

Banking operations

Conserving resources. Investing sustainably.

Whether in investment transactions, in-house environmental protection or procurement – KfW Group consistently aligns its corporate processes with its sustainability principles and values. We use strategic and operational measures to continuously reduce the ecological footprint of our banking operations. KfW uses a sustainable investment approach for the liquidity portfolio.



100% of buildings rented or owned by KfW Group are powered with certified green electricity



86% is the **percentage of recycled paper** used at KfW



In 2017, KfW issued a volume of **EUR 3.7 billion** in green bonds

For KfW Group, climate and environmental protection in banking operations means using natural resources sparingly, avoiding waste and protecting air, water and soil.

The Sustainability Guidelines for in-house environmental protection at KfW Group forms the basis for environmental management in the group subsidiaries and at the locations. The guidelines from October 2012 shall be updated and revised in the context of further development of the commitment to sustainability.

KfW coordinates its environmental activity across the group via a central sustainability management system; specific, concrete objectives and measures are laid down in the relevant current Sustainability Programme, including items such as updates of the above-mentioned guidelines. The task force on business ecology under the direction of the in-house environmental protection officer ensures implementation. The task force also regularly reports to employees on the topic of in-house environmental protection, either directly or via experts.

KfW includes all its own buildings across the group throughout Germany as well as all other rented buildings whenever possible in its in-house environmental data.

Negative environmental impacts directly caused by KfW's business activities tend to be limited. However, KfW is aware of its responsibilities concerning climate action and environmental protection and thus continually works to further reduce possible negative impacts. KfW Group would also find it hard to achieve the cost benefits resulting from conducting its business in an ecologically efficient way without a functioning environmental management. Furthermore, as an environmental bank, anchoring extensive internal environmental management is a matter of course for KfW.

In-house environmental protection focuses on minimising or optimising energy and paper consumption, business travel and waste production.



The Sustainability Guidelines for in-house environmental protection are the basis of KfW Group's environmental management

Energy consumption

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. The current share is around 60%. To achieve this objective, KfW uses its own photovoltaic, solar and geothermal systems as well as wood pellet systems. As a supplemental measure, all buildings owned or rented by KfW are powered with up to 100% certified green electricity; the same goes for KfW's external data centre.

Energy consumption of KfW Group in Germany in megawatt-hours

	2013	2014	2015	2016	2017
Standard grid power	1,925	1,750	0	0	0
Green electricity	22,163	22,475	23,635	24,017	24,169
Cogeneration unit (electricity, own use) ¹	1,728	791	1,267	1,720	2,023
Photovoltaic (own use)	11	12	19	18	8
Photovoltaic (fed into grid) ²	-69	-69	-73	-70	-68
Emergency power generators (diesel)	34	51	7	51	5
Natural gas	18,784	15,344	16,780	18,089	19,013
Heating oil	398	0	0	0	0
District heating	1,289	406	1,500	1,358	1,281
Solar thermal energy	18	21	21	21	11
Wood pellets	1,011	523	507	451	286
Total	45,633	40,582	42,469	44,005	44,773
Per employee	7.2	6.0	6.7	6.6	6.0 ³

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

² Negative amount not taken into account

³ The definitions for counting staff numbers were changed in 2017, making direct comparison of per-capita consumption impossible.

Business travel

We are pleased that there was no increase in per-capita annual consumption in 2017; compared with 2016, significantly more employees used the train again for business travel. Electric vehicle usage increased strongly: 14 electric or hybrid vehicles were available in the fleet in 2017.

Business travel at KfW Group in thousands of kilometres

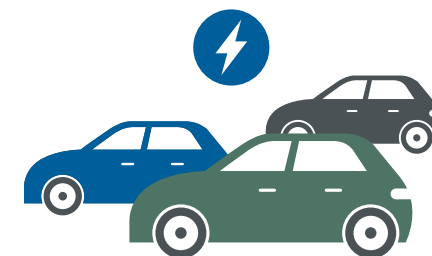
	2013	2014	2015	2016	2017
Car (petrol) ¹	115	91	161	239	301
Car (diesel) ¹	4,711	4,677	5,248	4,337	5,031
Car (natural gas) ¹	60	23	2	0	0
Electric	-	-	27	31	95
Train ²	4,305	4,304	4,195	4,759	5,427
Flights (Germany) ³	5,573	5,518	4,839	5,317	5,077
Flights (Europe) ³	6,687	6,469	5,229	4,826	5,697
Flights (international) ³	46,537	56,939	43,632	43,461	48,976
Total	67,988	78,021	63,333	62,970	70,605
Per employee	10.3	12.4	9.9	9.5	9.5 ⁴

¹ This row contains 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 travelled but not surveyed with these cars as well as kilometres travelled by taxi, rented car or private car during business trips are largely compensated for. It is currently not possible to make a more precise assessment.

² 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 are not included, but they are rather the exception.

³ Annual kilometres of all internal and external employees as well as external experts paid by KfW and invited guests that were booked through in-house travel management.

⁴ In 2017, the system limit for surveying employees was changed, making direct comparison of per-capita consumption impossible.



14 electric or hybrid vehicles are in the KfW fleet

Energy consumption for business travel at KfW Group¹ in megawatt-hours

	2013	2014	2015	2016	2017
Car (petrol and natural gas)	293	200	263	659	416
Car (diesel)	6,814	6,725	7,391	5,071	5,953
Train	969	968	944	1,095	1,248
Flights (Germany)	5,077	5,027	4,409	4,839	4,626
Flights (Europe)	3,036	2,937	2,374	2,172	2,587
Flights (international)	21,128	25,850	19,809	19,558	22,235
Total	37,317	41,707	35,190	33,394	37,065
Per employee	5.7	6.6	5.5	5.0	5.0 ²

¹ Calculated according to figures from the Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies (VfU), last updated: April 2011; factors including upstream chain

² In 2017, the definitions for counting staff numbers were changed, making direct comparison of per-capita consumption impossible.

Measures for reducing energy consumption

In the context of a project for the energy-efficient restructuring of the central heating and cooling systems at the Frankfurt location, KfW has been completely restructuring the system since the end of 2016. This project is a reaction to the changing consumption structures within the building complex and to the challenges of the energy transition. The measure is aimed at establishing a centralised, flexible and energy-efficient energy supply to the location that is sustainable in the long term. The use of large-scale heat pumps and combined heat and power systems to supply heating is planned, along with a highly efficient turbocore chiller for cooling. This can reduce carbon emissions by up to 1,500t per year.

A part of the existing uninterruptible power supply (UPS) system has been exchanged for modern, smaller models in an additional project since 2017. Efficiency gains of 220MWh of electricity per year are expected due to the reduction in power loss.

Climate-neutral banking operations

Climate neutral banking operations are the core objective of in-house environmental management in the area of energy (buildings, business travel). KfW offsets the emissions that remain despite the extensive conversion to renewable energy sources and the use of more environmentally friendly transportation across the group. KfW has also associated green electricity consumption with a CO₂ factor, thus taking into account that emissions are also produced in the use of such electricity. Electricity consumption at the external data centre is also taken into account. Not all avoidable emissions generated by KfW Group activities have yet been offset. KfW Group continually strives to record and offset as all emissions generated, to the extent possible.

220 MWh
 expected gains in
 efficiency per year
 due to energy-
 saving investments

KfW Group purchases high-value Clean Development Mechanism (CDM) certificates on the market and permanently deactivates them. In 2017 they originated from the Community Development Carbon Fund (CDCF) of the World Bank, which finances projects to reduce CO₂ emissions in poor countries. KfW's banking operations are thereby largely carbon-neutral across the group.

When evaluating its carbon equivalents (CO₂e), KfW uses international standards set by the Greenhouse Gas Protocol and emissions are divided between scopes 1 to 3. Scopes 1 and 3 show an increase of around 7% and close to 11% respectively when compared to the previous year; scope 2 is nearly stagnant at a little less than 2%. The shifts can mainly

be ascribed to technical measures. In Berlin and Frankfurt, for example, in-house block-type thermal power stations were made more use of again. These primarily produce electricity so that the amount of electricity that had to be purchased could be reduced. Scope 3 increased significantly; this was due to an increase of around 12% in air travel due to increased business volume. The amount of CO₂e emitted per capita remained constant here.

CO₂e emissions of KfW Group¹ in tonnes

	2013	2014	2015	2016	2017
Emissions from direct energy consumption (Scope 1) ²	5,869	4,636	5,095	5,260	5,616
Emissions from indirect energy consumption (Scope 2) ³	2,555	2,073	1,097	1,400	1,368
Total business travel (Scope 3) ⁴	8,113	9,446	7,394	7,411	8,208
Events (Scope 3) ⁵	55	102	102	74	87
Total	16,592	16,257	13,628	14,145	15,278
Per employee	2.5	2.6	2.2	2.1	2.1 ⁶

¹ Unavoidable CO₂e emissions of the KfW Group have been offset since 2006.

² Natural gas, wood pellets and own fleet

³ Green electricity, district heating, oil and emergency power generators (diesel)

⁴ Only flights; short and long-distance rail travel is CO₂e-neutral per se.

⁵ Emissions for participants' travel to and from KfW buildings for events

⁶ In 2017, the definitions for counting staff numbers were changed, making direct comparison of per-capita consumption impossible.

Location- and market-based CO₂ emissions of KfW Group according to scope 2 (2017) in tonnes

	Location-based	Market-based
Green electricity	11,446	5,921
Emergency power generators (diesel)	1.5	1.5
Heating oil	0	0
District heating	248.5	248.5
Total	11,696	6,171

According to the Greenhouse Gas (GHG) Protocol, we identified the scope 2 emissions (from green electricity, district heating, oil and diesel emergency power generators) according to two different factors: location-based (average factor for Germany) and market-based (factor for the energy supplier).

Resource consumption

Paper is one of the essential materials of a financial institution. KfW Group continuously strives to reduce 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.

Increasing digitalisation continues to reduce the overall amount of paper consumed in a reporting year through measures like changing over various credit processes to digital formats and switching from paper remuneration statements to making them available in electronic form only. Furthermore, the number of publications (promotional materials) has fallen drastically, leading to reduced paper consumption. It should also be noted that 2017 saw the first purely electronically published KfW Annual Report. Overall, these measures were able to reduce per-capita consumption by 14.3 kg.

By far, the largest percentage of paper used at KfW Group – nearly 90% – is recycled paper with the “Blauer Engel” environmental label. The only paper used for externally printed publications is FSC® paper, and KfW only works with carbon-neutral printing companies – a further contribution towards climate neutrality at KfW.



Close to 90% of paper used is recycled paper

KfW Group paper consumption in Germany in kilograms

	2013	2014	2015	2016	2017
Recycled paper (Blue Angel) ¹	278,390	308,385	251,150	225,863	196,084
Writing paper (recycled paper – Blue Angel) ¹	3,536	5,260	3,351	3,171	2,635
Virgin fibre paper for promotional materials (FSC mixed sources label)	90,268	72,931	153,512	73,291	32,528
Total	372,194	386,576	408,413	302,325	231,247
Per employee	56.4	61.5	64.3	45.5	31.2 ²
of which, recycled paper (in %)	75	81	62	76	86

¹ Refers to 80 g/m² A4 printing and copying paper.

² In 2017, the definitions for counting staff numbers were changed, making direct comparison of per-capita consumption impossible.

Water consumption

According to the Sustainability Guidelines for in-house environmental protection, KfW strives to continually reduce water consumption within the group.

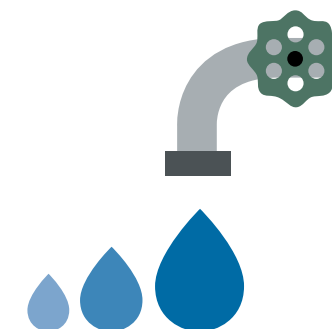
Up to around 88% of water is drawn from the municipal pipe-line network. The remaining 12% comes from ground water

(in Berlin, ground water or stratum water is used in underground garages) and collected rainwater (process water). The latter is used for outdoor irrigation at the Frankfurt, Berlin and Bonn locations and, in Bonn, it is also used for flushing toilets. The ground water in Berlin is used for toilet flushing and operating the cooling tower. Water consumption fell by around 6% between 2016 and 2017.

KfW Group water consumption in Germany in cubic metres

	2013	2014	2015	2016	2017
Drinking water	106,412	94,209	98,808	95,830	94,819
Other process water (rainwater and ground water)	5,156	14,231	17,355	18,313	12,912
Total	111,568	108,440	116,163	114,143	107,731
Per employee	16.9	17.2	18.3	17.2	14.6 ¹

¹ In 2017, the definitions for counting staff numbers were changed, making direct comparison of per capita consumption impossible.



Water consumption
reduced by 6%

Waste water and solid waste

KfW Group uses the existing public infrastructure for waste water and solid waste. It is within the group's own interest to keep the disposal charges incurred as low as possible, for example, by pre-sorting the waste as well as possible.

KfW discharges waste water into the public sewage networks. This is common household waste water. Compliance with thresholds is ensured via separating installations. Nothing is discharged directly into water bodies. In 2017 KfW discharged 114,374 m³ of waste water into the sewage system from its four German locations. This includes the 6,643 m³ of unused ground water discharged into the municipal sewage system in Berlin. No unplanned discharge of waste water took place.

Across the group, KfW has its waste collected, transported and, whenever possible, recycled by certified waste-management companies. When drawing up contracts, it makes sure that the transport routes are as short as possible.

The amount of paper for recycling increased in 2016 due to a move and plummeted again in 2017. Overall, per capita consumption of paper that was recycled went down by around 16% across the group.

At about 4.2%, hazardous waste was a small percentage of the total amount of waste; the amount of electronic waste was only around 2.3% but was more than three times higher than the previous year. The reasons for this were the decommissioning of cooling plants as well as the clean-up of chemical substances that are no longer needed or no longer used at technical facilities. Regularly generated hazardous waste has, by contrast, been reduced.

Waste generated by KfW Group in Germany in tonnes

	2013	2014	2015	2016	2017
Non-hazardous waste	2,324	2,542	2,143	1,999	2,495
thereof, paper for recycling	421	115	406	469	396
Hazardous waste	25	53	58	32	109
thereof, electronic waste	–	–	14 ¹	20 ¹	60 ¹
Total	2,349	2,595	2,201	2,031	2,604
Per employee (in kg)	355	413	347	306	352 ²

¹ Excluding Berlin. External service providers ensure proper disposal there and are responsible as waste producers.

² In 2017, the system limit for surveying employees was changed, making direct comparison of per-capita consumption impossible.

Procurement

The KfW supply chain is distributed across Human Resources, Facility Management, IT, Marketing and Communications. Various KfW Group organisational units are responsible for supplying the bank with goods and services.

These activities take profitability aspects into account and are in compliance with procurement law principles and internal KfW Group guidelines, including the Sustainability Guidelines for responsible procurement. These guidelines apply to all orders throughout the group and complements the general guidelines on procurement. KfW procurement strives to maintain a fair and responsible relationship between suppliers and customers. Long-term and respectful cooperation is generally in the interest of the parties involved. This cooperation must, however, be subject to continual monitoring for profitability and possible market changes.

As a public sector contracting authority, KfW is obligated to issue a formal request for Europe-wide tenders through its respective awarding unit (EU-Vergabestelle), if certain threshold values determined by the EU Commission every two years are exceeded. Principles like transparency, non-discrimination and competition are to be incorporated into the invitation to tender. As far as possible under public procurement law, KfW Group includes social and ecological requirements in its contract conditions for Europe-wide tenders that are tailored to the specific subject matter of the procurement. This also applies to cases that fall below the threshold. Accordingly, KfW ensures fair competition and efficient procurement conditions that are in line with the market and are economically viable.

Ecological and social criteria

Cooperation with KfW Group as a supplier requires compliance with legal and ethical principles, in particular, specific requirements of procurement law, conditions in line with markets, and sustainable production methods that include responsible handling of resources. According to its Sustainability Guidelines for responsible procurement, KfW focuses on products and services with high sustainability standards, a high degree of market consistency, transparency and supply security when awarding contracts. For example, one important criterion for selecting suppliers is how environmentally sound they are: KfW pays attention to how products are made and supplied. To the extent that they are relevant, in assessing the sustainability of products or manufacturers KfW focuses on the requirements and specifications of recognised certification systems such as Blue Angel, Forest Stewardship Council (FSC®), Energy Star and Fair Trade. KfW also places value on compliance with social principles and standards. This is also regulated with the group's Sustainability Guidelines for responsible procurement. KfW's own Procurement division uses this to pursue its ecological, economic and social objectives. It is committed to the careful use of resources and responsible social interactions.

Minimising negative impacts

For products and services with significant adverse environmental impacts, KfW Group requires that suppliers have established guidelines and management systems to minimise these effects.

KfW contractors must not employ children or allow forced labour. Workforce wages, benefits and working hours must at least comply with the local legal requirements. In addition, KfW expects its business partners not to allow bribery, price-fixing or other unfair practices and to actively oppose all kinds of corruption.

To ensure implementation of the Sustainability Guidelines for responsible procurement, KfW Group added a paragraph on sustainability and occupational safety to the procurement guidelines. KfW's procurement guidelines require that suppliers and potential subcontractors comply with the prohibition of child labour and forced labour, protect against inhumane working conditions with appropriate limits on working hours, and comply with legal provisions for minimum wages and health protection. In individual cases, KfW replicates the requirements of the sustainability guidelines in all new contracts wherever this is legally and commercially reasonable.

Within reason, KfW's 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 2017, KfW Group procurement volume was around EUR 682 million (2016: EUR 635 million). Of the 2,405 active contractors (2016: 2,390), around 90% are based in Germany and the remaining 10% in other OECD states.

Supplier survey 2017

KfW without subsidiaries recognises its suppliers as important stakeholders who share responsibility in advancing the multifaceted issue of sustainability. KfW has thus been conducting a supplier survey of its strategic and biggest suppliers (procurement volume in the previous year larger than EUR 1.5 million) since 2016, expanded to cover sustainability aspects in the framework of its strategic provider controlling. In 2017, 44 suppliers were surveyed and evaluated for issues that included sustainability. For example, they were asked whether they have environmental or sustainability management systems or if the companies exercise responsibility with subcontractors outside of OECD countries. The next survey will take place in 2018. It will use the questions from 2017 as the basis and refine them if needed.



EUR 682 million
procurement volume

KfW in the capital market

KfW Group's good reputation in the international capital markets is not only based on its sense of ecological and social responsibility. It is also based 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. KfW Group bundles its long- and short-term funding activities and its liquidity, currency, interest rate and asset management for the entire group in the business sector Financial markets. KfW takes sustainability seriously also in its treasury. This approach ensures that KfW Group's promotional mandate and its treasury activities go hand in hand.

KfW makes an active contribution to climate change mitigation and environmental protection with investments in green bonds. Furthermore, it also promotes corporate finance through investments in securitisation of SME receivable.

Sustainable portfolio management

1. Liquidity portfolio

KfW's liquidity portfolio forms part of KfW's liquidity management. This portfolio is a bond portfolio, which comprises bonds from public-sector issuers and supranational organisations as well as bank bonds, covered bonds and asset-backed securities (ABS). As of 31 December 2017, the volume of the liquidity portfolio was close to EUR 26 billion.

Upon signing the United Nations' Principles for Responsible Investment (PRI) in 2006, KfW committed itself to conducting business activities as a securities investor in a sustainable manner. The sustainability approach for KfW's liquidity portfolio includes the following components:

a) Integration of ESG criteria

When selecting investments for the liquidity portfolio, KfW takes into account the issuers' sustainability assessment based on environmental, social and governance (ESG) criteria in addition to their credit rating since 2008.

At the beginning of 2017, KfW developed its approach of ESG integration further by establishing a best-in-class approach for the liquidity portfolio. All issuers are assigned to the sectors in the liquidity portfolio (financial institutions, countries and automobiles for ABS) and evaluated in comparison to other issuers in the respective sector with regard to ESG criteria. This evaluation is based on the sustainability assessments performed by a sustainability rating agency. According to the best-in-class approach, bonds are only purchased from issuers if their sustainability assessment places them in the top 80% of their sector. As the liquidity portfolio uses a buy-and-hold approach, the new investment strategy only pertains to new investments.

EUR **26** billion
volume of the
liquidity portfolio

b) Introduction of exclusion criteria

In addition to the ESG criteria, exclusion criteria are also integrated into our investment approach for the liquidity portfolio being considered. Applying exclusion criteria ensures that no funds are provided by KfW to issuers whose activities are likely to have unacceptable negative impact on the environment, social conditions and governance. The exclusion criteria investments are based on the “IFC Exclusion List”. These criteria include, for example, business activities that use child labour or forced labour, or are subject to international bans or withdrawal provisions, and business sectors like tobacco, gambling, pornography, controversial weapons or nuclear power, etc. If the issuers are financial institutions, the exclusion criteria are applied indirectly; for banks, for example, they are applied to their equity participations. Exclusion criteria are not considered for bonds of sovereign issuers.

c) Engagement

KfW conducts an engagement process with the non-governmental issuers of the liquidity portfolio. In 2017, we contacted 92% of issuers that were part of our liquidity portfolio as of 30 April 2017 with letters, phone calls or personal meetings and informed them about the new best-in-class approach for the liquidity portfolio, their sustainability assessment and their relative position in comparison to their sector. The aim is to send a strong signal to issuers that their sustainability assessment is a relevant criterion when considering potential investments for KfW’s liquidity portfolio.

2. Green bond portfolio

In April 2015 under mandate by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, KfW began to build up a green bond portfolio. The promotional mandate specifies the objective for the green bond portfolio: supplementing the financing of environmental protection and climate change mitigation measures – in addition to KfW’s promotional business – by using a capital market instrument. Furthermore, KfW aims to support the qualitative development of the green bond market. The Asset Management Department in the Financial Markets Department (FM) is responsible for building up the portfolio. It is a pure bond portfolio with a buy-and-hold approach based on risk management via rating and term diversification rules and a bank-wide single borrower limit framework. The original target volume of the portfolio was doubled from EUR 1 billion to EUR 2 billion in May 2017 and the investment horizon was extended for an additional three to five years. The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety adjusted the promotional mandate ahead of schedule after it had already signed off on the target volume that was about to be achieved at that time. KfW aims to continue its support for further development of the green bond market through material investments in coming years as well.

KfW would like to make an active contribution to the financing of climate change mitigation and environmental protection projects with investments in green bonds. The promotional mandate of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety stipulates compliance with minimum criteria that align with the Green Bond Principles (GBP). The minimum criteria refer to the accepted project categories (for example, renewable energies, resource efficiency, environmentally friendly transport projects and biodiversity), including the description of objectives and expected impacts from projects, the process of project selection, the separation of funds, reporting and qualified verification by a third party (for example, in the form of a “second-party opinion”). Furthermore, it is ensured that



Target volume of the green bond portfolio doubled from EUR 1 billion to EUR 2 billion

no funds are provided for measures intended for commercial power generation with nuclear energy or coal. To comply with this, KfW checks for adherence to the minimum criteria before each investment and uses an internal assessment scheme to categorise green bonds. After each investment, KfW checks the reporting. Based on the information provided by the respective issuer, KfW verifies whether the use of funds is explained transparently and actually corresponds to the promotional objective. If the issuer's use of the funds is inadequate, KfW reserves the right to contact the issuer and make a decision about the commitment on an individual basis (for example, selling the respective green bond). Issuer reporting usually takes place annually until the funds have been completely allocated; shorter reporting periods are possible.

Beyond that, KfW supports the development of the green bond market. The objective is to advance the establishment of ambitious market standards for green bonds together with market participants such as issuers, independent third parties or market initiatives. The Green Bond Principles play a particularly important role here. In 2015 and 2017, KfW was selected as an investor in the GBP Executive Committee and is a member of the "Green Projects Eligibility" and "Impact Reporting" task forces.

The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety receives an annual report about market and portfolio development as well as the accompanying measures. The Executive Board is informed about the portfolio's development on a monthly basis in the context of the internal reporting of KfW's promotional activities.

As of 31 December 2017, the volume of the green bond portfolio was EUR 910 million.] ✓

3. ABS promotional portfolio for the SME sector

KfW Group promotes the financing of commercial enterprises via the capital market with the ABS promotional portfolio. Under the mandate of the German Federal Ministry for Economic Affairs and Energy, KfW invests in ABS and ABCP (Asset-Backed Commercial Papers) that directly or indirectly benefit SME-sector financing. Before each investment, an assessment is conducted as to whether the requirements in the mandate are fulfilled. As an anchor investor, KfW Group makes an active contribution to the further development of capital-market-based SME-sector financing. As of 31 December 2017, the volume of the ABS promotional portfolio was EUR 2.5 billion.

EUR **2.5** billion
volume of the ABS
promotional portfolio

“Green Bonds – Made by KfW”

With its many years of experience and excellent capital market reputation, KfW provides impetus also as an issuer. KfW has been issuing green bonds since July 2014, offering investors the opportunity to specifically combine the security and liquidity typical of KfW bonds with promoting environmental protection and climate change mitigation. These bonds link investment in renewable energy projects with KfW’s top-notch credit rating. KfW is pursuing the objective of helping the green market segment to continue to grow with an increasing number of sustainably orientated investors and will provide further impetus for the development of environmental protection activities through high demand in future. In 2017, KfW issued seven green bonds with a total volume of EUR 3.7 billion in four different currencies. With an outstanding volume of around EUR 12.9 billion at the end of 2017, KfW became Germany’s largest and the world’s second-largest issuer in the promotional bank segment within four years.

Transparency regarding the use of proceeds

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 each quarter until full allocation. Furthermore, KfW published its first extensive report on the environmental and social impacts of its green bonds in 2016 (“impact reporting”). According to the latest report, each EUR million invested in a KfW Green Bond issued 2014 financed projects in the “Renewable Energies” loan programme, leading to annual savings of over 1,200 tonnes of CO₂e. Moreover, it helped to create and secure 25 jobs, save energy imports into Germany and prevent costs from fossil fuels in the amount of EUR 67,000 for one year. External costs of over EUR 129,000 were avoided annually, for example, through the prevention of environmental damage and detrimental health issues. The next impact report for emission years 2015 and 2016 will be disclosed in 2018. Both reports – use of proceeds and impact report – can be found on the Internet.

In the past, KfW has received multiple awards from leading industry publications for its transparency and successful efforts in the area of green bonds on the capital market. In addition to its green bond approach, KfW received various distinctions for its reporting and was awarded both as an issuer and for specific green bond transactions.

2.9 million tonnes of CO₂e is the estimated reduction of greenhouse gas emissions due to the green bonds issued in 2017