billion, which is due to be reached by the end of 2021 at the latest.

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. 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.



ESG and exclusion criteria are included for the liquidity portfolio.



The Federal Ministry for the Environment receives an annual report about market and portfolio development and the accompanying activities. KfW's Board of Managing Directors is informed about the portfolio's development on a monthly basis. As of 31 December 2020, the volume of the green bond portfolio was around EUR 1.9 billion.

### The liquidity portfolio

KfW's liquidity portfolio is part of KfW's 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 2020, the liquidity portfolio amounted to EUR 31.3 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 via the purchase of their bonds for the liquidity portfolio can flow into projects which, from our perspective, are likely to have an unacceptable negative impact on certain environmental and social aspects. These 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 or government-related issuers.

### 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 annual 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 since 2014, offering investors the opportunity to specifically combine the security and liquidity typical 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 and attract sustainability-oriented investors. All projects financed or co-financed by “Green Bonds – Made by KfW” have the common goal of making a quantifiable contribution to climate action through renewable energy and residential building efficiency.

In 2020, KfW issued 14 “Green Bonds – Made by KfW” in six currencies with an equivalent value of EUR 8.3 billion. Eleven bonds were newly issued, three were increased. Green bonds thus accounted for 12.6% of the new issue volume in 2020 – a new record. KfW is one of the largest issuers of these bonds worldwide, with a total volume of around EUR 31 billion issued by the end of 2020.

#### Transparency in how funds are used

KfW Group offers the highest degree of transparency with its “Green Bonds – Made by KfW”: the use of net proceeds is regularly monitored and [→ published](#) annually. What is more, KfW regularly reports on the environmental and social impacts of the credit programmes financed with green bonds.

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.



KfW issued 14 green bonds for the equivalent of EUR 8.34 billion in 2020.

## Environmental impacts

Based on existing environmental and social impacts of projects financed by KfW in the years 2014 to 2018 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 2020, with net proceeds of EUR 8,341 million, contribute to reducing greenhouse gas emissions by an estimated 1.49 million tonnes of CO<sub>2</sub> equivalents annually. This represents a reduction of 178 tonnes of CO<sub>2</sub> equivalents for every EUR 1 million issued.
- The financed renewable energy projects will create new electrical power generation capacity of an estimated 1,085 MWel per year (0.13 MWel per EUR 1 million), which will supply an estimated 2.12 million MWh of electricity per year (254 MWh per EUR 1 million).
- In addition, the projects financed contribute to an estimated annual energy savings of 72,641 MWh. This means that 8.7 MWh are saved with an issue volume of EUR 1 million.

Moreover, the projects financed contribute to securing or creating an estimated 100,000 jobs per year. This translates into 12 jobs per year for every EUR 1 million of issue volume. The actual environmental and social impacts yet to be determined may differ from these estimates.

All projects associated with KfW green bonds issued in 2020 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, for example, that the environmental and social management plan does not exist or is inadequate, measures are defined and usually documented in an action plan. 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 → [Environmental and Social Standards \(ESS\)](#) of the World Bank Group
- For cooperation with the private sector, the Green Climate Fund and financing under the International Climate Initiative (IKI) → [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 these 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.



Projects planned by KfW Development Bank, IPEX-Bank and DEG are subject to an ESIA.

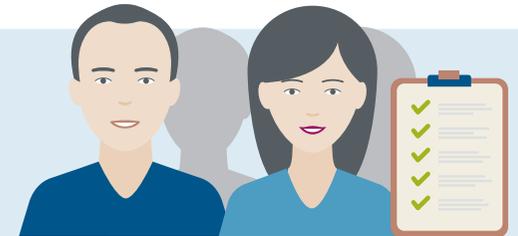
Overall there are currently 44 experts (FC/IPEX-Bank: 32 experts, DEG: 12) responsible at KfW Group for implementing the ESIA requirements from the respective sustainability guidelines. In 2020, as announced, KfW Development Bank increased the number of environmental and social experts it employs to review and monitor environmental and social risks and hired more staff. Of these experts, 21 work in the competence centre, which organisationally is part of the newly created Non-Financial Risk and Sustainability department. In FC projects with high and significant ESIA risks, they work in the project team and in close cooperation with the eleven environmental and social experts in the operational departments. 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. KfW Development Bank plans to further expand its ESIA expertise in 2021 (to an expected total of 52 experts).

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. A total of 309 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 the standards set out by the World Bank, EDFI or Equator Principles. The results 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 national approvals including stakeholder participation, particularly of those affected by the project. 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.



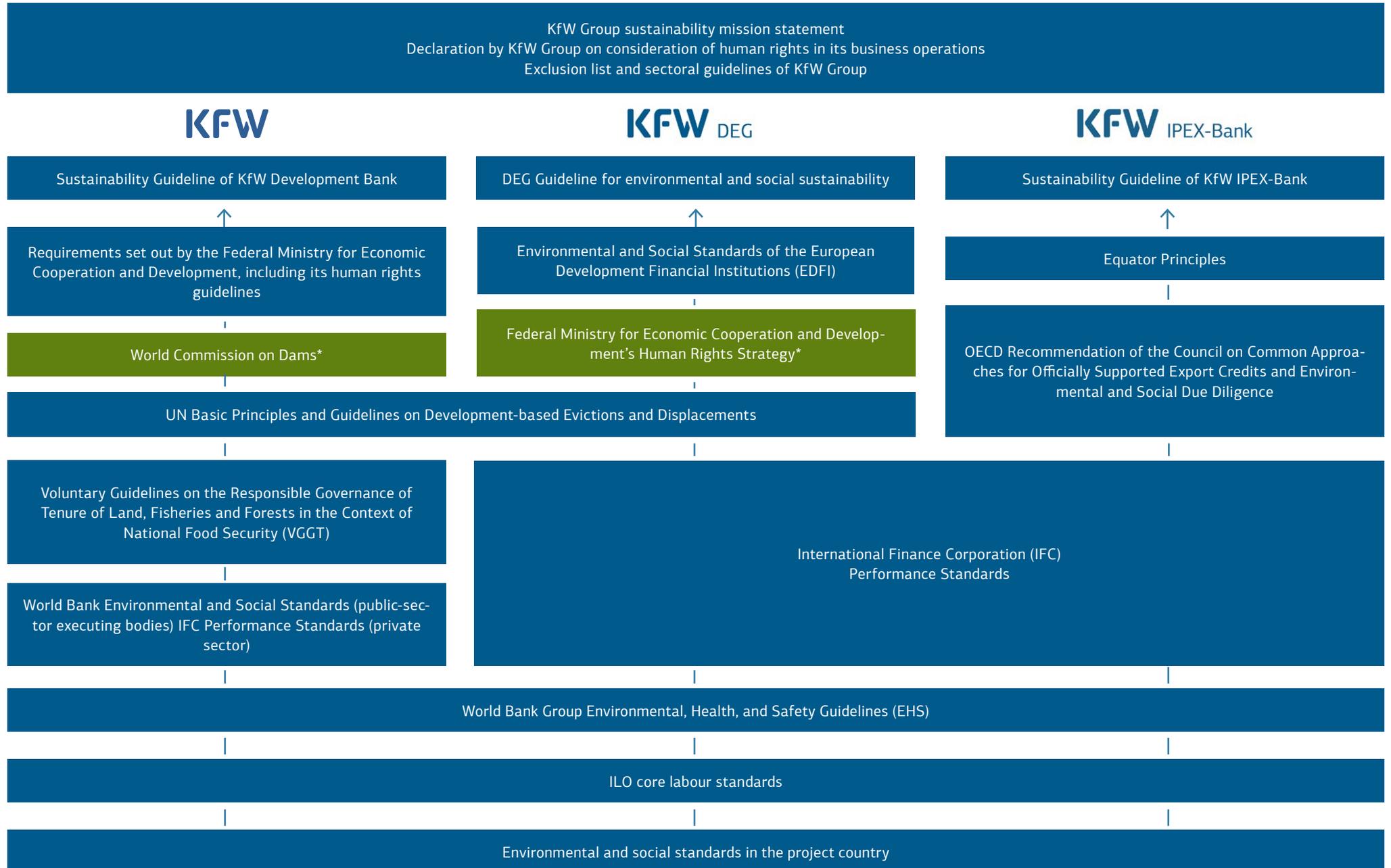
There are 44 experts responsible for ESIA at KfW Group.



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. Similar to content of other assessments, some of the ESIA work in 2020 was carried out remotely by the employees.

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 revised publication guidelines 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.

## 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 performs a systematic climate assessment of all projects. This assessment looks at adaptation to climate change and climate action. The previously applied assessment of climate change adaptation and mitigation was replaced by climate mainstreaming in 2020. 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 2020

	Risk category A (high)	Risk category B (medium)	Risk category C (low)
<b>KfW IPEX-Bank</b>	<b>18</b>	<b>41</b>	<b>196</b>
<b>KfW Development Bank</b>	<b>17</b>	<b>209<sup>1</sup></b>	<b>58</b>
Non-financial sector	10	172	50
Financial sector	7	37	8
<b>DEG</b>	<b>26</b>	<b>48</b>	<b>10</b>
Non-financial sector	10	23 <sup>2</sup>	0
Financial intermediaries	16	25	10

<sup>1</sup> Out of 209 category B projects, 56 fall into subcategory B+ or FI/B+ (significant risks).

<sup>2</sup> 21 of these projects are in the B+ category (medium to high risk in some instances)



KfW Development Bank conducts a climate assessment for all projects.

## 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 over the phone, 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.

KfW Group has appointed the lawyer Arndt Brillinger as ombudsman. He receives information about possible compliance violations as an external point of contact for all employees of KfW Group and third parties → [KfW-whistleblower system](#).

### **KfW IPEX-Bank complaint mechanism**

KfW IPEX-Bank offers the option to submit a complaint via the email address → [ComplaintsOffice-KfWIPEX@kfw.de](mailto:ComplaintsOffice-KfWIPEX@kfw.de) and via the → [“Principles of complaint management at KfW IPEX-Bank” website](#).

For complaints that can be classified under sustainability or as environmental and social concerns, the complaint form on this website 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 generally provides information to the Management Board on an ad hoc basis. Any sensitive cases, in particular potentially criminal activities and misconduct by KfW IPEX-Bank employees, can be raised – also anonymously – with the external ombudsperson.

IPEX-Bank did not receive any new complaints about current financing activities in 2020.

### **KfW Development Bank complaint mechanism**

In addition to the local complaints mechanism, anyone who feels negatively affected by a current or future Financial Cooperation project can also contact KfW Development Bank's central Complaint Office directly. Information on the procedure as well as contact options are available online. The → [Online complaint form](#) can be used to enter and submit the information needed to process a complaint quickly. As an alternative, those affected in developing countries can contact KfW's local office or the German embassy. In addition, the central Complaint Office also analyses all complaints the bank receives through other channels (via email or the ombudsperson, for example). All complaints are reviewed for their admissibility and processed by the central Complaint Office to clarify the issue involving all the necessary departments in the bank. The complainant is informed of the results of this review in writing. KfW Development Bank will continue to improve the criteria of accessibility and transparency of the complaints mechanism. For example, there are plans to describe the procedures in more detail, to improve accessibility by providing information in additional languages and to publish a complaint report.

In the year under review, KfW Development Bank received a total of 48 complaints about 23 projects, 27 of which are still being processed, 16 have been completed and five rejected. Complaints were rejected because the negative impacts raised in the complaints were not related to the project financed by KfW or the complaints did not concern a project financed by KfW. KfW Development Bank also addresses rejected complaints and attempts to provide the complainant with a solution or alternative channels to submit complaints. Complaints related to contract awards are handled outside the complaints mechanism and indications of other criminal acts are investigated by KfW's Compliance Department. A selection of allegations related to human rights and indigenous populations that experienced relevant developments in the year under review is described in detail under "Human rights and indigenous population".

### **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 drew up this mechanism together with the Dutch development financier FMO in 2014. The French development bank Proparco joined in 2018. No new complaints were submitted in the 2020 reporting year. Information on existing complaints is available on the [→ DEG website](#). The IEP also publishes an annual report on its work.

### **Human rights and indigenous populations**

The following section reports on two FC financing commitments that were affected by complaints in the past reporting years.

In 2018, KfW reported on the complaints related to a road construction project in Mombasa (Kenya). The project is financed by the African Development Bank (AFDB) and co-financed by KfW Development Bank and the European Investment Bank (EIB). The complaints caused by the resettlement of the people affected mainly relate to the lack of, or non-transparent, information on the calculation of compensation payments by the implementing agency Kenya National Highways Authority. Most of the complaints criticised the amount of compensation paid out. In 2019, a mediation process was carried out at local level and completed with the support of the EIB complaints mechanism. This mediation process resulted in an action plan to improve Kenya National Highways Authority's complaints mechanism, which is currently being implemented. The number of complaints has already declined. EIB and KfW continued to closely monitor implementation of the action plan and the sustainability of the agreed measures in 2020. In addition to strengthening the complaint mechanism, the plans for informing and consulting local residents affected by the project have also been revised. The relevant activities were restricted in 2020 by regulations related to the COVID-19 pandemic and were adjusted accordingly.

## Project evaluation

Another complaint at KfW Development Bank relates to allegations of human rights violations as part of the Salonga National Park (PNS) project; these allegations were raised by the Rainforest Foundation UK (RFUK) in May 2018. On behalf of the German Federal Government, KfW Development Bank has been supporting the Congolese nature conservation authority Institut Congolais pour la Conservation de la Nature (ICCN) in the area of conservation since 2008, having committed a total of EUR 66 million to date. The goal of the conservation area project is to improve management of protected areas in cooperation with the local population as the primary target group. Salonga National Park has been supported as part of this cooperation since 2016. The steps taken since the incidents became known are made public on the [→ KfW website](#) and are regularly updated there.

KfW has domestic promotional programmes regularly evaluated by external independent research institutes to determine their promotional effectiveness. Federal programmes and programmes with the greatest relevance due to volume and content 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 provided to the federal ministries responsible and published on the [→ KfW website](#). They constitute an important basis for quality assurance and further development of the promotional programmes. The method used for evaluation studies is developed for each specific programme and the promotional 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 (since 2020), effectiveness, efficiency, development impact and sustainability. The projects are evaluated 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.



Selected promotional programmes are evaluated by external research institutes

If, for instance, on-site missions are not possible due to travel bans, remote methods are developed. Selected projects are evaluated already 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, all evaluations are currently being conducted remotely, with increasing use of open source and open data to validate surveys and impacts. In cooperation with local experts, virtual surveys are augmented by on-site visits and discussions. In addition, the evaluation department compiles 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 the 2020 evaluation results easier to access and evaluate for all staff, thus fostering institutional learning. 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: decent jobs, local income, market and sector development, environmental stewardship and community benefits. The results of the evaluation are published annually [→ online](#). In 2020, the DERa score for the DEG portfolio was 80 points, well above the target value of 75 points.



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 1.15 million questions in writing and by telephone in 2020. This reflects the customers' high degree of interest in KfW domestic financing offers. A total of 43% of all queries concerned education, 43% related to housing and 14% to commercial financing.

The online consultation query facilitates the search for a financing partner. In 2020, over 38,750 domestic customers used this option to request an appointment with up to three KfW financing partners online for the majority of on-lent promotional products. Coronavirus developments have contributed massively to the use of this channel. Before the pandemic, the figure was around 1,300 online queries per month; since the beginning of the pandemic, it has been around 3,500 online queries per month (at the beginning of the first wave, over 17,000 per month). As of 30 November 2020, the increase relating to the commercial topics is reflected as follows: corporate finance: more than a nine-fold increase on the previous year's volume, 10,369 online queries; start-up finance: +134%, 19,703 online queries and real estate finance: +76%, 8,548 online queries.

Thanks to a software connection to KfW's digital on-lending system, 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.

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. The chat bot automati-

cally responds to standard questions on kfw.de – particularly those related to the high-volume business – round the clock (including Sundays and public holidays) without 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 as part of KfW's new customer monitoring. Around 1,500 sub-borrowers and grant recipients are surveyed every month to gain a representative picture of their opinions. Along with the external evaluations of the promotional programmes (see → [Project evaluation, page 95](#)), their feedback provides valuable information on how products, processes and services can be aligned more closely with market requirements. Once again, the 2020 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. With the launch of KfW's coronavirus aid, the scope of the customer survey was expanded in cooperation with KfW Research to include the → [Standardised monitoring of coronavirus customers](#). Customer satisfaction with KfW's coronavirus aid programmes (Entrepreneur Loan, Start-up Loan, Instant Loan) is very high: nearly 90% give KfW the highest satisfaction ratings. The fast and streamlined application processes are particularly impressive. The product mix and interest rate also receive high marks. The feedback from more than 4,000 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

A test in mid-2020 using stricter test criteria showed that currently up to 75% of the website's pages are barrier-free. A newly established interdisciplinary task force is working hard to continuously optimise accessibility.

Programming has already eliminated 90 shortcomings so far. All content pages are already being revised by editorial teams throughout KfW. Legal compliance was ensured, among other things, by a new online form that users can fill out to report barriers to KfW. More optimisations are planned for 2021 – for example, through services in German sign language and plain language – as well as the roll-out of a contrast-enhancing style guide.

After all measures have been completed, the website will undergo another BITV (Barrier-Free Information Technology Ordinance) test.



Establishment of an interdisciplinary working group to optimise accessibility

## Other key business figures

### Key corporate figures for KfW Group

	2016	2017	2018	2019	2020
Operating result after valuation (before promotional expense), EUR in millions	2,108	1,169	1,834	1,503	691
Profit/loss from ordinary operating activity (before promotional expense), EUR in millions	2,210	1,667	1,839	1,549	688
Consolidated profit, EUR in millions	2,002	1,427	1,636	1,367	525
Total assets, EUR in billions	507.0	472.3	485.6	506.0	546.4
Volume of lending, EUR in billions	472.4	471.7	483.5	486.2	543.1
Volume of business, EUR in billions	609.2	572.2	590.7	610.7	673.8
Equity, EUR in billions	27.1	28.7	30.3	31.4	31.8
Tier 1 ratio, in %	22.3	20.6	20.1	21.3	24.1

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

<b>KfW Group<sup>1</sup></b>	<b>81.0</b>	<b>76.5</b>	<b>75.5</b>	<b>77.3</b>	135.5
<b>Domestic promotional business<sup>2</sup></b>	<b>55.1</b>	<b>51.8</b>	<b>46.0</b>	<b>43.4</b>	<b>106.4</b>
SME Bank & Private Clients	43.7	42.4	36.3	36	86.3
Customised Finance & Public Clients	11.3	9.3	9.5	7.2	19.2
KfW Capital	0.1	0.1	0.1	0.2	0.9
<b>Capital markets</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>0.4</b>
<b>Export and project finance</b>	<b>16.1</b>	<b>13.8</b>	<b>17.7</b>	<b>22.1</b>	<b>16.6</b>
<b>Promotion of developing countries and emerging economies</b>	<b>8.9</b>	<b>9.8</b>	<b>10.6</b>	<b>10.6</b>	<b>12.4</b>
Of which KfW Development Bank	7.3	8.2	8.7	8.8	11.0
Of which DEG	1.6	1.6	1.9	1.8	1.4

<sup>1</sup> Adjusted for commitments made in Export and project finance with funding from KfW programme loans (2014: EUR 153 million, 2015: EUR 229 million, 2016: EUR 273 million, 2017: EUR 372 million, 2018: EUR 245 million, 2019: EUR 175 million, 2020: EUR 468 million)

<sup>2</sup> The restructuring of domestic promotion 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 also took responsibility for the economic, environmental and social consequences of its activities in its banking operations in 2020. The demand is to keep the ecological footprint as small as possible – mainly by achieving the highest possible degree of climate neutrality in operations and reducing consumption. KfW also devotes a great deal of attention to sustainability criteria in procurement and once again conducted a supplier survey in 2020.

#### Highlights

All buildings owned or rented by KfW are powered by **100% certified green electricity**.

Introduction of electronic invoicing to **reduce paper-based invoices**

**56 of KfW's key suppliers** were assessed for their sustainability commitments in 2020

### Outlook

One focus of KfW Group's in-house environmental protection is on reducing energy consumption. To this end, KfW is planning to use thermography to analyse its facades and roofs to identify potential thermal bridges. We continue to work towards reducing the volume of water and waste at KfW's locations.

#### Goals

**Investigation of possibilities for in-house solar power generation** as part of the KfW heating and cooling network project at the Bonn site.

**Evaluation of food waste using waste analysis tools** to identify the potential for preventing food waste and initiate specific measures

## 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 Guideline for in-house environmental protection at KfW Group is a key part of environmental management at the group's subsidiaries and offices. The guideline, which has been in force since October 2012, will be revised in the medium term as part of the further development of the sustainability commitment.

KfW coordinates its environmental activities across the group via a central sustainability management system; specific, concrete objectives and measures are laid down in the relevant current Sustainability Programme ([→ “Sustainability strategy” chapter page 32](#)). The task force on business ecology under the direction of the in-house environmental protection officer supports the implementation of the measures. The group also regularly reports to employees about in-house environmental protection.

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 chapter on business ecology considers both full-time KfW Group employees and long-term contractors at the company's offices as they also contribute to energy and water consumption, for instance, and waste creation. Therefore, the figures listed below relate to 7,946 people (2019: 7,805).

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. The external certification of this management system has been assessed multiple times and rejected each time because a significant benefit could not be verified. Through the group's ongoing commitment to in-house environmental protection, the aim is to reduce the consumption of energy, water, paper, and the production of waste, while also cutting the number of business trips per employee.

## Energy consumption

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. Furthermore, five bee colonies have been established on the wildflower plantings by KfW and DEG in Frankfurt and Cologne. Managed by KfW Stiftung, this project is also accessible to the public.

A core objective of in-house environmental protection is to continually increase the share of renewable energy sources – as long as it is economically viable. To achieve its objectives, KfW uses its own photovoltaic, solar and geothermal systems, cogeneration units and wood pellet systems. Locations for a new photovoltaic system have been investigated but have not yet been designated for reasons of monument protection or due to a lack of roof space. Other options for solar power generation are being investigated in KfW's new heating and cooling network project.

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. By optimising plant operation, operating time of the cogeneration unit at the Frankfurt site was increased considerably. This also resulted in a slight increase in natural gas consumption of 1.7% and a twofold increase in electricity production at the Frankfurt site in 2020 for KfW Group as a whole.

### Energy consumption of KfW Group in Germany in megawatt hours

	2016	2017	2018	2019	2020
Green electricity (100%)	24,017	24,169	23,962	21,928	22,452
Cogeneration unit <sup>1</sup> (electricity, own use)	1,720	2,023	1,549	2,486	2,984
Photovoltaic (own use)	18	8	15	14	15
Photovoltaic (fed into grid) <sup>2</sup>	-70	-68	-73	-71	-73
Emergency power generators (diesel)	51	5	7	51	75
Natural gas	18,089	19,013	18,185	18,936	19,266
Heating oil	0	0	265	0	0
District heating	1,358	1,281	2,042	1,459	1,025
Solar thermal energy	21	11	12	0	0
Wood pellets	451	286	604	306	306
<b>Total</b>	<b>44,005</b>	<b>44,773</b>	<b>45,092</b>	<b>42,694<sup>3</sup></b>	<b>43,139</b>
Per employee	6.6	6.03 <sup>4</sup>	5.9	5.5	5.4

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

<sup>2</sup> Negative amount not taken into account

<sup>3</sup> An examination of the prior-year figures revealed that these sums had been stated incorrectly in the previous report; they have now been adjusted retroactively.

<sup>4</sup> The scope for surveying employees was changed in 2017, making a direct comparison of per-employee consumption impossible.

### Business travel

In 2020 there was a significant drop in the annual total per employee. This can be attributed particularly to the coronavirus pandemic and the resulting decrease in business trips as well as the increase in mobile working. Compared with 2019, significantly more employees used the train for business travel. Electric car usage also increased sharply: 45 electric or hybrid cars were available in the fleet in the period under review.

KfW aims to further strengthen the trend towards comparatively lower-emission modes of transport for business trips. In the year under review, the company car policy was renewed to

increase the attractiveness of electric cars for all company car users.

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 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” from the German railway company, for example. They also have access to charging stations for electric bikes or cars. Additionally, there is a large number of bike racks, as well as showers and lockers for employees who cycle to work.



45 electric or hybrid cars were available in the fleet in the year under review.

**Business travel at KfW Group** in thousands of kilometres

	2016	2017	2018	2019	2020
Car (petrol) <sup>1</sup>	239	301	278	231	375
Car (diesel) <sup>1</sup>	4,337	5,031	4,632	4,146	3,111
Car (natural gas) <sup>1</sup>	0	0	32	79	130
Electric	31	95	176	207	n. a. <sup>2</sup>
Train <sup>3</sup>	4,759	5,427	5,072	6,194	2,111
Flights (domestic) <sup>4</sup>	5,317	5,077	5,253	4,172	795
Flights (continental) <sup>4</sup>	4,826	5,697	5,464	5,184	899
Flights (intercontinental) <sup>4</sup>	43,461	48,976	52,420	47,383	10,062
<b>Total</b>	<b>62,970</b>	<b>70,605</b>	<b>73,327</b>	<b>67,596<sup>5</sup></b>	<b>17,483</b>
Per employee	9.5	9.5 <sup>6</sup>	9.6	8.7	2.2

<sup>1</sup> These rows contain all the kilometres driven by cars in the KfW Group fleet in a year. Since only company cars issued to staff are also used for private purposes, it is assumed that the kilometres 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 currently not possible to make a more precise assessment.

<sup>2</sup> No kilometre mileages are available for electric cars for the year 2020.

<sup>3</sup> 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 not included, but they tend to be the exception.

<sup>4</sup> 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 by KfW Capital employees have also been taken into account.

<sup>5</sup> An examination of the prior-year figures revealed that these sums had been stated incorrectly in the previous report; they have now been adjusted retroactively.

<sup>6</sup> The scope for surveying employees was changed in 2017, making a direct comparison of per-employee consumption impossible.

**Energy consumption for business travel at KfW Group<sup>1</sup>** in megawatt hours

	2016	2017	2018	2019	2020
Car (petrol and natural gas)	659	416	428	402	596
Car (diesel)	5,071	5,953	5,506	5,305	3,837
Train	1,095	1,248	1,167	1,485	486
Flights (domestic)	4,839	4,626	4,785	3,800	724
Flights (continental)	2,172	2,587	2,481	2,354	408
Flights (intercontinental)	19,558	22,235	23,799	21,512	4,568
<b>Total</b>	<b>33,394</b>	<b>37,065</b>	<b>38,166</b>	<b>34,858</b>	<b>10,619</b>
Per employee	5.0	5.0 <sup>2</sup>	5.0	4.5	1.3

<sup>1</sup> Calculated according to figures from the Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies (VfU); factors including upstream chain

<sup>2</sup> The scope for surveying employees was changed in 2017, making a direct comparison of per-employee consumption impossible.

## Emissions

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

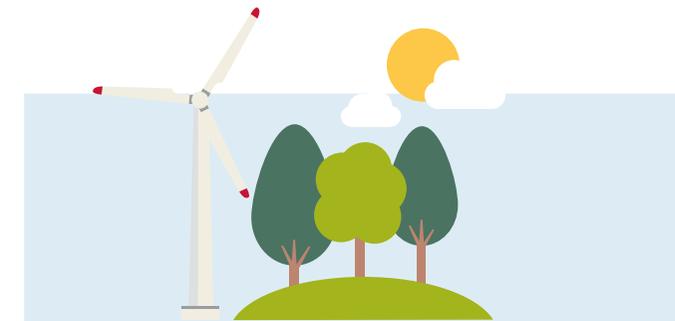
### Climate-neutral banking operations

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 transportation since 2006. Furthermore, it also assigns a CO<sub>2</sub> 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 taken into account in the compensation 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) certificates on the market as well and discontinues them for good. In 2020, these originated from a wind power project in India and had the

highest possible certification (Gold Standard).

When evaluating its carbon equivalents (CO<sub>2</sub>e), KfW uses international standards set by the Greenhouse Gas Protocol and emissions are divided between scopes 1 to 3 accordingly. On the whole, emissions have fallen – some significantly – compared to the previous year. While the changes to scope 1 and scope 2 are only marginal, clear reductions were recorded for scope 3 emissions. These are explained by a noticeable reduction in travel and the absence of in-person events due to the coronavirus pandemic. This significant reduction in scope 3 of over 79% is based mainly on the large drop in international air travel (see table on [→ page 105](#)).



KfW has been offsetting unavoidable emissions since 2006.

**CO<sub>2</sub>e emissions of KfW Group<sup>1</sup> in tonnes**

	2016	2017	2018	2019	2020
Emissions from direct energy consumption (Scope 1) <sup>2</sup>	5,260	5,616	5,571	5,435	5,361
Emissions from indirect energy consumption (Scope 2) <sup>3</sup>	1,400	1,368	1,898	1,348	1,240
Total business travel (Scope 3) <sup>4</sup>	7,411	8,208	8,665	7,753	1,599
Events (Scope 3) <sup>5</sup>	74	87	101	96	15
<b>Total</b>	<b>14,145</b>	<b>15,278</b>	<b>16,236</b>	<b>14,632</b>	<b>8,215</b>
Per employee	2.1	2.1 <sup>6</sup>	2.1	1.9	1.0

<sup>1</sup> Unavoidable CO<sub>2</sub>e emissions of KfW Group have been offset since 2006.

<sup>2</sup> Natural gas, wood pellets and own fleet

<sup>3</sup> Green electricity, district heating, oil and emergency power generators (diesel)

<sup>4</sup> Only flights; short and long-distance rail travel is CO<sub>2</sub>e-neutral per se.

<sup>5</sup> Emissions for participants' travel to and from KfW buildings for events

<sup>6</sup> The scope for surveying employees was changed in 2017, making a direct comparison of per-employee consumption impossible.

## Resource consumption

KfW Group is striving to reduce its paper consumption. This is achieved, for example, by increasing employee awareness of the environmental impacts of paper consumption and by switching from paper-based to digital processes in specific areas. Due to an increasing level of digitalisation at KfW and the coronavirus pandemic, the total amount of recycled paper consumed fell by around 23% in the year under review. Consumption per employee fell by almost seven kilograms in total.

By far the largest percentage of paper used at KfW Group – approx. 72% – 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

	2016	2017	2018	2019	2020
Recycled paper (Blue Angel) <sup>1</sup>	225,863	196,084	213,000	165,035	125,911
Writing paper (recycled paper – Blue Angel) <sup>1</sup>	3,171	2,635	1,865	1,802	2,061
Virgin fibre paper for promotional materials (FSC mixed sources label)	73,291	32,528	39,704	63,728	50,500
<b>Total</b>	<b>302,325</b>	<b>231,247</b>	<b>254,569</b>	<b>230,565</b>	<b>178,472</b>
Per employee	45.5	31.2 <sup>2</sup>	33.3	29.5	22.5
of which: recycling paper (in %)	76	86	84	72	72

<sup>1</sup> Refers to 80g/m<sup>2</sup> A4 printer and copy paper.

<sup>2</sup> The scope for surveying employees was changed in 2017, making a direct comparison of per-employee consumption impossible.

# 23%

less paper consumption –  
thanks to digitalisation and  
coronavirus-related change  
in work processes.

## Water management

According to the sustainability guidelines for in-house environmental protection, KfW Group strives to continuously reduce water consumption within the group. Existing public infrastructure is used for wastewater. Separation systems make sure that the relevant statutory limits are met. KfW does not withdraw water from or discharge water into areas of water stress.

### Water consumption

Compared to the previous year, per-employee water consumption in 2020 fell by around 7%, resulting from the lower use of building capacity due to the coronavirus. To further increase the responsible use of water, KfW is focusing in particular on optimising outdoor irrigation and rainwater use in 2021.

### Wastewater

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

Nothing is discharged directly into water bodies. In 2020 KfW discharged around 61,699m<sup>3</sup> of wastewater into the sewage system from its four German locations. No unplanned discharge of wastewater took place. Apart from the ground-water 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.



Focus on optimising outdoor irrigation and rainwater use in 2021

### KfW Group water use in Germany in cubic metres

	2016	2017	2018	2019	2020
Drinking water	95,830	94,819	95,502	106,618	97,978
Other process water (rainwater and ground water)	18,313	12,912	17,750	15,264	17,004
<b>Total</b>	<b>114,143</b>	<b>107,731</b>	<b>113,252</b>	<b>121,882</b>	<b>114,982</b>
Per employee	17.2	14.6 <sup>1</sup>	14.8	15.6	14.5

<sup>1</sup> The scope for surveying employees was changed in 2017, making it impossible to perform a direct comparison with per-employee consumption in previous years.



## Waste management

Across the group, KfW 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 leftover waste, organic waste or packaging waste, rose 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.

The share of paper sent for recycling also fell in 2020. The per-employee consumption of paper was also reduced overall within the group ([→ see Resource consumption, page 109](#)).

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-regis-ter \(national register for waste electrical and electronic equipment\)](#).

In addition to normal forms of waste, waste may also be generated from comprehensive construction and refurbishment work. These are not part of the data below to ensure comparability with previous reporting years.

### Waste generated by KfW Group in Germany in tonnes

	2016	2017	2018	2019	2020
Non-hazardous waste	1,999	2,495	2,139	2,304	1,959
of which paper for recycling	469	396	206	340	272
Hazardous waste	32	109	84	138 <sup>1</sup>	95
of which electronic waste	20 <sup>2</sup>	60 <sup>2</sup>	41	13	16
<b>Total</b>	<b>2,031</b>	<b>2,604</b>	<b>2,222</b>	<b>2,442</b>	<b>2,054</b>
Per employee (in kg)	306	352 <sup>3</sup>	290	313	258

<sup>1</sup> An examination of the prior-year figures revealed that these had been stated incorrectly due to a calculation error; they have now been adjusted retroactively.

<sup>2</sup> Without Berlin; external service providers also ensured proper disposal there and have an obligation as service providers.

<sup>3</sup> The scope for surveying employees was changed in 2017, making a direct comparison of per-employee consumption impossible.

## Procurement

KfW's procurement policy pursues the fundamental goal of sustainable procurement to meet as many of KfW's requirements as possible in the future and to be able to systematically and differentially report the purchasing volume based on sustainability aspects. To this end, a project-based initiative has been set up together with central sustainability management, which will develop the corresponding levers and specifications.

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, for example, its commitment to use as many environmentally friendly products as possible. These principles are reflected in the sustainability requirements for KfW procurements, revised and published in 2020. 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. They also replace the sustainability guideline on responsible procurement from 2012. The updated document details in particular the areas of "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 and short transport routes.

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 suppliers and customer. KfW's invoice review actively supports 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.

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 specialist divisions issuing the tender lead to consideration of the relevant criteria in the terms and conditions of the contract.

The procurement volume under the responsibility of KfW Group's Procurement department was around EUR 609.5 million in 2020 (2019: EUR 576.0 million). Of the approximately 1,598 (2019: 2,302) active contractors, around 89% are based in Germany and the remaining approx. 11% in other OECD states.



**New sustainability requirements for procurement published in 2020**

### 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 pays attention to how products are made and supplied. To the extent that they are generally acknowledged, 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 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 or other unfair practices and to actively oppose all kinds of corruption. Suitable contractual terms and conditions have been incorporated into KfW's sample documents. Checks to ensure compliance with regulations are integrated into the standard processes (e.g. violations of minimum wage).

### Assessment of suppliers and service providers

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

In 2020, KfW's central sustainability management team worked with the procurement division to assess 56 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 approx. EUR 302 million for 2019 – concerning their commitments to sustainability. The suppliers completed a standardised questionnaire, the answers to which and the certificates submitted were 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 ([NAP, → page 52](#)).

The sustainability rating makes up 10% of a tier-A supplier's overall rating. Overall in 2020, 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.

# 56

A suppliers were assessed for their sustainability commitments.



# Employees

# Employees

## How we shape our role as a responsible employer.

### Review

The coronavirus pandemic has kept KfW Group's employees extremely busy, not only in its core business. The day-to-day work of the 7,610 employees has also changed drastically as a result of the pandemic. Practical solutions for flexible and digital working were fast-tracked to keep the business running despite contact restrictions and lockdowns.

#### Highlights

**Special survey on the impact of coronavirus:** In the past few months, despite an additional workload, it was possible to ensure stable working capacity with consistent quality.

**Digital training:** Around 4,500 individual bookings for virtual training have been attended by employees since March 2020, which was made possible by a short-term transition to virtual training.

**Equal Pay Check:** KfW Group successfully completed the Federal Anti-Discrimination Agency's pay audit and received an award in 2020.

### Outlook

A particular focus of KfW's human resources work is to prepare the specialist divisions to meet upcoming challenges – such as agile and digital transformation and demographic change – by actively managing talent and skills. At the same time, we strive 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.

#### Ziele

**Increasing the proportion of women in management and senior specialist positions:** Target quotas set for 2020–2023: 40% female Team Heads, 32.5% female Heads of Department, 25% female Heads of Division

**Further development of working models:** The staff agreement on mobile working also provides a framework for more flexibility in where to work after the pandemic.

**Skills of the future:** Analysis of digital, agile and technological skills of KfW employees as a basis for recruitment, development and promotion of young talent in 2021.

## Human resources policy

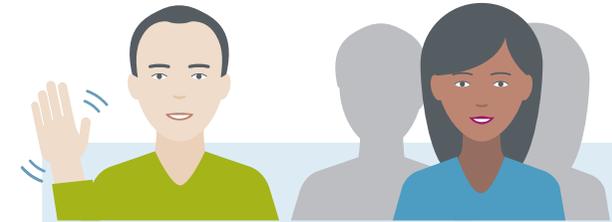
The purpose of our human resources work is to systematically provide our staff with the best possible support in their roles with a diverse range of options and measures. To attract and retain employees, KfW Group cultivates an attractive and healthy working environment, is committed to initial vocational 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 work, 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 specialist divisions with the aim of working together to effectively and efficiently shape the way we handle upcoming

challenges such as agile and digital transformation as well as demographic change. HR was able to fully meet these high expectations, 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 2020, KfW Group employed a total of 7,610 people, 2,020 of whom worked part-time. The staff turnover rate in 2020 was 3.1% at KfW, 4.3% at KfW IPEX-Bank and 3.4% at DEG.

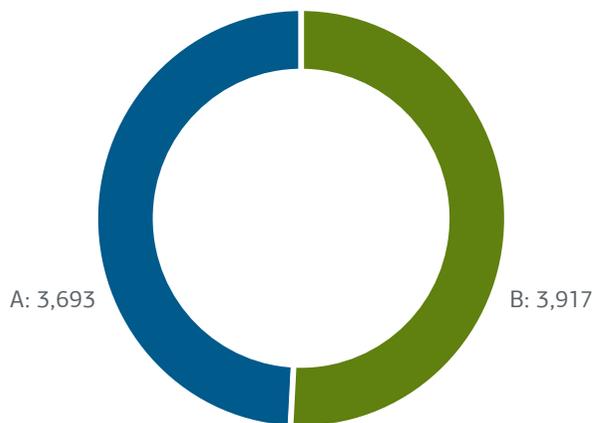
To cope with peaks in the promotional business and in its own operations, KfW also employs a small number of temporary staff. In 2020 there were 79 temporary contracts. KfW provides temporary employment agencies with all the information required by law and necessary to enable them to offer temporary staff comparable working conditions and fair wages. In addition, KfW offers temporary workers comparable working conditions within KfW as well.



Turnover rate at KfW remains low at 3.1%.

### KfW Group employees by gender in 2020

7,610 total employees



A = women

B = men

<sup>1</sup> KfW Capital, which was only established during the course of 2018, is not included in the figures in this section in individual places. As it is still being set up, some of the figures for this subsidiary cannot be fully considered.



## Remuneration

In terms of working hours, holiday entitlement and remuneration, KfW staff are subject to the regulations of the collective bargaining agreement for the public and private banking sectors. The percentage of pay-scale employees is 27% at DEG (not including temporary staff and interns), 21% at KfW IPEX-Bank and 28.1% 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 company agreements at KfW IPEX-Bank and DEG. For the individual levels not covered by a collective bargaining agreement, different salary ranges are prescribed and form the basis for remuneration. Furthermore, the variable component is based on performance assessments focusing equally 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 the sustainability of business success into particular account.

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' performances. 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 in KfW Group.

As of 2018, all KfW Group employees have been able to assert their right to access information according to 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 monthly gross remuneration and up to two salary components of a peer group of the other gender. All companies with KfW Group have implemented this legislative requirement.



## Equal Pay Check successfully completed

In order to validate its remuneration system from an external perspective as well, KfW Group successfully conducted an Equal Pay Check (EG-check) in 2019–2020 together with the Federal Anti-Discrimination Agency, for which it received an award. EG-check is a tool companies can use to analyse the causes of unequal pay. In 2019, the Federal Anti-Discrimination Agency provided financial support to KfW and three other companies to carry out the EG Check.

### Pensions and additional benefits

KfW Group employees with permanent contracts – around 87.6% of staff – gain entitlement to employer-financed pension benefits during the course of their employment and are also entitled to disability benefits and benefits for surviving dependants. The exact details and extent of these benefits 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 a low-interest building loan, are only available to permanent KfW employees.

### Employee participation

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 meets every four weeks, 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. In addition, KfW IPEX-Bank and DEG also have a Board of Supervisory Directors with elected staff representatives. The different laws on employee participation (German Federal Staff Representation Act and Works Council Constitution Act) make it impossible to create a works council for the entire group. The responsible bodies and affected employees are extensively involved at the earliest possible stage, especially during change processes – such as internal restructuring, major new projects or 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, elected by female employees at KfW, also represents their interests. Furthermore, the interests of severely disabled employees are represented by the relevant KfW, KfW IPEX-Bank or DEG representative for employees with severe disabilities.

## Diversity and equal opportunities

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

- Shareholders are involved as stipulated in the Bylaws of KfW through the Board of Supervisory Directors and the Remuneration Committee.
- Employees can exert influence through the employee representatives – in other words, the works councils – in accordance with the German Federal Staff Representation Act or 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 benefit level of comparable international companies locally. Local employees were integrated into the bank's reporting systems in 2020.

Freedom of association and collective bargaining are also fully ensured for seconded staff in KfW Group country offices. 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 Organisation (ILO) core labour standards, and the national and applicable international standards for environmental protection and occupational safety.

KfW Group is committed to diversity and equal opportunities: nobody may be discriminated against on grounds of nationality, ethnicity, gender, religious beliefs, world view, disability, age or sexuality. This is also reflected in KfW's mission statement: "Our behaviour is shaped by respect, esteem and integrity. The balance of work and life is important to us. We want openness and diversity, and we collectively uphold decisions that have been made." To underpin its commitment to a diverse workforce, KfW signed the Diversity Charter in 2019. At this year's German Diversity Day 2020, KfW actively participated in digital communication measures, video interviews, workshops and series of articles. Implementation of the charter is communicated within the group using posters in staff canteens or articles on the intranet for example, and externally on KfW's career pages. Activities aimed at promoting diversity, appreciation and progress in implementation are published on an annual basis, including in this report. Employees are informed about diversity and involved in the charter's implementation – for example with the Fathers' Network and events on caring for family members.

In 2020, KfW IPEX-Bank also signed the Diversity Charter. 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.



Freedom of association and collective bargaining are also fully ensured for seconded staff in KfW country offices.

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
- Design of a sustainable working environment
- Creation of catalysts for the further development of the corporate culture
- Continuous improvement of employer appeal to recruit the best employees and retain talent also in the future

The measures, initiatives and instruments in the area of diversity and equal opportunities are described in the following section based on the issues of the work-family-care balance, inclusion and career prospects. External employer appeal is measured using employer rankings such as Trendence and Universum, while employee satisfaction is assessed using 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 discrepancies such as different measures and target quotas. Regardless of this fact, a commitment to ensuring equal opportunities for men and women – including in relation to remuneration – has been a key component of KfW Group's human resource policy for the entire group. The fifth Equal Opportunities Plan drawn up in the year under review for 2020 to 2023 applies to KfW. KfW developed this plan together with the Equal Opportunities Officer and substantiated it with specific targets and measures.



## Network for equal opportunities

In 2020, KfW joined the newly founded Employers for Equality programme of PANDA GmbH as one of its twelve founding members. As an initiative and social business, PANDA has been campaigning for equality in business and society since 2012. The Employers for Equality programme is geared towards companies and institutions of all sizes that seek to make their diversity work more effective and achieve individual goals. A hands-on programme is provided to this end. All KfW employees can sign up for a wide range of workshops, lectures and business exchange opportunities.

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

- removal of structural hindrances and reduction of the under-representation of women or men at management levels and in senior specialist positions
- improved reconciliation of career and care-giving, particularly motivating men to make use of reconciliation offers
- particular consideration of severely disabled women

Initial progress in the implementation of the Equal Opportunities Plan was reported in 2020. For example, an initial evaluation of the application processes showed that, in relation to the number of applications received, staffing was disproportionately female or gender-balanced. This analysis will now be conducted once a year.

Goals and measures of the Gender Equality Plan 2020–2023			
<p><b>1 Increasing the proportion of women in management and senior specialist positions</b></p> <ul style="list-style-type: none"> <li>– Increasing the percentage of women in Department management 25.0% (+ 4 women) Division management 32.5% (+ 6 women) Team management 40.0% (+ 14 women)</li> <li>– Participating in agile positions/roles</li> <li>– Expanding the talent pool (for employees and managers)</li> <li>– Evaluating the application process</li> </ul>	<p><b>2 Improving the reconciliation of work, family, care and private life (women and men)</b></p> <ul style="list-style-type: none"> <li>– Assessing new modules (including for assuming childcare costs for business trips, exemption from social insurance in the event of last-minute care requirements)</li> <li>– Considering severely disabled women</li> <li>– Establishing flexible working hours and locations</li> <li>– Motivating men to use work-life balance options</li> </ul>	<p><b>3 Identifying and removing structural hindrances</b></p> <ul style="list-style-type: none"> <li>– Implementing gender-sensitive remuneration policy (for new hires, implementations, salary reviews)</li> <li>– Introducing second-life careers (for employees who have made use of longer-term work-life balance options and have potential)</li> <li>– Analysing development opportunities (regardless of the use of reconciliation offers)</li> </ul>	<p><b>4 Making equal opportunities part of the corporate culture</b></p> <ul style="list-style-type: none"> <li>– Providing specific information (to managers and employees)</li> <li>– Reporting on a regular basis (to Executive Board and Heads of Department)</li> <li>– Incorporating and evaluating equality-relevant issues into the employee survey</li> </ul>
Review of the catalogue of measures after 2 years			

Diagram of KfW's 2020–2023 Equal Opportunities Plan



Increase in women's quotas at several hierarchical levels embedded in the Equal Opportunities Plan

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

#### Proportion of women in management in 2020 (2019) in %

	KfW	KfW IPEX-Bank	DEG
Executive Board	33.3 (33.3)	–	–
Management Board	–	25.0 (25.0)	66.67 (66.67)
Heads of Department	8.7 (8.7)	–	22.2 (22.2)
Heads of Division	30.0 (27.1)	29.4 (27.8)	35.9 (33.3)
Team Heads	38.0 (36.4)	31.5 (31.4)	–

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

#### 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 heads are mentored by experienced managers.
- Part-time managers: 15.4% (78 people) of the 505 managers at KfW worked on a part-time basis in 2020. 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 13 tandems.
- 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.

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 Heads, 32.5% among Heads of Division and 25.0% among Heads of Department. By the end of 2020, the quota of female Team Heads was 38.0%, Heads of Division 30.0% and Heads of Department 8.7%.

In the course of implementing new requirements in conjunction with the German Limited Liability Companies Act (GmbH-Gesetz), KfW IPEX-Bank set itself a target of 31.6% women at the Head of Division level by 30 June 2022. At 29.4%, this target figure had not been reached by 31 December 2020, but would already be exceeded if one additional Head of Division position were to be staffed with a female employee. At Team Head level, the target to reach a quota of 30% by 30 June 2022 had already been met with a rate of 31.5%. The target figure of 25% for the proportion of women in Management Board positions by 30 June 2022 had already been met by 31 December 2018.

In the context of compliance with the German Limited Liability Companies Act, DEG defined a minimum target for management-level positions by 2022 in which proportions of 33% for the top management level, 22% for the Head of Department level and 35% for the Head of Division level were stipulated. All target quotas have already been fulfilled or even exceeded. The equal opportunities concept there was already developed further in 2018, including activation, promotional and development measures in line with equal opportunities. The initiated measures are acknowledged and appreciated by employees; in the group-wide employee survey in 2019, 84% 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. KfW Group continued the transition in 2020 as well, by applying best-practice examples. 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, or by including the subject in the employee survey. 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.

## Reconciling career, family and caregiving

Finding a balance between work and private life is an important prerequisite for health and employability. Furthermore, it increases motivation and loyalty to the company. In particular, this applies to employees with family responsibilities. In addition to childcare, providing care for family members has increasingly become part of those responsibilities. 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 cooperative partner – besides the existing social counsellor on site – is on hand to provide advice during family crises and offer support for conflicts at work. In addition to personal counselling, there is also a 24-hour hotline available seven days a week.

KfW and KfW IPEX-Bank have been awarded the “Work and family audit” certificate by the non-profit Hertie Foundation since 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. In the 2019 group-wide employee survey, work-life balance received high approval ratings. For example, 82% of employees surveyed confirmed that their direct line manager supports flexible options for reconciling work and private life. This highlights the positive view of implementation in everyday working life at the company. Overall employee satisfaction is also at a high level: 82% of respondents said they enjoy their work at KfW.

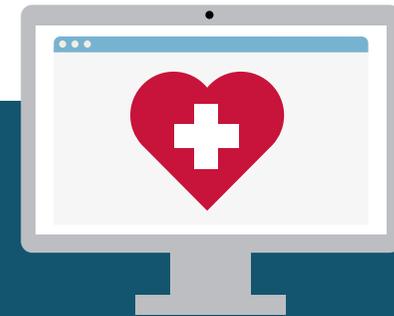
### Framework services for caregiving

To support its employees as they provide care for their relatives, KfW Group has established a wide range of care-giving services.

- On-site drop-in sessions: A specialist in elderly care offers a monthly drop-in session at KfW and KfW IPEX-Bank locations. 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 sites: No informational events were held in 2020 due to the coronavirus situation. Virtual workshops were offered to all employees instead.

### Offers for families

KfW and KfW IPEX-Bank also support their employees with integrated childcare offers. One concept in practice at every location is the parent-child office. Furthermore, KfW and KfW IPEX-Bank have had a company kindergarten at the Frankfurt location since 1973 with capacity for 45 children and also reserve ten slots for childcare in the Erasmus kindergarten and 66 day care slots in two further facilities. During the peak phases of the coronavirus pandemic, emergency childcare was rapidly organised by an external service provider. Around 500 employment certificates were issued to parents during the spring of 2020 alone so that they could access emergency childcare on site.



Informational events on care were offered as virtual workshops for all employees in 2020

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, virtual childcare formats have also been newly included in the range of benefits.

KfW also organises childcare services provided by a family service where needed at conferences hosted by KfW. Assistance for 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 when organising regular childcare options. To make it easier to plan a return to work, DEG has also provided a total of ten childcare places since the end of 2018.

Furthermore, KfW joined the nationwide Fathers' Network in 2019 and has also had its own Fathers' Network since 2019. In 2020, three virtual lectures were given on anger management, mental (over-)load and children's puberty. All of the talks were well received with over 60 viewers in each case.

### Flexible forms of work

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

For instance, KfW has its own working hours policies that include autonomous working hours (initially only for non-pay-scale employees) and a clear plea for flexible work hours and

increased use of options for working from home. The relevant staff agreement was extended for the time being until 31 December 2021. The agreement aims to promote more conscious management of working hours and systematically move away from a culture that is 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 place of work, while taking KfW's business needs into account at the same time.

Mobile working in particular was massively expanded in 2020. 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 role and its structure were set out in a new staff agreement on mobile working at the end of 2020. 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. In 2020, many technological improvements were accomplished that helped KfW ramp up mobile work during the pandemic without much loss of productivity. For example, a softphone for digital telephony was introduced, the capacity of the servers was significantly increased and employees were provided with hardware (especially screen, keyboard and mouse) for home use.

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



Massive increase in mobile working supported by many technological improvements

### Special coronavirus mobile working survey

Employee experiences from the coronavirus crisis are an important source of information for KfW for ongoing modernisation projects and initiatives related to the “Working world of the future”. To make this source transparent and useful, in 2020 KfW conducted an online survey in cooperation with an independent research institute. The high response rate of 74% allows valid statements to be made about the experiences and learning areas of the staff during the crisis.

The results show that ...

... KfW has handled the past months very well despite the additional pressures (including those caused by the KfW special programme for coronavirus aid). It was possible to ensure stable working capacity with consistent quality at all times.

... the employees found the crisis management and crisis communication to be positive and helpful.

... the organisation benefits from an already high level of digitalisation of working materials and IT equipment. Areas where action is needed include the provision of mobile devices, data privacy and digital signatures.

... working from home and digitalisation have received a strong boost. The desire to work much more flexibly in terms of location and time in the future is emerging as a key policy area for KfW.

... employees and managers experience negative effects such as increased workload and loss of informal interaction as a result of blurred boundaries (transitioning between work and private life), more intense work and loss of informality (e.g. due to a lack of “conversations at the water cooler”). KfW is currently working on suggestions and assistance for employees and managers in this area.



Special survey confirms stable working capacity and quality of work despite additional pressures

## Inclusion

KfW Group supports the inclusion of individuals with severe disabilities as one aspect of social responsibility. It bases its approach on the UN's Convention on the Rights of People with Disabilities (CRPD), which has been in force in Germany since March 2009. KfW has embedded the convention's goals into its inclusion agreement, which was concluded between the general representative for those with severe disabilities (GSBV) for KfW and KfW's General Staff Council (GPR).

Posting job advertisements on target group-specific job boards Capjob/myAbility.jobs increased external recruitment of employees with disabilities. Furthermore, cooperation between the recruitment team and the inclusion officer in Frankfurt was stepped up to increase the quota of employees with severe disabilities particularly in departments with only a few disabled employees.

In addition, virtual workshops were offered to raise awareness. The main focus here was on sensitisation and dealing openly with people with disabilities. Employees had the opportunity to talk to people with disabilities in small groups and ask them questions openly. Two workshops were offered to managers and another was held with internal contacts and partners on inclusion.

The planned Inclusion Day in Berlin was postponed due to the coronavirus and will be held in 2021 if possible. It was replaced by an interview with actress Gaby Köster on this issue, which was published on the intranet and on KfW's social media pages on 3 December 2020, the International Day of Persons with Disabilities.

Another focus is digital accessibility. KfW is required by the Act on Equal Opportunities for People with Disabilities (BGG) and the Ordinance on the Creation of Barrier-Free Information Technology (BITV) to have accessible websites. It takes this issue very seriously. In 2020, for example, improvements were also made to accessibility – both in terms of design and editorial content. In addition, a KfW-wide working group on “Accessible www.kfw.de” was implemented, which meets several times a month. The meeting acts as a platform for sharing ideas on accessibility and is working towards the goal of a fully accessible website. Furthermore, the “Declaration on Accessibility” is available online on the [→ KfW website](#) – a central requirement of the BITV. The statement can be accessed from any page, provides a list of non-accessible content as well as a feedback form and gives information on the conciliation board pursuant to the BGG with the Federal Government Commissioner for Matters relating to Disabled Persons.

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

KfW was once again able to slightly exceed the statutory quota of 5.0% for the employment of staff with severe disabilities with a rate of 5.8%. The statutory quota for employment of staff with severe disabilities at KfW IPEX-Bank was 2.6%. At DEG, it was 3.8%.



Digital accessibility in 2020 developed further in terms of design and editorial content

**Conflict management**

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

No verified cases of discrimination were recorded at KfW in the period under review. Suspected cases are generally documented by an internal complaint unit and then analysed and handled in collaboration with the respective individuals or departments. The staff agreement on fair play, which expired at the end of 2019, gave employees the opportunity to consult counsellors trained in conflict counselling. Looking back, it was hardly used, which is why the staff agreement was not renewed. HR and the General Staff Council will address the issue in 2021 and establish a new process that takes into account the support options that exist today.

Alternatives are external contact points through social counsellors and an external psychosocial hotline. As a supplementary measure, an intact system of committees made up of the Staff Council, Equal Opportunities Officer and a representative for employees with severe 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 changes – 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. In addition to bank managers and office managers, HR services managers have also been trained at the Frankfurt location since 2020. The company also offers a range of sandwich degrees with a focus on business economics or IT, as well as an assortment of trainee programmes.

The total number of interns, sandwich degree students and vocational and graduate trainees at KfW was 245 as of 31 December 2020 (previous year: 219). This represents a training rate of 4.3% (previous year: 4.0%). The training rate at KfW IPEX-Bank was 4.6% (6.2%) and 3.5% at DEG (4.0%). As of the end of 2020, 131 young people were enrolled in their first vocational training course (previous year: 118) at KfW, of whom 80 were sandwich degree students (previous year: 67). The number of trainees stood at 57 as of 31 December 2020 (previous year: 58). In the course of the year, 183 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 severe disabilities.

In cooperation with a Frankfurt-based association that aims to promote career advancement for women, KfW has been offering a traineeship for “office management specialists” also as a part-time model since 2016. This means that single mothers, for example, have the opportunity to complete a traineeship in a way that is compatible with their personal circumstances.

Since 2020, KfW has been working with Baden-Wuerttemberg Cooperative State University (DHBW) to offer a new Bachelor’s degree that combines business administration (specialising in banking) with digital finance, promotional lending or specific risk management.

The sandwich Bachelor’s degree programme in business administration with a focus on banking and digitalisation, which KfW has been offering in cooperation with the Baden-Wuerttemberg Cooperative State University (DHBW) since 2019, has been well received.

### Continuing education

With its qualification strategy, KfW aims to guarantee individual development opportunities for employees and managers geared to future requirements in order to secure their commitment to the sustainability of KfW promotion. To achieve this, it offers employees a wide range of continuing education opportunities. These opportunities 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 the HR

Department and the specialist divisions. Sustainability issues are covered in the training programme for the Financial Cooperation area – for example environment, energy and water. Training related to health matters is also available, including a “Healthy leadership” course for the target group of managers.

In the period under review, the focus of qualification was on management, interpersonal and communication training, language courses as well as content and training in digitisation and agile cooperation. The total number of hours of continuing education for KfW employees in 2020 was 51,012. These internal courses were supplemented by external training programmes as needed. KfW IPEX-Bank and DEG also offer their own continuing development programmes.

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



New sandwich Bachelor’s programme with a focus on digital finance, promotional lending and risk management

### Professional development

All KfW Group employees receive feedback from their line managers about their performance in the past year during an annual performance review.

Other issues discussed during this review are qualifications, development and feedback. In addition to the annual performance review, managers will use 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 serves as a reflection of 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 to 2021.

Candidates for leadership positions are required to successfully complete the respective potential assessment procedure for Team Head, Head of Division or Head of Department positions. The leadership skills model developed specifically for KfW and KfW IPEX-Bank creates the basis for this procedure. This was further developed in 2019 and used in the potential assessment process. To ensure that leadership positions were filled even during the pandemic, a version of the potential assessment process was used in 2020 that was adapted to the current circumstances and restrictions. A new format for the staff development workshop was thus implemented, which reduces the number of people involved and the number of contacts necessary.

The following developments were also a highlight in the year under review:

**New Learning (formerly The Future of Learning):** With the New Learning project, KfW is assessing its qualification strategy and 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 that are geared towards the respective learning objective within the internal qualification portfolio. In the second project phase, “New Learning”, the focus was initially on the introduction of digital learning formats, such as e-training or the virtualisation of classroom training, due to the pandemic. Furthermore, these developments were used to establish continuous learning pathways. By means of learning pathways, employees have the opportunity to expand and develop their knowledge and skills based on their individual level of knowledge. In addition, work has begun on developing an appropriate communication and change strategy for the entire KfW Group. The year ended with the launch of the pilot Digital Fitness app, an on-demand learning tool that enables employees to further develop their digital skills and knowledge.

**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, digital and technological skills that will be needed at KfW. In 2021, specific measures for recruiting, promoting young talent and developing and qualifying staff will be defined on the basis of a needs analysis in order to promote sustainable skills development at KfW. In addition, thematic areas will be identified for new and adapted learning and training opportunities at KfW.



Pandemic-related focus in professional development on digital learning formats

**Lead Transformation:** The aim of the Lead Transformation management development programme is to give managers the chance 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 leaders practice 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 collaboration

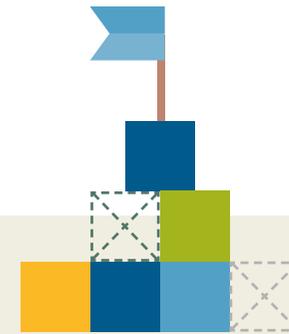
The programme is based on new learning methods and the responsibility of managers, who are asked to contribute their own knowledge and expectations for the future.

All events are mixed in terms of hierarchical levels and organisational units, something that participants find particularly valuable. The programme began in autumn 2019 for a two-year period. All managers complete the qualification modules according to plan. Due to the coronavirus, the programme was changed to a virtual format. Since June 2020 and presumably until summer 2021, all content will be taught online. The plan is that even after the return to in-person training, elements of virtual training will be maintained. In addition to making a contribution to resource conservation, the digital format supports the individual learning behaviour of participants.

### Digitisation and agile working

During the coronavirus pandemic, in-person training has gradually been converted to virtual training. In the process, the pre- and post-training phases were also optimised and, for example, self-instruction materials were created for participants. In the period from March to December 2020, around 4,500 individual bookings for virtual training were recorded. Only those courses that were not suitable for a virtual format were suspended during this period. 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 through these activities can be applied to the entire range of training on offer in 2021.

The HR development and change management teams also deal with agility and the impacts of digitisation. They regularly offer training courses on agile working methods, 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. After various tools and methods were tested and experience gained in 2018 and 2019, a virtual whiteboard was introduced in 2020, which will enable comprehensive collaboration from 2021 onwards.



Interdisciplinary learning  
"Transformation Team Agile  
KfW" formed

## Social commitment

Monthly meet-ups of the “Community of Practice network for agile users and interested parties” continued to take place in 2020. The meetings revolved around issues including the virtual design of agile collaboration, agile scaling frameworks and how to apply team goals. The interdisciplinary Scrum Transition Team continued the activities to apply Scrum in software development and succeeded in attaining almost complete penetration of IT development as planned in 2020. Following the previous focus on projects, work in 2021 will focus in particular on establishing agile units that are stable over time.

In June 2020, an interdisciplinary team, the Transformation Team agile KfW, was established to initiate the next phase of KfW’s transformation to an agile company. One of its first activities is the participatory development of a shared vision of KfW 2025, which will make it possible to jointly align all measures, projects and initiatives that contribute to agility. In 2021, in addition to the alignment of structures and processes, one of the priorities will be the development of a bank-wide set of collaboration principles to embed agile work more broadly and to establish successful approaches from local collaboration initiatives already underway. The aim is to provide structural possibilities for all employees to self-organise and to support them with active learning based on regular reflections combined with a relevant understanding of leadership.

### 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 2020, the donations from KfW staff amounted to EUR 48,515, and KfW topped it up by EUR 50,000. Employees at KfW IPEX-Bank donated a total of EUR 6,815.20 through the “spare cents” and “spare euros” initiatives, to which the bank added EUR 7,184.80 to arrive at a total of EUR 14,000. At DEG, employees collected a total of around EUR 978.44 through the “spare cents” and “spare euros” initiative. The money benefited charitable organisations in the social and cultural sectors, some of which were proposed by employees and then selected by the staff councils/works council. In total, KfW (including the Executive Board and “spare cents” donations) made donations amounting to close to EUR 98,515 to institutions in 2020, mainly in the social and cultural sectors. To keep the group of recipients as large as possible, no single donation exceeded the sum of EUR 5,000. According to its donation guidelines, KfW does not provide financial support or other allowances to political parties including organisations that are affiliated with parties.

### KfW donations 2017–2020, in EUR

	2017	2018	2019	2020
KfW (including the Executive Board)	105,400	142,920	93,700	50,000
Employees	33,550	35,990	43,500	48,515
Total	138,950	178,950	137,200	98,515

## 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 put on hold for the time being. The roll-out is expected to resume in 2021.

### Health management

Preventative 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 actions 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. During this conversation, discussions 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 occupational burn-out. A consultation session held after the check-up provides individuals with advice on how to change their lifestyle based on the results of the examination.

**Preventing psychological strain:** Risks arising from high levels of psychological strain are surveyed by KfW as part of a risk assessment. A steering group is currently working on finding a new way to analyse mental stress. The aim is to identify an even more targeted approach, which will help to define and implement tailor-made measures. The activities planned for 2020 were not carried out due to the coronavirus pandemic. Instead, digital services were offered on how to stay healthy when working from home, as well as exercise and relaxation offers, and counselling on personal and health issues.

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 to talk to specially trained psychologists.



New digital offers for healthy working and coping with mental stress when working at home

**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 570 DEG employees are now registered here. KfW and KfW IPEX-Bank also bought into a health platform in the year under review. It will be rolled out in several steps. Currently, employees have access to a free magazine and company section where they can find information on health issues. Around 55% of KfW's and KfW IPEX-Bank's staff are currently registered. Cooperation that enables employees to get discounted access to fitness and wellness facilities worldwide rounds off the sports programme.

In order to create more awareness of health issues, KfW Group holds regular physical fitness days. In 2020, a multi-phase campaign “Cycling, fit through the winter” was initiated, which will continue into 2021. In addition, monthly health-related webinars were offered where employees could find new inspiration for their daily routine – for example, related to “immune power” or “healthy sleep”.

**Care from company physicians:**

KfW's Occupational Health Office is available to all KfW and KfW IPEX-Bank employees. The Frankfurt office is staffed five days a week and offers examinations as per the DSE Workplace Ordinance, flu vaccinations and travel advice as well as necessary vaccinations for employees and business travellers sent abroad. Secondees posted outside Europe and those going on business trips to countries outside Europe are at increased risk for infectious diseases. The focus in 2020 was on the coronavirus and the related in-house medical advice. In addition, the voluntary flu vaccination programme was very well received. In the Berlin and Bonn locations, the Occupational Health Office is staffed on certain days.

**Occupational safety**

KfW 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 the 2020 period under review, the sick leave per employee at KfW was eight days (2019: 11.2 days).

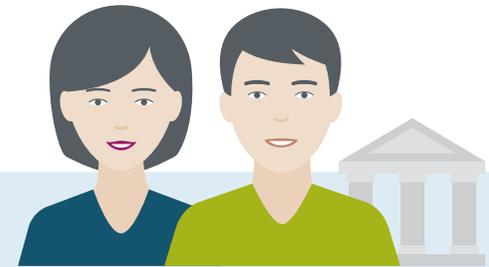
A total of 62 work-related accidents from work, commuting and corporate sports programme accidents were reported in the entire group in 2020 (2019: 87). To reduce the risk of commuting accidents by bicycle, KfW launched the pilot project “Cycling Safety Training” at all locations in 2019. The plans to continue and step up this programme were temporarily put on hold by the coronavirus pandemic in 2020.

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. Minimum employee participation of 95% is checked on a quarterly basis at department level. Any additional hazards identified are clarified based on the activity in question. Managers are also trained separately on their role in occupational safety and health. Due to the coronavirus, KfW Group launched an e-learning programme on occupational health and safety during the pandemic in the year under review. This raises employees' awareness of measures to reduce the risk of infection for themselves and others.

### **Staff security during assignments abroad**

KfW Group pays special attention to security during foreign assignments. A directive sets forth 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 country 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, illnesses and accidents. Based on the systematic monitoring, a group-wide "List of countries with critical security situations" is kept that uses various risk categories to classify countries or 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.



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 and external workers unless otherwise stated. Employees working in KfW's country offices around the world (local staff) were integrated into the bank's reporting systems in 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 that locally employed workers are only included in some of the tables shown.

The subsidiary KfW Capital, which was established over the course of 2018, is only included in the following key figures under the employee structure. As it is still being set up, some of the figures for this subsidiary cannot be fully considered.

### Employee structure at KfW Group<sup>1</sup>

Number	2016	2017	2018	2019	2020
<b>KfW Group<sup>2</sup></b>	6,104	6,284	6,574	6,934	7,610
of which women	2,970	3,051	3,176	3,364	3,693
<b>KfW</b>	4,872	4,990	5,184	5,475	5,977
of which women	2,361	2,398	2,493	2,644	2,883
<b>KfW IPEX-Bank</b>	673	683	708	779	856
of which women	316	320	339	370	416
<b>DEG</b>	561	613	677	673	751
of which women	293	333	348	348	386
<b>KfW Capital</b>	n.a.	n.a.	n.a.	23	26
of which women	n.a.	n.a.	n.a.	5	8

<sup>1</sup> Since 2020 including locally employed staff of KfW country offices worldwide

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

# 7,610

employees worked at KfW Group in 2020.

**Employees covered by collective bargaining agreements** in %

	2016	2017	2018	2019	2020
KfW Group	29.0	26.3	26.4	27.9	26.8
KfW <sup>1</sup>	27.5	27.9	26.8	28.0	28.1
KfW IPEX-Bank <sup>2</sup>	16.0	15.1	19.8	24.0	21.0
DEG <sup>3</sup>	28.5	25.4	28.6	28.1	27.0

<sup>1</sup> As in previous years, the rate refers to the total figure excluding the local employees directly employed by the country offices.

<sup>2</sup> Including temporary staff, but excluding apprentices, sandwich students, trainees, interns and local employees

<sup>3</sup> Not including trainees, interns and temporary workers

**Employees with fixed-term contracts** in % <sup>1</sup>

	2016	2017	2018	2019	2020
<b>KfW Group</b>	10.8	10.2	10.4	12.3	12.4
of which women	52.2	54.8	53.4	54.5	53.0
<b>KfW</b>	10.6	10.4	10.4	12.6	12.9
of which women	53.1	54.7	54.8	55.9	54.0
<b>KfW IPEX-Bank</b>	3.9	5.1	6.2	10.0	10.3
of which women	42.3	54.3	52.3	49.9	46.6
<b>DEG</b>	10.7	14.2	14.8	12.8	11.1
of which women	48.3	55.2	46.0	47.7	50.6

<sup>1</sup> Since 2020 including locally employed staff of KfW country offices worldwide

**Part-time staff** in %<sup>1</sup>

	2016	2017	2018	2019	2020
<b>KfW Group</b>	25.7	26.5	26.9	28.2	26.5
of which women	80.0	78.4	76.6	75.2	75.6
<b>KfW</b>	25.7	27.0	27.6	28.6	27.2
of which women	78.4	76.5	75.1	73.4	74.0
<b>KfW IPEX-Bank</b>	23.2	23.1	24.6	26.6	27.1
of which women	85.6	86.1	85.1	82.6	78.0
<b>DEG</b>	23.7	26.0	24.1	27.5	21.8
of which women	88.0	86.9	80.4	82.2	87.8

<sup>1</sup> Since 2020 including locally employed staff of KfW country offices worldwide

## Period of employment and rate of employee turnover

Average period of employment in years					
	2016	2017	2018	2019	2020
KfW	11.7	11.9	11.9	11.9	11.9
KfW IPEX-Bank	10.1	10.5	10.9	10.8	10.9
DEG	10.9	10.7	10.6	10.2	10.7
Staff turnover in % <sup>1</sup>					
<b>KfW</b>	2.6	3.3	3.3	2.3	3.1
of which women	2.5	1.6	1.5	1.3	1.4
of which men	2.7	1.7	1.9	1.1	1.7
<b>KfW IPEX-Bank<sup>2</sup></b>	2.1	7.2	6.1	7.3	4.3
of which women	0.9	2.8	3.0	3.7	2.3
of which men	2.3	4.4	3.1	3.6	1.9
<b>DEG<sup>3</sup></b>	2.5	4.6	3.5	4.8	3.4
of which women	2.0	2.1	4.1	4.3	1.7
of which men	2.2	2.4	3.2	5.2	1.6

<sup>1</sup> 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 country offices (locals) or 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 termination, retirement or a fatal work-related accident (calculation according to the GRI standard).

<sup>2</sup> Values prior to 2017 without temporary workers and interns, calculated on the basis of the total workforce from 2017

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

# >10

years was the average period of employment at KfW, KfW IPEX-Bank and DEG

## New employees by gender<sup>1</sup>

	2016	2017	2018	2019	2020
<b>KfW (headcount)</b>	506	535	661	683	679
in % (of total workforce)	10.4	10.7	12.8	12.5	12.0
Women (in % <sup>2</sup> )	47.4	47.5	50.7	52.4	50.4
<b>KfW IPEX-Bank (headcount)</b>	44	61	73	130	109
in % (of total workforce)	6.5	8.9	10.3	16.7	13.3
Women (in % <sup>2</sup> )	47.7	47.5	57.5	46.2	56.0
<b>DEG (headcount)</b>	50	113	134	31	47
in % (of total workforce)	8.9	18.4	19.8	4.6	6.9
Women (in % <sup>2</sup> )	44.0	60.2	41.6	48.4	44.7

<sup>1</sup> As in previous years, the rate refers to the total figure excluding the local employees directly employed by the country offices.

<sup>2</sup> Proportion of women among new employees

## New employees by age group in absolute numbers

	2018	2019	2020	
<b>KfW</b>	age group < 30	327	351	407
	30 ≤ age group ≤ 50	281	266	223
	50 < age group ≤ retirement age	53	66	49
<b>KfW IPEX-Bank</b>	age group < 30	39	93	67
	30 ≤ age group ≤ 50	35	35	40
	50 < age group ≤ retirement age	3	2	2
<b>DEG</b>	age group < 30	70	12	17
	30 ≤ age group ≤ 50	58	16	27
	50 < age group ≤ retirement age	6	3	3

# 679

new employees were added to KfW's workforce in 2020.

**Training and education**

	2016	2017	2018	2019	2020
<b>Training and education rate in %</b>					
KfW <sup>1</sup>	4.7	4.2	4.0	4.0	4.3
KfW IPEX-Bank <sup>2</sup>	1.8	2.5	3.1	6.2	4.6
DEG <sup>3</sup>	3.0	2.3	4.6	4.0	3.5
<b>Continuing education in hours</b>					
KfW	78,412	89,346	82,412	90,952	51,012
KfW IPEX-Bank <sup>4</sup>	–	9,924	8,520	10,884	5,184
DEG	4,872	6,584	6,856	6,318	3,356

<sup>1</sup> Trainees, sandwich degree students, graduate trainees and interns

<sup>2</sup> Trainees and interns

<sup>3</sup> Graduate trainees and interns, since 2018, including trainees

<sup>4</sup> Training hours for KfW IPEX-Bank have been surveyed separately since 2017.

### Employees on parental leave in 2020 (2019)

	Men	Women	Total
<b>Number of employees who took parental leave in 2020 (2019)</b>			
KfW Group	145 (194)	246 (274)	391 (468)
KfW	101 (132)	195 (214)	296 (346)
KfW IPEX-Bank	30 (39)	38 (39)	68 (78)
DEG	14 (23)	13 (21)	27 (44)

### Number of employees who returned from parental leave to the workplace in 2020 (2019)

KfW Group	127 (170)	127 (146)	254 (316)
KfW	87 (112)	87 (98)	174 (210)
KfW IPEX-Bank	29 (35)	20 (25)	49 (60)
DEG	11 (23)	20 (21)	31 (44)

### Number of employees who ended their parental leave in 2019 (2018) and were still under contract at the end of 2020 (2019)

KfW Group	137 (140)	159 (115)	296 (255)
KfW	109 (102)	91 (87)	200 (189)
KfW IPEX-Bank	28 (26)	20 (15)	48 (41)
DEG	22 (12)	26 (13)	48 (25)

### Employees with disabilities; severe disability quota<sup>1</sup> 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

<sup>1</sup> Data based on disabilities law

# 5.8%

of KfW employees had severe disabilities in 2020.

**Women (in %)<sup>1</sup>**

	2016	2017	2018	2019	2020
KfW	48.5	48.1	48.1	48.3	48.2
KfW IPEX-Bank	47.0	46.9	47.7	47.5	48.6
DEG	52.4	54.3	51.4	51.7	51.4

**Women in management positions**

<b>KfW<sup>2</sup></b>	30.2	31.4	33.2	33.5	34.9
Middle management <sup>3</sup>	28.1	30.4	27.1	27.3	29.4
Senior management <sup>4</sup>	12.0	12.0	12.5	8.7	8.7
<b>KfW IPEX-Bank<sup>5</sup></b>	26.0	27.3	29.2	30.4	30.9
Middle management <sup>3</sup>	31.3	27.8	27.8	27.8	29.4
Senior management <sup>6</sup>	20.0	25.0	25.0	25.0	25.0
<b>DEG<sup>7</sup></b>	30.8	33.3	30.0	31.3	33.3
Middle management <sup>3</sup>	32.6	35.9	31.7	33.3	35.9
Senior management <sup>4</sup>	22.2	22.2	22.2	22.2	22.2

<sup>1</sup> Since 2020 including locally employed staff of KfW country offices worldwide

<sup>2</sup> Team Heads, Heads of Division, Heads of Department

<sup>3</sup> Heads of Division

<sup>4</sup> Heads of Department

<sup>5</sup> Team Leaders, Heads of Division and Management Board

<sup>6</sup> Management Board

<sup>7</sup> Heads of Division· Heads of Department

# > 30%

women in management positions at KfW, KfW IPEX-Bank and DEG in 2020

**Personnel expenditure and provisions**

	2016	2017	2018	2019	2020
Expenditure on personnel (KfW Group), in EUR million	634	668	771	749	770
Pension provisions (KfW Group) <sup>1</sup> in EUR billion	2.0	2.0	2.1	2.5	2.7

<sup>1</sup> Including provisions for similar obligations (IFRS II)

**Work-related accidents at KfW Group in Germany**

	2016	2017	2018	2019	2020
KfW Group	113 <sup>1</sup>	116 <sup>1</sup>	80	87	62
of which fatalities	1 <sup>2</sup>	0	1 <sup>2</sup>	0	0

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

<sup>2</sup> 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.

**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).

**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 government's responsibility for KfW Group.

**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 customer.

**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 pose a current threat to the existence of many species of flora and fauna. Many initiatives and international agreements aim to protect biodiversity.

**CO<sub>2</sub> equivalents (CO<sub>2</sub>e):** The name used to refer to greenhouse gases that are not carbon dioxide (CO<sub>2</sub>); their environmental impact is converted to a format that is comparable to CO<sub>2</sub> and can thus be added to a CO<sub>2</sub> balance sheet.

**Compliance:** Compliance describes a company's adherence to legal provisions and regulatory standards, as well as 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.

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

**Energy Star:** A US environmental certificate for energy-saving electrical appliances.

**ERP – European Recovery Program:** Originally introduced by the USA 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 Federal 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.

**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.

**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.

**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.

**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 customers.

**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 CO<sub>2</sub>. 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 is 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 sustainability reporting standards that are not legally binding since 1999. Sustainability Reporting Standards, known as GRI Standards for short, have also applied since 2016.

**Leverage ratio:** This ratio represents the relationship between equity and total assets before it has been weighted for risk.

**National Action Plan for Business and Human Rights (NAP):** Under the NAP, the German Federal Government expects businesses (including financial institutions) to fulfil their duty of care for human rights and to have established structures by the end of 2020 to ensure the protection of human rights in their corporate processes.

**Net greenhouse gas neutrality:** Greenhouse gas neutrality is an activity that does not affect the concentration of CO<sub>2</sub> and CO<sub>2</sub> equivalents in the atmosphere. “Net” indicates that emissions can occur, but they are offset and that the activity is therefore not greenhouse gas neutral per se, but that it is neutral on balance.

**SDGs – Sustainable Development Goals:** 17 goals designed to promote sustainable development adopted by the global community in 2015 as part of the United Nation's 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 the future and that they promote the real economy by granting loans to sustainable companies.

**Task Force on Climate-related Financial Disclosures (TCFD):** 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.

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



Index

GRI and non-financial report

# GRI content index



**MATERIALITY  
DISCLOSURES SERVICE**

2021

For the GRI Materiality Disclosures Service, GRI had access to this report, the “2020 Sustainability Report. Data according to GRI standards, German Commercial Code and TCFD”. The correct positioning of the “Materiality Disclosures” (GRI 102–40 to 102–49) in the report was confirmed by the GRI Services team.

In this index, a distinction is made between the material standards under GRI after the materiality analysis carried out in 2020 and additional standards that are reported for transparency reasons.

Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
<b>Universal standards</b>			
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016	Material		
<b>Organisational Profile</b>			
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GRI 102-2: Activities, brands, products, and services		9–14	
GRI 102-3: Location of headquarters		7	
GRI 102-4: Location of operations		7	See also: → <a href="#">KfW website</a>
GRI 102-5: Ownership and legal form		7	
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Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
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GRI 102-26: Role of highest governance body in setting purpose, values, and strategy		19–22, 40–41	
GRI 102-27: Collective knowledge of highest governance body		40–41, 45, 47–47	
GRI 102-28: Evaluating the highest governance body's performance		40–41	
GRI 102-29: Identifying and managing economic, environmental, and social impacts		18–19, 21–22, 43, 49-50, 69–70, 87–91	
GRI 102-30: Effectiveness of risk management processes		49-52	
GRI 102-31: Review of economic, environmental, and social topics		18–19, 21–22, 40–43	
GRI 102-32: Highest governance body's role in sustainability reporting			This report has been approved by the Executive Board and acknowledged by the Board of Supervisory Directors.
GRI 102-33: Communicating critical concerns		44–45, 49–52	



Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
GRI 102-34: Nature and total number of critical concerns		25–26, 35, 49–52, 92–94	
GRI 102-35: Remuneration policies		40, 116–118	
GRI 102-36: Process for determining remuneration		40, 116–118	
GRI 102-37: Stakeholders' involvement in remuneration		40, 116–118	
GRI 102-38: Annual total compensation ratio			Individual employee salaries are protected as confidential information and disclosure of this information, even for statistical evaluation, remains limited accordingly. Information about annual remuneration of the Executive Board can be found in the remuneration report.
GRI 102-39: Percentage increase in annual total compensation ratio			Individual employee salaries are protected as confidential information and disclosure of this information, even for statistical evaluation, remains limited accordingly. Information about annual remuneration of the Executive Board can be found in the remuneration report.
<b>Stakeholder engagement</b>			
GRI 102-40: List of stakeholder groups		25–26	
GRI 102-41: Collective bargaining agreements		117–119, 137	
GRI 102-42: Identifying and selecting stakeholders		25–26	
GRI 102-43: Approach to stakeholder engagement		25–26, 27	
GRI 102-44: Key topics and concerns raised		29–31	
<b>Reporting practice</b>			
GRI 102-45: Entities included in the consolidated financial statements		2	
GRI 102-46: Defining report content and topic boundaries		2, 27–28	
GRI 102-47: List of material topics		29–31	
GRI 102-48: Restatements of information		104, 105, 111	
GRI 102-49: Changes in reporting		2, 28–31	
GRI 102-50: Reporting period		2	
GRI 102-51: Date of most recent report		2	

Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
GRI 102-52: Reporting cycle		2	
GRI 102-53: Contact point for questions regarding the report		159	
GRI 102-54: Claims of reporting in accordance with the GRI Standards		2	
GRI 102-55: GRI content index		148	
GRI 102-56: External assurance		2	
<b>Key topics</b>			
<b>GRI 200: Economy</b>			
GRI 201: Economic Performance 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		7, 69–70, 71	
GRI 201-1: Direct economic value generated and distributed		72–73, 99, 132	
GRI 201-2: Financial implications and other risks and opportunities due to climate change		49, 53–66	
GRI 201-3: Defined benefit plan obligations and other retirement plans		144	
GRI 202: Market Presence 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		7–12, 116–119	
GRI 202-2: Proportion of senior management hired from the local community		119	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 203: Indirect Economic Impacts 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		55-57, 87-89, 94–95, 112–113	
GRI 203-1: Infrastructure investments and services supported		9–14, 74–82	
GRI 203-2: Significant indirect economic impacts		7–14, 83–86, 92–94, 94–95	
GRI 204: Procurement Practices 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		112–113	
GRI 204-1: Proportion of spending on local suppliers		112	

Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
<b>GRI 205: Anti-Corruption 2016</b>	<b>Material</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		44–48	
GRI 205-2: Communication and training about anti-corruption policies and procedures		44–48	
GRI 205-3: Confirmed incidents of corruption and actions taken		45	
<b>GRI 207: Tax 2019</b>	<b>Material</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		46–47	
GRI 207-1: Approach to tax		46–47	
GRI 207-2: Tax strategy governance, control and risk management		46–47	
GRI 207-3: Stakeholder engagement and management concerns related to tax		46–47	
GRI 207-4: Country-by-country reporting		46–47	
<b>GRI 300: Environment</b>			
<b>GRI 301: Materials 2016</b>	<b>Additional</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		102, 109	
GRI 301-1: Materials used by weight or volume		109	
GRI 301-2: Recycled input materials used		109	
<b>GRI 302: Energy 2016</b>	<b>Additional</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		102, 103	
GRI 302-1: Energy consumption within the organisation		104	
GRI 302-2: Energy consumption outside of the organisation		105–106	
GRI 302-3: Energy intensity		104–106	
GRI 302-4: Reduction of energy consumption		104–106	
<b>GRI 303: Water and effluents 2018</b>	<b>Additional</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		102–103, 110	
GRI 303-1: Water withdrawal by source (management approach)		110	
GRI 303-2: Water sources significantly affected by withdrawal of water (management approach)		110	

Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
GRI 303-5: Water consumption		110	
GRI 304: Biodiversity 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		69–70, 87–89	
GRI 304-2: Significant impacts of activities, products, and services on biodiversity		76–78, 96, 103, 87–89	
GRI 305: Emissions 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		102–103, 107	
GRI 305-1 Direct (Scope 1) GHG emissions		108	
GRI 305-2: Energy indirect (Scope 2) GHG emissions		108	
GRI 305-3: Other indirect (Scope 3) GHG emissions		108	
GRI 305-4: GHG emissions intensity		108	
GRI 305-5: Reduction of GHG emissions		107	
GRI 306: Waste 2020	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		102–103, 111	
GRI 306-1: Water discharge by quality and destination		111	
GRI 306-2: Waste by type and disposal method		111	
GRI 306-3: Significant spills		111	
GRI 307: Environmental Compliance 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		44, 49–50, 102–103	
GRI 307-1: Non-compliance with environmental laws and regulations			No such cases occurred.
GRI 308: Supplier Environmental Assessment 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		112–113	
GRI 308-2: Negative environmental impacts in the supply chain and actions taken		113	
GRI 400: Social			
GRI 401: Employment 2016	Material		

Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		116	
GRI 401-1: New employee hires and employee turnover		116, 139–140	Details about employee turnover and new employee hires by region are not surveyed. The key figures are not relevant for management as the majority of our employees are in Germany. Turnover by age group is also not recorded at KfW Group.
GRI 401-3: Parental leave		142	
GRI 402: Labour/Management Relations 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		117–119	
GRI 402-1: Minimum notice periods regarding operational changes		118–119	
GRI 403: Occupational Health and Safety 2018	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		133–135	
GRI 403-1: Occupational health and safety management system		133–135	
GRI 403-2: Hazard identification, risk assessment, and incident investigation		133–135, 144	
GRI 403-3: Occupational health services		133–135	
GRI 403-4: Worker participation, consultation, and communication on occupational health and safety		134	
GRI 403-5: Worker training on occupational health and safety		134	
GRI 403-6: Promotion of worker health		133–134	
GRI 403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		133–135	
GRI 403-9: Work-related injuries		134–135, 144	A breakdown by gender is not recorded for this indicator. As temporary workers do not make up a significant percentage of the overall workforce, this data is not recorded for this employee group.
GRI 403-10: Work-related ill health		134–135	
GRI 404: Training and Education 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		128–132	
GRI 404-1: Average hours of training per year per employee		129–130, 141	
GRI 404-2: Programs for upgrading employee skills and transition assistance programs		129–132	

Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
GRI 404-3: Percentage of employees receiving regular performance and career development reviews		129–132	
GRI 405: Diversity and Equal Opportunity 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		119–123, 127	
GRI 405-1: Diversity of governance bodies and employees		120–122, 127, 136, 140, 142	KfW Group does not record the age groups of its employees unless they are new employees.
GRI 405-2: Ratio of basic salary and remuneration of women to men		117	Individual employee salaries are protected as confidential information and disclosure of this information, even for statistical evaluation, remains limited accordingly at KfW Group.
GRI 406: Non-discrimination 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		119–123, 127	
GRI 406-1: Incidents of discrimination and corrective actions taken		127	There were no known cases of discrimination in the reporting period.
FS14: Initiatives to improve access to financial services for disadvantaged people		97–98	
GRI 407: Freedom of Association and Collective Bargaining 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		116–119	
GRI 407-1: Operations and suppliers in which the right To freedom of association and collective bargaining may be at risk		118	None
GRI 411: Rights of Indigenous Peoples 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		92–94	
GRI 411-1: Incidents of violations involving rights of indigenous peoples		93–94	
GRI 412: Human Rights Assessment 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		51–52, 87–91	
GRI 412-1: Operations that have been subject to human rights reviews or impact assessments		87–89, 92–94	As a matter of course, KfW recognises all ILO core labour standards in all of its international representative offices and in Germany. Specifically, it complies with international conventions for eliminating forced labour, and prohibition and immediate measures to eliminate child labour.
GRI 412-2: Employee training on human rights policies or procedures		88	

Disclosure	Materiality (under GRI) / additional	Page	Comment / reason for omission
GRI 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		83–85, 87–89	
GRI 414: Supplier Social Assessment 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		112–113	
GRI 414-1: New suppliers that were screened using social criteria		113	
GRI 414-2: Negative social impacts in the supply chain and actions taken		113	
GRI 415: Public Policy 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		48	
GRI 415-1: Political contributions		48	
GRI 417: Marketing and labelling 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		97–98	
GRI 417-2: Incidents of non-compliance concerning product and service information and labeling			None
GRI 417-3: Incidents of non-compliance concerning marketing and communications			None
GRI 418: Customer Privacy 2016	Additional		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		48	
GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data		48	
GRI 419: Socioeconomic Compliance 2016	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		44–48	
GRI 419-1: Non-compliance with laws and regulations in the social and economic area		44–48	None
Product portfolio	Material		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)		7–14, 69–70, 87–89	
FS6: Percentage of the portfolio for business lines by specific region, size (e.g. micro-/SME/large) and by sector		72–73	



Disclosure	Material (under GRI) / additional	Page	Comment / reason for omission
FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.		72–83	
FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose		72–83, 83–86	

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