tranSForm: a key implementation project for KfW Group’s Sustainable Finance Agenda

Last updated: January 2023
### tranSForm – the core of KfW’s Sustainable Finance Agenda

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Evolving further to become a transformative promotional bank
Effective supporter and pioneer on the way to a GHG-neutral future

Sustainability environment and some relevant factors influencing it

- German coalition agreement
- Climate Action Programme 2030
- Sustainable Finance
- German Sustainable Finance Strategy
- Paris Agreement
- SDGs
- EU Action Plan: Financing Sustainable Growth, EU Taxonomy, EU Renewed Sustainable Finance Strategy

“KfW is evolving to become a transformative promotional bank”

Sustainability strategy for Germany

tranSForm – the core of KfW’s Sustainable Finance Agenda

LAW
Concerning KfW dated 5 November 1948.

Regulatory requirements with regard to sustainability
KfW’s sustainable finance strategy – tranSForm project

Sustainability considerations are set out in KfW Group’s strategic objectives

Excerpt from KfW’s strategic objectives

**Purpose**
Transformation of economy and society to improve economic, environmental and social living conditions worldwide

**Vision**
The digital transformation and promotional bank

**Managing impact**
- Subsidarity
- Promoting transformation & boosting resilience
- Sustainability
  - 1.5°C compatibility of KfW financing
  - SDG contribution of KfW financing
  - Top ranking in sustainability ratings
- Focus on financing German SMEs

**Top-performing KfW**
- Digitalisation & agility
- Operating model & governance
- Employee potential & customer centricity

Sustainability considerations have been made a binding part of KfW’s medium to long-term positioning

KfW Group’s strategic objectives establish sustainability as the “transformation of economy and society to improve economic, ecological and social living conditions around the world”

Implementation of the sustainable finance concept by the tranSForm project’s four pillars

1. **KfW-wide impact management**
2. **Compatibility of KfW financing activities with Paris targets**
3. **Strengthening of ESG risk management**
4. **Reporting financial sustainability data**

1 ESG: environment, social, governance
tranSForm project
Positioning KfW as a pioneer in sustainable finance

KfW-wide impact management
Compatibility of KfW financing activities with Paris targets
Strengthening of ESG risk management
Reporting financial sustainability data
Data and IT implementation

1 Environmental, social, governance
**tranSForm overview**

Major implementation success already achieved

<table>
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<th>Targets</th>
<th>Compatibility of KfW financing activities with Paris targets</th>
<th>Strengthening of ESG risk management</th>
<th>Financial sustainability data</th>
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<tr>
<td></td>
<td>Make SDG contributions transparent</td>
<td>Support the economy in the transformation process</td>
<td>Improve ESG risks in terms of…</td>
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<tr>
<td></td>
<td>Communicate impacts more clearly</td>
<td>Promote sustainability in the financial markets</td>
<td>…recognition and assessment</td>
</tr>
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<td></td>
<td>Strengthen data management</td>
<td>Achieve Paris climate goals</td>
<td>…management</td>
</tr>
<tr>
<td></td>
<td>Around 50 impact indicators validated</td>
<td>Six sector guidelines developed in accordance with Paris Accords for emission-intensive sectors and revision to 1.5°C climate target</td>
<td>Systematic screening of risk types and risk management cycle</td>
</tr>
<tr>
<td></td>
<td>“Impact balance sheet” prototype created</td>
<td>Approximate GHG footprint determined</td>
<td>Development of an ESG risk profile database</td>
</tr>
<tr>
<td></td>
<td>Group-wide guiding principles established</td>
<td>Ambition level of “greenhouse gas-neutral portfolio” refined; measurement method defined</td>
<td>Climate risk stress tests</td>
</tr>
<tr>
<td></td>
<td>Application system launched for collecting impact data</td>
<td></td>
<td>Screening of regulatory requirements</td>
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**Successes in implementation**

- Development of impact reporting strengthens the data pool for political decisions
- Harmonised impact management in addition to established group management

**Implementation schedule**

- Development of 1.5°C-compatible controlling measures for oil and gas
- Further operationalization of group-wide greenhouse gas accounting
- Develop GHG decarbonisation and neutralisation strategy
- Increased integration of detailed ESG data into the ESG risk profile
- Concepts for integrating ESG risks into risk management
- Further development of stress testing capabilities
- Further specification and procedural/technical implementation of the targets
- Monitoring, evaluation and active support for the implementation of requirements for financial sustainability reporting
tranSForm – the core of KfW’s Sustainable Finance Agenda

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   2.4 Reporting financial sustainability data
3. Summary and contact
Supporting transformation means managing impacts
From a volume-based to an impact-driven perspective

- Since 2019, an innovative SDG mapping process has been established that is used to plot out Group-wide financing activities contributing towards the SDGs.
- In 2021, KfW’s financing activities made particularly strong contributions towards SDG 8 (decent work and economic growth), SDG 13 (climate action) and SDG 7 (affordable and clean energy).

- Group-wide impact management is being instituted as part of the tranSForm project
- In future, this is intended to measure and render transparent the impacts of all financing activities. The impact data can be used as a basis for management
Overview of group-wide impact management

Group-wide guiding principles, indicators and reporting

- The starting point is a group-wide “Theory of Change” as well as business area (BA)-specific monitoring systems
- Group-wide guiding principles as a consistent framework for impact management
- Group-wide indicators will show the real-world economic, environmental and social impacts of KfW financing activities
  - Examples of indicators: “number of people reached with improved educational measures”, “forest area created/preserved”
- Gradual integration into KfW’s internal and external reports to move towards aggregated reporting of results

Overarching goals of KfW’s impact management

- KfW sets standards for the disclosure of SDG contributions and the impacts of their financing
- Impact management expands the range of management options that can provide impetus
- Enables comprehensive customer and partner dialogue
- Further improvement towards comprehensive data management
KfW-wide impact management – step by step
From technical concept to data collection & evaluation

**KfW-wide “Theory of Change”**
- KfW’s perspective on impacts, referred to as “Theory of Change” (ToC), provides the foundation for impact management throughout KfW.
- This was created together with all business areas and is based on business sector-specific ToCs.

**KfW-wide impact categories**
Based on the KfW-wide “Theory of Change”, around 20 areas of impact were drawn up at outcome/impact level.

**KfW-wide impact indicators**
The impact categories were backed up with a first, non-exhaustive set of indicators in the three sustainability dimensions (environmental, economic, social).

**KfW-wide impact assessment**
The methodology enables business sector-specific indicators to be aggregated and presented in a KfW-wide impact assessment.

Details on the methodology and group-wide guiding principles for impact management can be found in the “KfW-wide impact management” method paper at www.kfw.de/impact

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**Business area-specific data collection – a consolidated data repository**

details on the methodology and group-wide guiding principles for impact management can be found in the “KfW-wide impact management” method paper at www.kfw.de/impact
From Theory of Change to impact categories
Setting around 20 group-wide impact areas

"Theory of Change"

KfW’s understanding of its impact on sustainable development is derived from a theoretical impact model called “Theory of Change” (ToC). The basic idea of a ToC is to present the process of an intervention – from the funds deployed to the intended change – and to create corresponding impact areas and indicators from this.
From impact categories to measurable indicators

Around 50 KfW-wide impact indicators are currently in place

Impact category

KfW-wide overall indicator

KfW-wide secondary indicator

BA-specific indicators

BA-specific indicators

BA-specific indicators

...  

...  

Improved access to educational services

Number of people reached with improved educational measures

Number of primary and secondary school pupils who receive support

Number of pupils attending the Tumo Centre

Number of primary and secondary school pupils reached with new/better-quality educational measures

Practical example

Data collection, including via newly developed app
KfW-wide impact assessment
Different forms of reporting for different target groups & purposes

**Impact dashboard**

- Gradual expansion and further development of indicator set
- Aim/vision: have impact assessment automatically generated by linking existing data and collecting new data
- Initial internal reporting in 2023, with external reporting building on this in the future
- Strengthening dialogue and awareness on sustainability issues with customers, partners and investors

**Outlook**

**KfW**

tranSForm – the core of KfW’s Sustainable Finance Agenda (last updated: January 2023)
No impact management without data
Development of the digital process route from data collection to reporting

- In future, impact management should be able to be used both internally and externally (by customers, business partners, etc.)
- The data is based on both internal and targets as well as external sources
- Possibility of flexibly expanding the architecture in the event of new requirements
- Cloud as the key to digital end-to-end transformation

Requirements for a future-facing IT architecture

- Use impact data internally and externally
- Simple integration of external data sources
- Simple and easy to understand visualisation of impact data
### tranSForm – the core of KfW’s Sustainable Finance Agenda

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Overview of compatibility with Paris targets
Moving new business towards a GHG-neutral portfolio

- Working to keep new business in line with the goals of the Paris Climate Accords Group-wide
- Ensuring compatibility with Paris targets by gradually raising the technological requirements in GHG-intensive sectors
- Sector guidelines specifying minimum requirements for the climate-friendliness of financed technologies; considering technological lock-in periods during financing activities
- GHG accounting to monitor the effectiveness of sector guidelines and create transparency with regard to GHG footprint

Goals: compatibility of KfW’s financing activities with Paris targets

Management
Based on sector guidelines compatible with the Paris targets, KfW is managing its transformative contribution towards a GHG-neutral future. For this purpose, specific requirements for GHG-intensive sectors were set on a scientific basis from established climate scenarios, which indicate increasing levels of ambition.

Benefits
Continuous: With the introduction of sector management, KfW will ensure compatibility with the Paris targets in each year’s new business, so sees itself as “aligned with the Paris goals”
Long-term: KfW will achieve a GHG-neutral portfolio in the first half of the century through new business compatible with the Paris targets plus financing sinks and sequestration systems in the future

Overarching goals of compatibility with Paris targets

KfW support for transformation towards GHG neutrality and achievement of a GHG-neutral portfolio in the first half of the century
Systematic investment in the opportunities presented by transformative technologies: promotion of GHG-neutral technologies and business models as part of market penetration efforts (e.g. green hydrogen)
Shaping transition for non-GHG-neutral (transitional) technologies, supporting GHG reductions (e.g. Efficiency House 40 standard, gas-fired power plants) and avoiding lock-ins
Gradually phasing out GHG-intensive technologies without added value for transition (e.g. coal) and continuing promotion outside GHG-intensive sectors (e.g. education financing)
Successfully shaping transformation

Alignment with 1.5°C target increases ambition level in terms of technology and timing

- **Science-based** approach. In particular, derivation from the “Net Zero by 2050” scenario
- Focus will be placed on new commitments in **greenhouse gas-intensive** sectors
- The **wide-ranging statutory KfW mandate** will continue to be guaranteed

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**Transformative technologies**

- In line with GHG neutrality
- Promotion of future-facing technologies and business models as part of market penetration efforts, R&D investment

**Transitional technologies**

- Not GHG-neutral, shape transition
- GHG reductions, avoid lock-in

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**More investment in transformation**

**Limited support for transitional technologies**

**Phase out technologies that are harmful to the environment more quickly**

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**Promotion outside GHG-intensive sectors**

- No active sector control to move towards 1.5°C compatibility
  - E.g. education financing
  - Possible support for a “just transition”

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**GHG-intensive sectors**

**GHG-intensive technologies without added value for transition, e.g. coal**

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**Other sectors**

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KfW tranSForm – the core of KfW’s Sustainable Finance Agenda (last updated: January 2023)
Science-based approach
From Paris Climate Accords to sector management compatible with Paris targets

1 The Paris Agreement calls for efforts to limit the temperature rise to 1.5°C

**Political choices:** Commitment of the German Federal Government to the Paris targets, which includes the further development of KfW as the digital transformation and promotional bank

**United Nations**
Framework Convention on Climate Change

2 Scientists translate temperature targets into CO₂ budgets and paths for reduction

*How much CO₂ can be emitted overall based on the temperature targets?*

- <2.0°C
- ~1.5°C

**CO₂ already emitted**
From 1900–2017
3,270 GtCO₂
2,810 GtCO₂
2,230 GtCO₂

3 KfW uses climate scenarios of the International Energy Agency (IEA) to formulate responses for individual GHG-intensive sectors

Illustration of how sectoral greenhouse gas reductions could be implemented in line with the Paris Agreement

*Fraunhofer*

Building trends fall over time

4 KfW implements the requirements deduced by issuing sector guidelines that are compatible with the Paris targets

**Illustration of potential implementation**

- Decreasing share of financing for transitional technologies
- Increasingly ambitious efficiency house standards over time
- Reduction of the annual CO₂ commitment budget

*Ambition level increases over time*
Overview of implemented & planned sector guidelines

Sector guidelines for carbon-intensive sectors

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<th>Scope of application</th>
<th>Type of intervention</th>
<th>Implementation based on 1.5°C ambition level</th>
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<td>Commercial oceangoing/coastal vessels for the transport of people and goods</td>
<td>New commitments with an efficiency threshold plus control based on real emission data</td>
<td>January 2023</td>
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<td>Automotive</td>
<td>Passenger car/light commercial vehicles (&lt;3.5t), their suppliers and infrastructure</td>
<td>New commitments with technology limitations</td>
<td>January 2023</td>
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<tr>
<td>Steel</td>
<td>Iron and steel manufacture</td>
<td>New commitments with technology limitations and efficiency thresholds</td>
<td>January 2023</td>
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<tr>
<td>Power generation</td>
<td>Power generation facilities feeding into public grids</td>
<td>New commitments with technology limitations</td>
<td>January 2023</td>
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<tr>
<td>Buildings</td>
<td>Residential and non-residential buildings with KfW efficiency standards and building energy efficiency measures</td>
<td>New commitments with technology limitations and efficiency thresholds</td>
<td>January 2023</td>
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<tr>
<td>Aviation</td>
<td>Commercial aircraft for passenger and freight transport</td>
<td>GHG budget for new commitments</td>
<td>January 2023</td>
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<tr>
<td>Oil &amp; natural gas</td>
<td>Distribution/transport, refining, processing, trade in oil and natural gas</td>
<td>New commitments with technology limitations</td>
<td>Scheduled</td>
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- **Initial introduction** of sector guidelines in 2021 based on 1.65°C climate target. From 2023, improvement in terms of climate protection through orientation toward the 1.5°C target.
- **Regular review** to ensure up-to-dateness, plus climate policy course setting (e.g. German Federal Government, security of supply)
- More information: kfw.de/sektorleitlinien

**Overview of customer impact**

Primary focus on **GHG-intensive sectors**

- **gradual increase** in quotas and technological requirements rather than a “big bang”

Financing mix of **transitional and future technologies** to successfully shape the transformation towards greenhouse gas neutrality

Mandatory minimum requirements for **new loan business** in the above-mentioned sectors; gradual conversion of **domestic promotional programmes** to compatibility with Paris targets
Overview of greenhouse gas accounting

Group-wide GHG accounting to monitor KfW’s contributions to GHG neutrality

Introduction of **group-wide greenhouse gas accounting**, consisting of

- greenhouse gas footprint
- greenhouse gas reductions
- greenhouse gas sinks and sequestration for KfW’s financing activities

This should provide a key tool for **making progress towards a greenhouse gas-neutral portfolio** in a verifiably transparent manner and monitoring the contribution of KfW’s financing activities towards the Paris Agreement.

**KfW contributions to GHG neutrality**

1. **GHG reduction at project level**

   KfW financing activities and investments, e.g. in renewable energy sources, energy efficiency and low-carbon technologies, lead to a reduction in greenhouse gas emissions.

2. **GHG-neutral portfolio**

   KfW financing activities should be net GHG-neutral in the first half of the century. The reduction of the greenhouse gas footprint will be monitored via a GHG decarbonisation strategy in future. Residual emissions are neutralised.

![Diagram showing GHG reduction and neutralisation strategies](image-url)

Projects to capture GHG emissions, e.g. through greenhouse gas sinks & sequestration.
Establishment of a KfW-wide GHG accounting process
Developing a uniform group-wide methodology for systematically determining the GHG footprint

➢ To determine the **Group-wide portfolio GHG footprint**, GHG footprints are to be collected at the **individual financing level**
➢ As a basis for this, work is currently being carried out on a **uniform method of calculating** the GHG footprint of the financing activities, taking various influencing factors into account
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Overview of ESG risk management
Managing ESG risks in the KfW portfolio with foresight

- **Strengthening ESG risk management** is an important part of KfW’s sustainable finance concept
- Environmental, social and governance risks do not represent types of risk (such as credit, market price or operational risks), but rather act as drivers for existing types of risk, in particular on credit and investment risks
- ESG risk management: KfW’s (risk) positions affected by ESG risks
- Consideration of the “outside-in” view (“save the bank”)

**Overall goals of ESG risk management**

- Dovetailing of business and risk strategy
- Development of overall ESG management concept

  **ESG risk profile**: Tool for identifying ESG risks

  **ESG stress testing**: Further development for evaluation of ESG risks

  And more besides...
ESG risk management in KfW’s sustainability concept
Management of impacts of financing and ESG risks – explanation of terms

Save the world: inside-out

Key question: How does my loan or investment affect the outside world?
For example: A project funded by us improves the drinking water supply for a group of people and has a beneficial impact on their living conditions.

Save the bank: outside-in

Key question: How does the outside world affect my loan or investment?
For example: Loan to a hotel on a beach in the Maldives, rising sea level due to climate change (physical climate risk), hotel will most likely be washed away, loan will no longer be repayable.

Managing business and achieving impacts in the three dimensions of sustainability

Anticipating ESG risks

- Regulatory and legal framework
- Market dynamics
- Technology and innovation
- Reputation
- Acute: Damage caused by natural disasters (one-off)
- Chronic: long-term environmental changes

Sectors

Borrowers

Assets

Environmental, social & governance effects

Transitory effects

Physical effects

Chronic: long-term environmental changes

Acute: Damage caused by natural disasters (one-off)
Overview of basic mechanisms of ESG risks

Sustainability transformation & regulatory law require ESG risk management to be strengthened

**ESG impact chain: Risk drivers affect risk types**

- **Environmental, social & governance factors**
  - **Transitory factors**
    - Regulatory and legal framework
    - Market dynamics
    - Technology and innovation
    - Reputation
  - **Physical factors**
    - Acute: Damage caused by natural disasters (one-off)
    - Chronic: long-term Environmental changes

- **Sectors**
  - Borrower
  - Assets

**Types of risk in KfW portfolio:**

- Credit risk
- Investment risks
  - Operational risks
  - Market price risk
  - Risk to reputation
  - ...

**Strengthening pillars of risk management cycle**

- **Risk identification**
  - Identification of factors influencing the earnings, asset and liquidity situation
- **Risk measurement**
  - Mapping and evaluation of risks
- **Risk transparency/monitoring**
  - Including risk early warning systems, stress tests and risk reports
- **Risk management**
  - Overall bank management and operational risk management
**Breakdown of E, S and G dimensions into categories**

The categories are in turn divided into further factors

- **(E)nvironment**
  - Physical climate risks (e.g. flooding)
  - Transitory climate risks (e.g. increase in CO2 price)
  - Water (e.g. access to water, water scarcity)
  - Etc.

- **(S)ocial**
  - Human capital
  - Health and safety
  - Societal changes
  - Etc.

- **(G)overnance**
  - Business model & strategy
  - Management quality
  - Information policy
  - Etc.

NB: These are merely listed as examples. The E, S and G dimensions and can also be subdivided differently depending on the application (customer, borrower, industry, etc.).
ESG risk profile
Operating between ESG risks and established risk management

1. ESG factors
Selection of key factors

2. Credit risk
Factors can exert a credit risk on industries/customers

3. ESG risk profile
In the ESG risk profile, each customer is assessed with regard to their potential credit risks. All evaluations are stored in an application.

4. Reuse in other risk instruments
The ESG risk profile offers its information to other risk instruments (stress testing, reporting, etc.). They use the information for their purposes (analysis, transparency, management, etc.)
### Targets for KfW’s ESG stress testing

ESG stress testing is an important foundation for ESG risk management

ESG stress tests help to secure KfW’s yield, solvency and risk-bearing capacity by identifying and assessing material ESG risks for KfW in good time, in turn making it possible to promptly formulate action plans. This takes into account both KfW’s and the ESG risks’ specific features.

<table>
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<th>Stress test scope</th>
<th>Stress test design</th>
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| ▪ Multiple ESG stress tests each year  
  ▪ Priority focus: environmental/climate risks (E) | ▪ As a result of the specific features (see below), use of a wide range of instruments  
  ▪ Use of ESG risk profile (scheduled as part of the tranSForm project) |

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<th>Processes/documentation</th>
<th>Governance/reporting</th>
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<td>▪ Integration into KfW’s existing stress testing programme</td>
<td>▪ Reporting is generally carried out in the existing committees on established reporting formats</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Key challenges and special features</th>
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| ▪ KfW business model and overall risk profile:  
  ▪ In particular: credit risks from long-term financing  
  ▪ Concentration on domestic banking risks  
  ▪ At the same time, a portfolio distributed globally across around 140 countries |
| ▪ ESG risks:  
  ▪ Often weak data, major uncertainties as far as susceptibility and adaptability of borrowers are concerned  
  ▪ Long time-frames that make scenario considerations yet more uncertain  
  ▪ Complex economic, political and technological situations around the world |
## Key ESG risks for stress testing

### Up-to-date overview and establishing relevance for KfW

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<th>ESG risks</th>
<th>Relevance (focus on supervision)</th>
<th>Internal (relevance for KfW portfolio)</th>
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<td><strong>CO2 price (increase)</strong></td>
<td>In climate stress tests by the ECB and some national supervisory authorities, the CO2 price and change in demand are <strong>key risk drivers</strong></td>
<td>Material commitment to <strong>CO2-intensive industries</strong> (see also results of the climate stress test).</td>
</tr>
<tr>
<td><strong>Change in consumer demand</strong></td>
<td></td>
<td>Shifting demand for more sustainable products can affect the <strong>creditworthiness of KfW borrowers</strong>.</td>
</tr>
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<td><strong>Heavy rain/ flooding</strong></td>
<td>The supervisory authorities’ physical stress tests regard flooding and drought as the most <strong>pertinent climate events in Europe</strong>.</td>
<td>A large part of KfW’s portfolio is located in <strong>Germany and neighbouring countries</strong>. The portfolio is also strongly diversified in a global sense with exposure in around 140 countries, so it has the potential to be affected.</td>
</tr>
<tr>
<td><strong>Drought</strong></td>
<td></td>
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<tr>
<td><strong>Social unrest</strong> (e.g. as a result of climate events)</td>
<td><strong>Little/no scenarios</strong> on S and G, but supervision expects institutions to address the issues.</td>
<td>The S risk is covered by the social unrest factor. The focus is on the <strong>countries in the Global South</strong> (in particular Africa, South America).</td>
</tr>
<tr>
<td><strong>Compliance violations by borrowers</strong></td>
<td></td>
<td>The issue of governance and compliance violations is particularly important for KfW in view of the <strong>bank’s involvement</strong>.</td>
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As part of the tranSForm project, work is under way to establish stress-testing capabilities for the material ESG risks so that these can be taken into account in the stress-testing programme in the coming years.
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Overview: reporting financial sustainability data
Identify, assess and act on new regulatory developments at an early stage

➢ Regulatory requirements and expectations regarding transparency and quality within the context of sustainable economic and financing activities are growing
➢ In the EU in particular, regulatory requirements are increasing with regard to the scope, depth and quality of sustainability data to be reported, as well as to the scope of application and the reporting framework
➢ The main pillars of regulatory sustainability reporting in the tranSForm project are:
  ▪ EU taxonomy: uniform classification system for environmentally sustainable economic activities
  ▪ Certain requirements for non-financial sustainability reporting (currently NFRD; CSRD/EFRAG and ISSB in future)
  ▪ Expansion of EBA pillar III disclosure requirements for ESG risks (in accordance with Article 449a CRR; IPEX only)

Overarching objectives of financial sustainability reporting

Picking up on new regulatory developments at an early stage and preparing KfW Group for the challenging ESG reporting requirements and merging them in a reporting format (in future as part of the management report)

Contribution to strengthening transparency regarding sustainable economic and financing activities in the context of regulatory ESG reporting

Consideration of regulatory requirements as well as the information needs of our investors and the expectations of our stakeholders
Overview: reporting financial sustainability data
Preparing KfW for regulatory transparency requirements

Current status

- Start of the first Group-wide survey of the – in some cases estimated – EU taxonomy metrics in 2021 ("taxonomy eligibility")
- IPEX-Bank reported on the mandatory taxonomy key figures for the 2021 financial year
- Continuous analysis and evaluation of the impact of ever-increasing regulatory ESG reporting requirements on KfW Group and its subsidiaries
- Implementation requirements for KfW’s forthcoming sustainability data budget will be successively developed and set out

Current challenges

- Methodological hurdles in the implementation of the EU taxonomy for an internationally active promotional bank such as KfW → incomplete mapping of sustainability impacts of KfW financing via taxonomy indicators
- Scope of application of sustainability regulations in some cases are still unclear
- High level of regulatory dynamics with ambitious application times
- No established market standard available for guidance; scope for technical interpretation; lack of ESG data; external tools not tested → high flexibility in the creation and potential adaptation of in-house solutions required; resource requirements difficult to define

Outlook

- KfW remains committed to improving the informative value of regulatory key figures for our business, and continues to prepare for even more transparent sustainability reporting in the future by gradually defining and implementing regulatory ESG reporting
- Promotional programmes based on EU taxonomy (e.g. sustainable transport, climate action campaign for SMEs)
# tranSForm – the core of KfW’s Sustainable Finance Agenda

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3. Summary and contact
With the sustainable finance strategy, the German Federal Government is positioning KfW as a transformative promotional bank that…

- promotes ecologically, economically and socially sustainable solutions, focuses on the corresponding impacts and thus effectively fulfils its broad funding mandate,

- actively accompanies the economic sectors and the financial market on the way to a greenhouse gas-neutral future and systematically ensures the Paris compatibility of their financing,

- takes growing regulatory requirements into account and manages its ESG risks with foresight, and

- acts as a competent partner for policymakers and the financial sector, and actively contributes as an opinion leader and co-designer of sustainable finance.

Further information regarding sustainable finance at KfW
tranSForm – the core of KfW’s Sustainable Finance Agenda

Contacts

Sandra Lutz
Project Manager tranSForm
T +49 69 7431 9681
Sandra.Lutz@kfw.de

KfW Bankengruppe
Palmengartenstrasse 5-9
60325 Frankfurt am Main
Germany

Dr. Karl Ludwig Brockmann
Group Sustainability Officer
T +49 69 7431 3771
Karl-Ludwig.Brockmann@kfw.de

KfW Bankengruppe
Palmengartenstrasse 5-9
60325 Frankfurt am Main
Germany

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