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Roadmap Sustainable Finance

Sustainability mission statement

The transition towards a sustainable society is the key challenge of our time. Over the coming years and decades, this transformation will consistently require extensive investment, innovation and continuous improvement. Entrepreneurial activities and social responsibility go hand in hand, also where the global financial system is concerned.

KfW is committed to this global mission and we have opted to pursue a holistic approach, directing our promotional activities towards supporting the transformation process, providing for sustainable banking operations and acting as a responsible employer. With the goal of achieving sustainable development that takes economic, environmental and social factors into consideration in equal measure, we help to improve living conditions at the local, national, European and global level.

In this spirit, we support the sustainability goals of Germany, the European Union and the international community. We are taking action to help implement the German Federal Government's National Sustainable Development Strategy, achieve the Agenda 2030 objectives along with its Sustainable Development Goals (SDGs), and put the Paris Agreement into practice. The [KfW Law](#) establishes the basis for our action in this area.

Our position as one of the world's leading promotional banks places special responsibility on us to be a role model in forging ahead with the transformation to a sustainable economic and financial system. Through the continuous and innovative further development of our promotional products, standards and processes, we want to constantly break new ground, thereby pointing the way ahead for other players. As a result, KfW Group's role goes beyond financing investments for a sustainable economy. On our own initiative and in partnership with other financial market actors, we want to set benchmarks and standards for the credit and capital markets, act as a driving force for national and international initiatives, and offer our expertise to political decision-makers in Germany, Europe and worldwide.

Our sustainability mission statement lays out the framework for our five sustainability action areas: banking business, employee relations, bank operation, sustainability management and sustainability communications.

Sustainability action areas

1. Banking business

1. a. Financing

In our financing activities, we focus on the social and economic megatrends of “climate change and the environment”, “globalisation”, “social change”, as well as “digitalisation and innovation”. Important target groups include Germany’s small- and medium-sized enterprises, private households, municipalities, developing countries, as well as export and project finance borrowers. Due to the particular importance of the “climate and environment” megatrend, we have fixed a minimum share of 35% of our annual new business volume in our strategic management system.

In addition, the “[Declaration by KfW Bankengruppe on the consideration of human rights in its business operations](#)” reflects the crucial importance of human rights for all our activities. We take ecological and social factors into account in every financing. This process is governed by [specific sustainability guidelines](#) for all our business sectors. In the case of promotional and project financing in developing countries and emerging economies, as well as in all export and project finance activities around the world, we regularly apply internationally recognised environmental and social standards ([Environmental and Social Impact Assessment](#)). We refuse to fund projects that could conceivably cause unacceptable environmental or social harm. The group-wide wide [Exclusion List and Sectoral Guidelines of KfW Group](#) apply to all new financing and promotional activities.

1. b. Capital market

Sustainability plays a very important role in KfW’s various capital market activities. As signatory to the United Nations-supported "[Principles for Responsible Investment](#)" (PRI), we are committed to integrating environmental, social and governance issues in our investment practices. Accordingly, our liquidity portfolio, which is a central element of KfW’s liquidity management, is managed based on a sustainable investment approach.

In addition, our capital market-based promotional activities provide impetus for a more sustainable world. For instance, we support climate and environmental protection by investing in green bonds. All our green bond investments fulfill minimum requirements based on internationally accepted frameworks (e.g. the "[Green Bond Principles](#)"). As green bond issuer, KfW has established a Green Bond Framework that reflects international best practices.

1. c. Credit risk

Environmental and climate risks, as well as risks arising from poor governance and insufficient social considerations, can have a significant impact on KfW’s credit risk positions, as well as on economic and financial systems in general.

Consequently, it is our duty to continuously improve the assessment of our risk positions. In this regard, we conduct a holistic risk analysis to achieve a high level of clarity on how substantial the environment, climate,

governance and social aspects are as risk drivers. Knowledge of these risk drivers is part of the risk culture of our staff and our organisation.

We report transparently on the material analyses that we conduct. As part of this undertaking, we support initiatives and concepts that aim to systematise the methods and reporting standards for these risks, such as the Task Force on Climate-Related Financial Disclosures (TCFD).

On this basis, we actively exchange information with our customers, other financial institutions, supervisory authorities and other stakeholders, with the aim of raising awareness and sharing knowledge.

2. Employee relations

We attach great importance to treating our employees with respect and appreciation. Our success is based on our skilled and motivated staff. For this reason, employer attractiveness is an integral part of our strategic objectives. Our declared goal in terms of employer attractiveness is to always achieve top positions in the main employer rankings.

The solid foundations for achieving this goal include a fair remuneration system, group-wide diversity, and equal opportunities for the professional development of all employees, irrespective of gender, origin, ethnicity, religion, disability, age or sexual identity. We place great importance on achieving target quotas for women in leadership positions and a good work-life balance. As a future oriented organisation, we offer a variety of part-time work and telework options, professional development and training opportunities, and responsible health management.

3. Bank operation

3. a. Corporate Governance and Compliance

We carry out our activities on the basis of the [KfW Law](#), KfW's Bylaws and rules of procedure, other applicable law, and regulations stemming from banking supervision legislation. This explicitly includes compliance with legal rules and regulations relating to environmental, social and economic matters, as well as the prevention of money laundering, terrorist financing, corruption, fraud, breaches of data protection, insider trading and embargo provisions.

As a public law institution, we adhere to the principles of the German Federal Government's [Public Corporate Governance Code](#) (PCGK, German). The present mission statement, our Code of Conduct and our [Compliance Policy](#) together form the basis for ethical conduct in our organisation. In addition, codes of conduct for KfW's Executive Board and the management of KfW IPEX-Bank, and DEG and KfW Capital govern the acceptance of gifts and honorary appointments, secondary professional activities and the publication of remunerations.

KfW is a corporate member of Transparency International. In addition, DEG represents KfW Group in its capacity as a supporting member of the Extractive Industries Transparency Initiative (EITI).

3. b. In-house environmental protection

We are conscious of our responsibility towards climate and environmental protection, and we are taking strategic and operational steps to continuously reduce the ecological footprint of our banking operations. In this context, it is our objective to go beyond legal requirements and stipulations where possible. Adverse environmental impacts directly caused by KfW's bank operations are low. Nonetheless, we aim to further reduce these potentially negative effects.

In our in-house environmental protection efforts, our goal is to achieve climate-neutral operations. This process is based on the “prevent, reduce, compensate” approach. Our strategic goal is to systematically and consistently decrease the amount of unavoidable carbon emissions. Other focus areas comprise minimising energy consumption, purchasing energy from renewable sources as well as reducing paper use. In addition, efforts to avoid business trips and create less waste are key aspects.

For more information, see the sustainability guideline for "[In-house environmental protection \(German\)](#)".

3. c. Procurement

KfW's procurement guidelines require that suppliers and potential subcontractors comply with the prohibition of child labour and forced labour, protection against inhumane working conditions through appropriate limits on working hours, and legal provisions for minimum wages and health protection.

As a public sponsor, we are required to issue a formal request for Europe-wide tenders through the EU Procurement Office above certain threshold values. Principles like transparency, non-discrimination and competition are incorporated into the invitation to tender. As far as possible under public procurement law, we include social and ecological requirements in our contract conditions for Europe-wide tenders. This also applies to cases that fall below the threshold. In this way, we ensure fair competition and efficient procurement conditions that are economically sound and market-based.

For more information, see the sustainability policy "[Procurement \(German\)](#)".

3. d. Social commitment

At our locations and in selected projects, KfW acts as a “good neighbour” and “good citizen”. In particular, we support our staff's voluntary commitment. KfW also supports extraordinary ideas and basic research to encourage company start-ups and promote practical approaches in relation to climate and environment.

KfW's foundation, the KfW Stiftung, ensures, sustains and raises public awareness of KfW's social commitment, irrespective of the bank's earnings position.

4. Sustainability management system

The sustainability management system establishes responsibilities and procedures to further develop sustainability matters within KfW Group:

- Overall responsibility for our sustainability strategy and communication rests with the Chief Sustainability Officer (the CEO).
- He is supported by the Group Officer for Sustainability, the officer for in-house environmental protection, the sustainability managers in the business sectors and central units, and the site managers at the Frankfurt, Berlin, Bonn and Cologne locations.
- The Group Environment and Climate Steering Committee (KUK), chaired by the Group Officer for Sustainability, advances substantive new ideas with a focus on financing issues.
- Detailed rules are set out in specific sustainability guidelines for the business sectors and relevant central units.

To strategically ensure continuous progress of the group-wide sustainability commitment, KfW's ranking as one of the top 5 national and international promotional banks in the relevant sustainability ratings is firmly set as one of the key targets in the bank's strategic objectives. Beyond its own operations, KfW also contributes to sustainable development by taking part in external sustainability initiatives.

5. Sustainability communications

We regularly interact openly with our stakeholders about aspects of our business activity related to sustainability. This includes the sustainability of our financing and capital market work, as well as the sustainability of KfW Group in general. This exchange helps us to refine our own sustainability goals, and enables the involved stakeholders to address relevant topics. The [Sustainability Report](#) and the [Sustainability Portal](#) are important channels for our communications on sustainability and fulfill statutory requirements. Our sustainability management uses the full range of available methods and channels of communication.