

KfW

December 2021

»» KfW: Investment Decisions and Sustainability - Sustainability Assessment 2021

Dear Sir or Madam,

the year 2021 has been shaped by a variety of natural events – corona pandemic, climate change, flood disasters. Possible solutions for combating these problems lie in a sustainable transformation of economic systems worldwide. As a transformative promotional bank, KfW wants to take on a pioneering role in the financial sector on how banks can substantially contribute to achieving the UN SDGs and to the Paris Climate Agreement with the means available to them. In doing so, a change in strategic decision making plays an essential role, for which KfW has developed a comprehensive **Sustainable Finance concept** which is currently gradually being implemented throughout KfW Group.

The basis for steering mechanisms is to make goals measurable, which is why we work on quantifying the impact that we achieve with our financing. By introducing science-based sector guidelines, which show our clients technical development requirements, we make an active contribution to the transformation of the economy on its way to reach the Paris climate goals by 2050. Risks related to sustainability are also becoming increasingly important, not least in regulation. In preparation for this, we are working towards the implementation of the recommendations of the Task Force on Climate Related Financial Disclosure. You can find detailed information on our **“tranSForm” project** on our website (<https://www.kfw.de/>) under the keyword “Sustainable Finance”.

While “tranSForm“ is still in the project development phase and mainly focuses on KfW’s financing activities, the regular dialogue with bond issuers has been an integral part of **our sustainable investment approach for our liquidity portfolio** for many years. With a current volume of more than EUR 31 billion, the liquidity portfolio plays an essential role in KfW’s liquidity management strategy. The portfolio includes bonds issued by SSA’s, financials, covered bonds and ABS/ABCPs.

In addition to considering **exclusion** criteria, our investment strategy is based on a **best-in-class approach**. The approach stipulates to only invest in bonds of issuers whose **sustainability rating** is among the **best 50% of the respective sector**. We use the sustainability research of the sustainability rating agency **ISS ESG** to assess the sustainability commitment of your company in relation to the peers in your sector. The sustainability ratings are provided on a monthly basis and the eligible investment universe is adjusted accordingly.

Below you will find the current sustainability rating of your company, numerically represented by the current performance score and its implication for our investment process.

Performance Score as of November 2021*)	Internal threshold for eligibility, [Financials]	Exclusion from KfW's investment universe
XX (score 0-100)	25.2	Yes/No

*) Score values as of 30.11.2021. The performance score is derived from the ESG ratings of ISS ESG and is evaluated on the basis of ESG criteria.

[Remark: two examples of commentaries]

[Scores: below 50%]

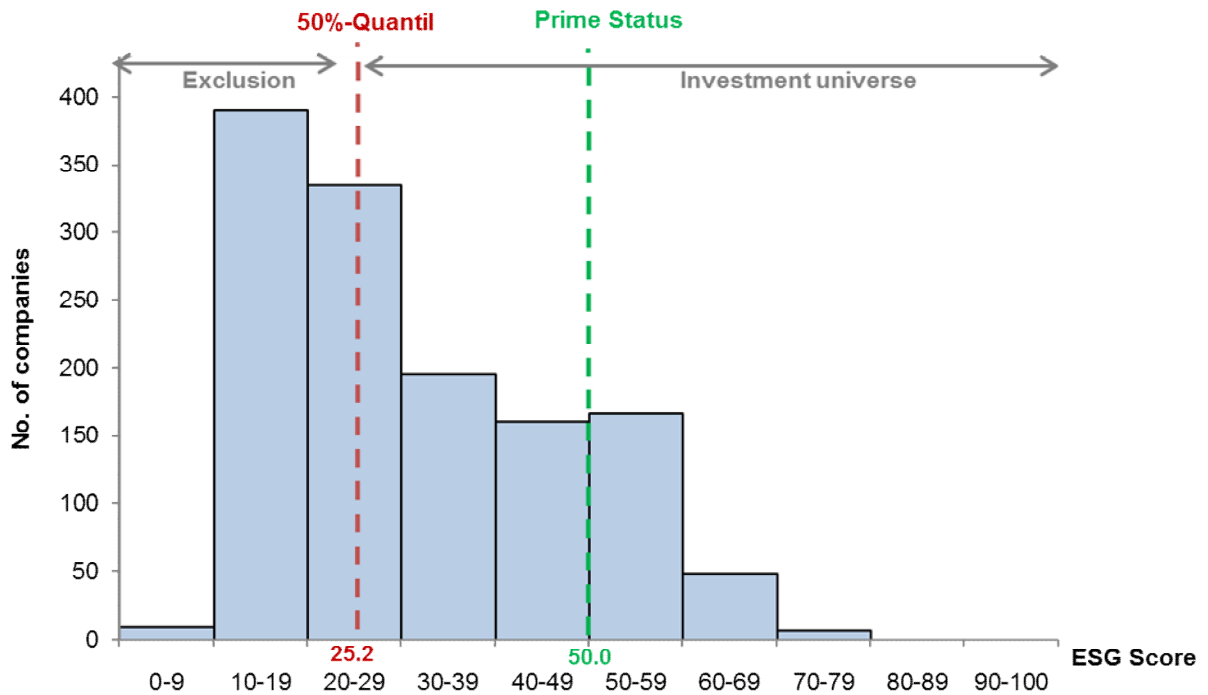
The sustainability score of your company is below our internal threshold for the sector [financials]. Therefore, we unfortunately have to inform you that in accordance with our best-in-class approach, bonds issued by your company are not part of our eligible investment universe anymore. However, we would appreciate very much to enter into a dialogue with your company to discuss this score in more detail and to learn more about your sustainable business activities.

[Scores: above 50%]

The performance score of your company is above our internal threshold for the sector [financials]. Therefore, we are pleased to inform you that bonds issued by your company remain eligible for our bond investments.

For your information, in the chart below you can see the distribution of the sustainability scores of the companies within your sector.

Distribution of ESG Scores ISS ESG - Sector Financials



Source: own representation based on ISS ESG data

A detailed overview of KfW's sustainable investment strategy and sustainable business activities is available online on KfW's website (www.kfw.de – "Sustainable Investment").

Please do not hesitate to contact our team "Sustainable Investment" if you have any questions regarding our sustainable investment approach or KfW's sustainability activities.

Best regards

KfW