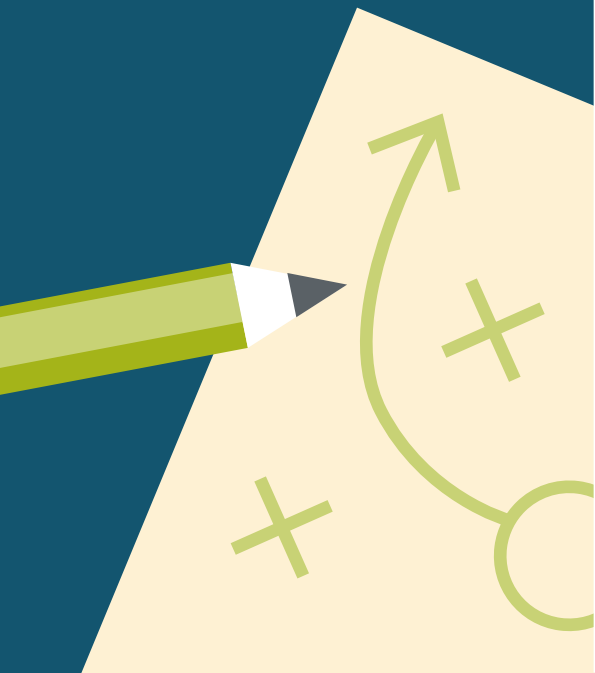




»»» Sustainability Report 2019  
Data according to GRI, HGB and TCFD



Bank aus Verantwortung

**KFW**

# About this report

KfW Group's 2019 Sustainability Report is made up of three sections designed to appeal specifically to different readers. The focus of all three sections of the Sustainability Report 2019 is "The consequences of climate change and climate protection".

This first section contains all the data related to sustainability at KfW Group for the 2019 reporting year. It is geared towards specialists, analysts and investors. It also contains KfW Group's consolidated non-financial report in accordance with Section 315b and Section 289b of the German Commercial Code (HGB) and Section 315c in conjunction with Sections 289c to 289e HGB. Text that is marked in blue or tables marked with the symbol  relate to content in the non-financial report that is required under the HGB. A decision has been made not to have the report audited externally for the year under review.

Furthermore, this report was prepared in accordance with the Global Reporting Initiative (GRI) Standards: "Core option". In order to identify the relevant contents of the report, a new materiality analysis was performed in 2019 (→ "Strategy" chapter, page 13 for details). Qualitative information in the report relates mainly to financial year 2019, while the key

figures presented typically cover five years. The reporting date for quantitative data was 31 December 2019. Any deviations are marked accordingly.

For the first time, KfW Group is now reporting on the material climate-related risks to its business and is therefore following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (→ "Corporate Governance" chapter, page 30).

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 pertains only to individual parts of the group is marked accordingly. The subsidiary KfW Capital GmbH & Co. KG founded at the end of 2018 has been integrated into the scope of reporting to the extent that this makes sense and to the extent that informative data is available. Where statements refer to KfW Group as a whole, the name 'KfW Group' is always mentioned once at the beginning of a contiguous text and subsequently abbreviated to 'KfW' for easier reading.

The second section of the 2019 Sustainability Report looks at the dialogue regarding the effects of climate change and, as an online magazine, is directed at interested members of the public and experts. It also describes the formats and content used in KfW stakeholder communication.

The third part of the report is a discourse on KfW Group's internal approach to sustainability management. The topics and content covered in the management review section are updated at regular intervals.

All three sections are available in digital form only and can be accessed through the → [microsite](#) set up in 2018.

As no material organisational changes occurred during the reporting period, all data are broadly comparable with the previous Sustainability Report. The editorial deadline was 3 March 2020.

KfW Group's Sustainability Report has been published every year since the reporting year 2017. KfW uses it as a basis to issue a declaration of conformity with the German Sustainability Code (DNK).

## Components of the 2019 Sustainability Report

The 2019 Sustainability Report enters the **dialogue** on the effects of climate change, opens up the **discourse** on internal sustainability management and delivers **data** on sustainability in accordance with GRI, HGB and TCFD for the reporting year 2019.

### Website

The image displays two overlapping visual elements. On the left is a screenshot of the KfW website's Sustainability Report 2019 landing page. The page features the KfW logo (Bank für Sozialwirtschaft) in the top left, a search bar with the text 'Suchbegriff eingeben', and a language selector set to 'English'. A navigation menu includes 'Übersicht', 'Dialog', 'Diskurs', and 'Daten'. The main heading reads 'Sustainability Report 2019 Dialogue. Discourse. Data.' Below this, three colored boxes represent the report's components: a green box for 'Dialogue on the effects of climate change', a blue box for 'Discourse on managing sustainability', and a light blue box for 'Data according to TCFD and CS'. On the right is the cover page of the 'Sustainability Report 2019 Data according to GRI, HGB and TCFD' PDF. The cover features a dark blue background with a globe, a magnifying glass over the year '2019', and a calculator. The KfW logo and the tagline 'Bank aus Verantwortung' are at the bottom.

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# Foreword by the CEO

## Dear Readers,

In 2019, almost no other global challenge garnered as much public attention as climate change and its effects. The “Fridays for Future” movement saw the calls of scientists gain a new level of resonance. And climate-related policy gained momentum in 2019 as well. With its new Climate Protection Law and the Climate Action Programme 2030, the German Federal Government introduced binding measures to reduce greenhouse gases. Within this context, KfW will continue to evolve into a transformative promotional bank for a greenhouse-gas-neutral future. Our goal is not only to incorporate the Federal Government’s long-term climate goals into our own financing portfolio, but also to support our customers in their processes of transformation. Our new climate protection programme for SMEs – which has been helping German SMEs to prepare for the requirements under the EU’s future sustainability taxonomy at an early stage since March 2020 – is one example of this work.

Although the rate of environmental and climate-related projects in our financing work has been high for many years, we still believe we can do better.

As a promotional bank, we also have to carefully analyse the physical and transition climate risks to our portfolio.

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have added a special chapter to this report to outline our climate-related risks and associated processes in a transparent manner for the very first time.

KfW is more than just a climate bank. As a promotional bank that supports sustainable development, the social and economic aspects of sustainability also make up an integral part of our mission. Away from greenhouse-gas-intensive sectors, KfW will continue to pursue legally defined promotional targets that are not primarily attributed to climate and environmental protection, such as the provision of student loans or the promotion of innovative start-ups.

Effective action for sustainable development relies on motivated and committed employees, and striking an equal balance between work and private life plays a central role in this. We were therefore all the more pleased to see that the topic of work-life balance received high approval levels in our latest employee survey: 82% of employees confirmed that their direct manager supports flexible workplace design to allow for better compatibility between work and private life.

I hope you find this report informative.

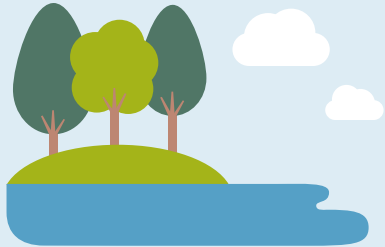


Yours sincerely,



Dr Günther Bräunig

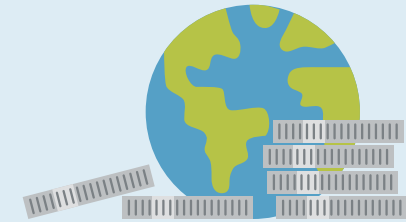
# KfW in figures



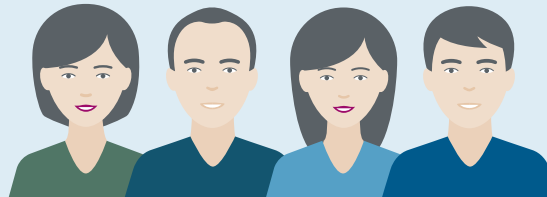
38% of the commitment volume was allocated to climate action and environmental protection (2018: 40%)

## EUR 77.3 billion

in commitments in 2019  
(2018: EUR 75.5 billion)



EUR 8.1 billion in green bonds was issued by KfW (2018: EUR 1.6 billion)



33.5% of management roles at KfW are filled by women (2018: 33.2%)

# 26

employees are responsible for assessing the environmental and social impacts of KfW financing (2018: 22)

# 6,934

staff are employed at KfW Group (2018: 6,574)

## Top scores

in major sustainability ratings: Sustainalytics (first place among national and international promotional banks), imug (second place), ISS ESG (12th place)

# 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 on a statutory basis. This profile is what clearly sets KfW apart from other 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, KfW Group also contains several operating subsidiaries. The main subsidiaries are → [KfW IPEX-Bank GmbH](#), which provides export and project financing, → [DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH \(DEG\)](#), which promotes the private sector in developing and emerging economies, and – since 2018 – → [KfW Capital GmbH & Co. KG](#), which promotes the expansion of the German and European venture capital and venture debt markets by investing in funds. The aforementioned companies are all wholly owned subsidiaries of KfW (→ [Overview, page 8](#)).

→ [KfW Development Bank](#) is a division of KfW Group and performs specialist tasks in developing countries and emerging economies.

Finanzierungs- und Beratungsgesellschaft mbH (FuB) performs special tasks for the Federal Government, while Technologie-Beteiligungs-Gesellschaft mbH (tbg) handles old equity finance business. FuB’s primary duties 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 Energieagentur GmbH (BEA). It also holds further strategic investments in True Sale International GmbH (TSI, 7.7%), Elia System Operator S.A./NV (0.3%) and 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 Federal Government. Furthermore, KfW holds an indirect 9.3% stake in Airbus SE via Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG (GZBV) as part of another holding arrangement with the Federal Government. Under another state arrangement, KfW owns 20% of Eurogrid GmbH via Selent Netzbetreiber GmbH, which also makes it an indirect stakeholder in 50 Hertz 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 engagement 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, for example in Tunisia.

## KfW Group's fields of business, products and services

Domestic promotion			International business	
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 digitisation</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>– Individual financing solutions and municipal financing</li> <li>– Customised corporate financing</li> <li>– Individual financing for banks and state promotional institutes</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>– International export and project financing</li> <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>– Promotion of developing countries and emerging economies</li> <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 fields of business

KfW Group has set itself the target of supporting sustainable improvement to economic, social and environmental conditions around the world. The promotional and financing activities of KfW Group are divided into domestic and international business. Its domestic business is made up of the Mittelstandsbank and private customers, individual financing and public clients, and the company 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 also belong to KfW. Together with 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, a further third concentrates on Europe, while the remaining third focuses on the rest of the world.

### Domestic business

KfW's domestic business is made up of two business sectors: the Mittelstandsbank (SME bank) and private customers area and the individual financing and public clients area.

### 1. Business sector: SME Bank & Private Clients

The business sector of Mittelstandsbank & Private Kunden (SME Bank & Private Clients) consolidates the high-volume business, which can be both standardised and transferred into digital processes. It makes up around 80% of the domestic promotional volume. The business sector is broken down into two segments according to customer groups: the Mittelstandsbank is geared towards commercial customers while the other segment targets private customers.

The Mittelstandsbank segment supports the German economy with a wide range of loans and grants in the focal areas of energy transition, environment and sustainability, innovation, corporate investment, and entrepreneurship.

The promotional activities in the Private Clients segment include financing for education (including student loans), promotion of energy efficiency in new buildings and renovated residential buildings, and promotion for the acquisition, construction or barrier-free renovation or construction of owner-occupied residential property. Its promotional products are standardised loans on-lent by the bank (with and without repayment bonuses) and investment grants. Its portfolio is complemented by innovative approaches to financing (such as an SME platform).

## 2. Business sector: Customised Finance & Public Clients

The Customised Finance & Public Clients business sector is responsible for flexible and tailored promotional solutions for companies, state-level promotional institutes and other banks. It is also in charge of municipal financing.

This sector is split into three business segments:

The municipal and social infrastructure segment primarily covers the wide range of basic promotion offers for municipalities, associations of municipalities, municipal companies, non-profit companies/organisations and private enterprises that are part of public-private partnerships (PPP projects), focusing on climate protection, energy efficiency, resource conservation, basic public services and demographic change in our society. This segment issues standardised loans on either a direct basis (business with municipalities) or through on-lending (municipal and social companies, etc.) and also issues grants.

The customised finance segment for businesses focuses on tailor-made promotional solutions in the form of various external capital products including the transfer of risk, concentrating on innovation, digitisation and growth. These products include project, acquisition and consortium financing as well as the new Venture Tech Growth Financing programme set up in 2018. The aim of this programme is to promote young, innovative tech companies by providing them with borrowed capital during early growth phases. In the segment of customised finance for banks and state-level promotional institutions (known as LFIs in Germany), KfW refinances LFIs using programme-based global loans and global loans for general LFI refinancing.

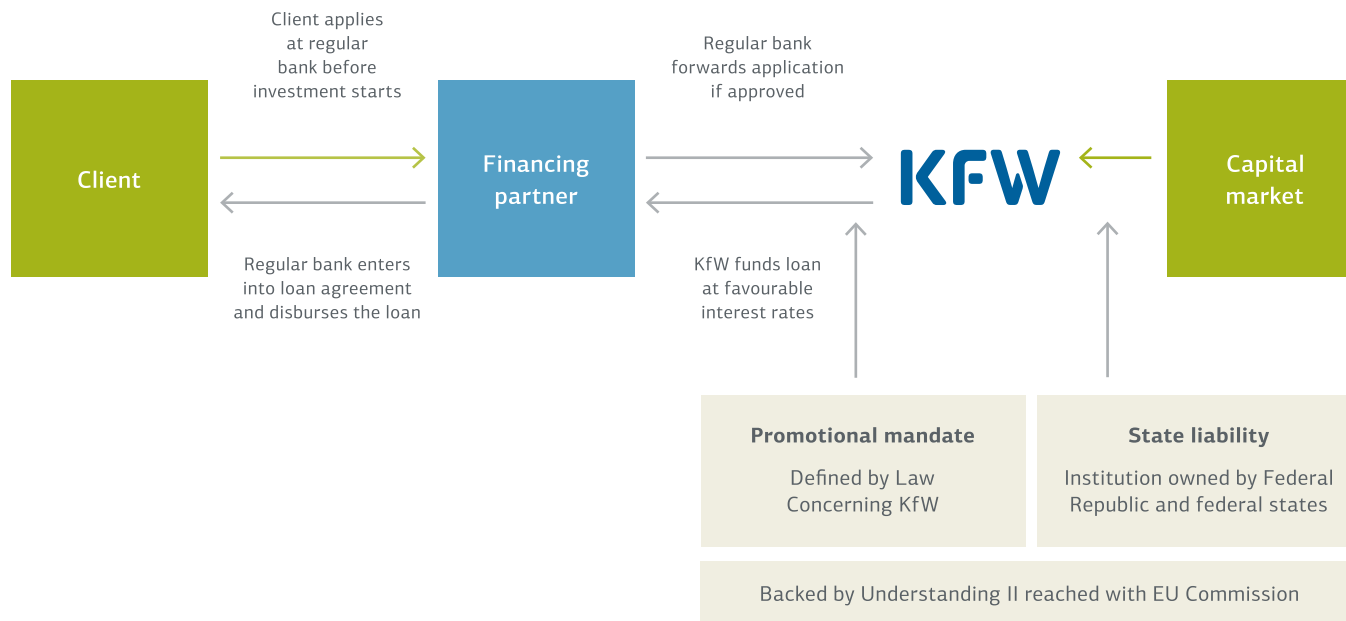
It also offers customised finance for banks, such as refinancing for government-backed export loans, global leasing loans, and global loans to European (promotional) banks to promote SMEs, environmental protection and climate action. Furthermore, it invests in specific funds to support digital infrastructure (such as the Connecting Europe Broadband Fund CEBF).

## 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 in collaboration with other financiers, who always invest pari passu. The objective of KfW Capital is to sustainably improve the supply of venture and growth capital for innovative, tech-oriented companies in Germany. In doing so, KfW Capital contributes to the long-term reinforcement of Germany as a centre of innovation.

The investment in VC funds by KfW Capital aims to reach the start-ups and growing enterprises which have the best prospect of establishing themselves on the market and thereby generating innovation, value creation and employment on a sustainable basis. KfW Capital builds on a portfolio of high-quality and successful VC funds and thereby demonstrates that the VC asset class is attractive for investors. The intention behind this signalling effect is to mobilise private capital over the long term. Independent of the economy, KfW Capital will invest around EUR 2 billion over the next ten years.

## 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. With this approach, KfW supports lending to commercial banks by offering low-interest refinancing to its financing partners. This in turn allows the banks' customers to apply for KfW promotional loans, with the banks using 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 clients' financing partners or primary banks bear the individual credit risk. This strategy 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 financing for businesses, and grants for private individuals and companies.

### International business

Within KfW Group, KfW IPEX-Bank is responsible for international project and export finance and is active both in Germany and abroad under commercial conditions. Its financing serves to maintain and strengthen the competitiveness and internationalisation of domestic export companies. Furthermore, it finances economic and social infrastructure in Europe, contributes to securing raw material supplies, and supports the realisation of environmental and climate protection projects at a global level. In doing so, KfW IPEX-Bank is shaping the transition towards sustainable economic, social and ecological development. With its commitment, KfW IPEX-Bank contributes to the achievement of the Sustainable Development Goals (SDGs). At the same time, it is committed to the Equator Principles and – alongside economic factors – also expressly incorporates social and ecological aspects into the decision-making process for granting credit.

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 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 combating poverty, securing peace, protecting the environment and the climate, and ensuring fair globalisation. Here, KfW also uses its own funds, which it raises on the capital market. KfW thus supports the Federal Government in meeting its international targets and obligations in alleviating poverty and protecting the climate and environment.

The wholly-owned subsidiary DEG, Deutsche Investitions- und Entwicklungsgesellschaft mbH is also active in the business sector Financing and promotion of developing countries and emerging economies. It finances and structures investments for private companies in developing countries and emerging economies in order to foster sustainable economic development, ensure local value creation and promote the expansion of the private sector as an important driving force for development.

### KfW Stiftung

The independent foundation → [KfW Stiftung](#) was established in 2012 and provides impetus for addressing the major social challenges of our time: environmental protection, climate change mitigation and adaptation, demographic change, and globalisation. The non-profit, operationally active foundation has been stocked 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".

Guided by the central idea of "thinking outside the box", KfW Stiftung has tackled this mandate head on.

It concentrates mainly on the development of structures, the identification of role models and the connection of key players in an effort to offer possible solutions for social challenges.

In future, KfW Stiftung would like its civil engagement to have an even greater impact in a changing society. For this reason, it began systematically assessing both the content of its strategy and the projects it promotes in 2020. The goal of this process is to develop and support scalable projects for relevant future issues.

# Strategy

## How we keep improving the sustainability of KfW's work

As a promotional bank acting on behalf of the German Federal Government and the federal states, KfW Group bears a special responsibility for improving economic, social and environmental living conditions – in Germany and worldwide. KfW's business and sustainability strategy are closely linked. Sustainable approaches on a number of levels are increasingly impacting on our corporate strategy and day-to-day work.



**Top 5** in international sustainability ratings – this goal was achieved in 2019



**Group-wide exclusion list** published for financing with particularly high environmental, climate-related and social risks



**New materiality analysis** identifies nine issues as material to sustainability management

## Promotion of sustainable development

KfW Group sees its work as a contribution to sustainable development. As a promotional bank acting on behalf of the German Federal Government and the federal states, it bears a special responsibility for improving economic, social and environmental living conditions.

KfW Group's financing business contributes to achieving the United Nations' Sustainable Development Goals (SDGs) – the internationally recognised reference framework for sustainable development. To do this, it funds key fields of promotion: climate action and environmental protection, innovation, small and medium-sized enterprises and start-ups, infrastructure investments by municipalities, communities and municipally owned enterprises, student and educational loans, export and project finance, and the promotion of developing and emerging-market countries.

Furthermore, KfW Group feels committed to national and international initiatives that contribute to sustainable development. These include the goals of the Paris Climate Agreement for limiting global warming, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD; → [page 42](#)), and the National Action Plan for Business and Human Rights (NAP; → [page 40](#)), an initiative set up by the German Federal Government to promote responsible globalisation.

In 2019, KfW geared most of its promotional activities towards the socially and economically important megatrends of “climate change and the environment”, “social change”,

and “digitisation and innovation”. KfW also addresses promotional issues that play an important role for sustainable development but are not specific to any of the four megatrends, such as combating poverty in developing countries and general corporate finance (→ [“Corporate profile” chapter, page 7](#)).

To make sure high environmental and social standards are incorporated into KfW Group's products and services, any projects that receive funding – particularly those in developing countries and emerging economies – are subjected to a comprehensive environmental and social impact assessment (ESIA) (→ [“Banking business” chapter, page 66](#)). The group regularly speaks to stakeholders about the decision-making and assessment processes used as a basis for ESIA's.

Equal importance is given to full compliance with legal obligations and the group's internal requirements for the prevention of fraud, corruption and money-laundering (→ [“Corporate governance” chapter](#)). KfW Group's employee policies are primarily focused on factors including gender equality and balancing work and family life (→ [“Employees” chapter](#)). As a sustainable bank, we also assign 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 when managing the liquidity portfolio (→ [“Banking business” chapter](#)).

# 2024 Strategic Objectives

## Sustainable promotion

### Primary Goal

Improving economic, social and ecological living conditions in Germany, Europe and worldwide

### Promotional Principles

Subsidiarity	Focus on financing German SMEs	Sustainability
Keep a high level of promotional quality	<b>Megatrends in focus</b>	Top ranking in sustainability ratings
Moderate development of new commitment volume in line with the growth of nominal GDP	Climate change & environment	
	Globalisation	
	Social transformation	
	Digitisation & innovation	

### Secondary Goals

Profitability & Efficiency	Risk & Capital	Regulation & Processes	Customer & Employee Orientation
Consolidated profit	Total capital ratio > regulatory requirements + buffer	Reduction of regulatory findings	Customer satisfaction
Restriction of the rise in administration costs	Leverage ratio	Reduction of capital add-ons	Brand awareness & brand profiling
	Economic coverage ratio	Efficient increase in process quality	Employer attractiveness

Digitisation and agile work approach as a basic requirement to achieve strategic goals

### Sustainability within our strategic objectives

KfW Group has been following a set of strategic objectives since 2012. These objectives define the bank's target position over the medium term and are a binding part of the strategic approach applied by all business sectors. These strategic objectives set out primary and secondary objectives for the bank as a whole. The primary goal of sustainable financing – the improving economic, social and ecological living conditions in Germany, Europe and worldwide – should therefore be achieved with the support of the two promotional principles of subsidiarity and sustainability, along with a focus on megatrends. This process is built on a foundation of four secondary target areas with their own economic control variables and other quantitative variables. The new 2024 Strategic Objectives have applied from financial year 2019 onwards.

### Guided by sustainability ratings

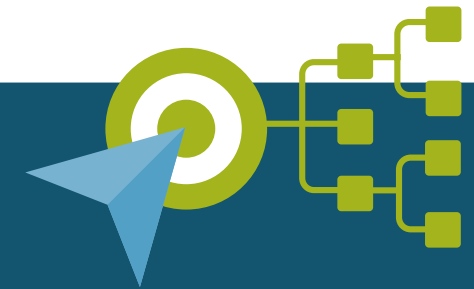
Sustainability ratings are an effective tool for comparing a company's own sustainability performance with that of its competitors. Top rankings in relevant sustainability ratings was therefore added as a core factor in the promotion principle of sustainability in 2018. Our concrete goal is to be listed on average among the top 5 promotional and development banks – in the ratings of imug, ISS ESG and Sustainalytics. We achieved this goal in 2019 (Sustainalytics: 1st place, imug: 2nd place, ISS ESG: 12th place), though it remains an ambitious target as the agencies' evaluation criteria are constantly evolving, becoming more nuanced and often stricter. In order to meet these requirements, KfW's central sustainability management team analyses the detailed rating results and works with the departments affected to develop measures to either maintain or improve the ratings. It therefore adapts its sustainability management practices to the changing environment.

In addition to environmental management in banking operations and the products and services offered, sustainability ratings consider many other aspects in the comprehensive assessment of a company. These include employee working time models, existing organisational anti-corruption measures or corporate governance principles and business practices. Financing business is the main factor in the sustainability ratings for promotional banks – with its impact on the market, the environment and society.

## KfW Roadmap Sustainable Finance

As a bank committed to responsibility, KfW Group has set itself the goal of integrating sustainability even more deeply into the group in the future. In mid-2018, the KfW Executive Board commissioned a new in-house project, the KfW Roadmap Sustainable Finance, with the aim of creating a stringent, multi-dimensional sustainability concept as an extended tool for managing KfW Group's business in line with sustainability-related aspects. We want the roadmap to help us contribute to the United Nations' SDGs and support the implementation of the Paris climate objectives.

Involving a range of central units and all market areas, work on the roadmap has been broken down into five sub-projects: the mission statement, a steering concept, risk management, communication, and governance. The plan is to complete the project in 2020, when a comprehensive strategy will be presented at a meeting of the Executive Board.



New 2024 Strategic Objectives in force since 2019



## The five sub-projects in the KfW Roadmap Sustainable Finance



In 2019, the first sub-project developed a new → [sustainability mission statement](#), which replaces KfW's old sustainability guidelines. It explains the background and relevance of KfW Group's sustainability targets and the approach to them within various areas of action.

The focus of sub-project 2 is to develop suitable options for enhancing group-wide bank management from a sustainability perspective, for example by calculating the carbon footprint or defining SDG-related impact indicators. Within this sub-project, particular importance is assigned to climate change, with the Paris Climate Agreement acting as the benchmark. As a result of the work in sub-project 2, KfW Group published its first ever group-wide → [Exclusion list \(inc. sectoral guidelines\)](#) in July 2019, which prohibits new financing projects in sectors with particularly high environmental, climate-related or social risks or which may be subject to ethical criticism. The → [KfW](#)

[Group SDG mapping](#) was then published in September 2019 to outline how KfW's new business for the year contributes to the 17 SDGs from that point onwards (→ "[Banking business](#)" chapter, page 74).

In order to evaluate how its financing activities impact on the climate, KfW analyses the greenhouse gas emissions related to its financing portfolio. The aim is to enable greenhouse gas reductions or finally global greenhouse gas neutrality, while also focusing promotional work on projects that foster the ability to adapt to climate change.

For instance, each of the three focus sectors of shipping, buildings and power generation has a task force dedicated to finding out how the financing work in the sector can be managed in a way that takes the Paris climate goals into account on the one hand, and also supports customers



**First-time publication of a group-wide exclusion list for financing with particularly high environmental, climate-related and social risks**

## New sustainability mission statement replaces sustainability guidelines

and their transformation processes on the other. In the final step in mid-2020, the various management options are due to be consolidated to create one overall concept, which will be presented to the Executive Board for approval.

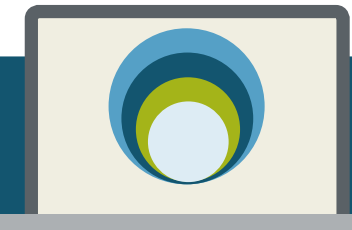
Sub-project 3 looks at how ESG (environmental, social and governance) and climate risks affect the bank's risk exposure. The results of this third sub-project saw KfW become the first German bank and the first unilateral promotional bank to be an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2018. For the first time in its history, KfW will be publishing a TCFD report for 2019, which details the current status of its climate risk analysis (→ "TCFD" chapter, page 42).

Sub-project 4 relates to developing and implementing concrete measures based on a communications strategy in order to help KfW position itself as a sustainable financial institution as well as an opinion leader and a contributor to sustainable development.

In sub-project 5, existing sustainability management structures are reviewed and adjusted with regard to new tasks arising from the other sub-projects.

Introduced in February 2019, the new → [sustainability mission statement](#) is made up of a programmatic preamble and explanations of the five areas of action that shape KfW's approach to sustainability:

- Banking business, made up of the dimensions of financing, capital market and credit risk
- KfW's role as a responsible employer
- Banking operations consisting of the areas of corporate governance/compliance, in-house environmental protection, procurement and social engagement
- Sustainability management structure and a detailed breakdown of responsibilities
- Sustainability-related communication, made up of stakeholder dialogue, the sustainability report and an online sustainability portal



First-time report by KfW on climate-related opportunities and risks in accordance with TCFD recommendations

# 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 action				
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 Officer for Sustainability</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 & environment, globalisation, social transformation, digitisation & 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>
		Equal opportunities	In-house environmental protection	
	Capital market	Reconciliation of work and private life		
	Risk management	Social commitment	Procurement	

## Stakeholder dialogue

KfW seeks ongoing dialogue with experts from its stakeholder environment to further enhance its sustainability strategy. KfW regards stakeholder dialogue as a constructive, open exchange where all parties are on an equal footing.

This means KfW benefits from the knowledge and experience of its stakeholders, and at the same time shares information about its activities and looks at its actions with a critical eye. The process may also require KfW to explain and promote any stance it takes that deviates from some stakeholders' expectations after considering its own corporate policies and strategy. Specifically, KfW uses a range of different formats and events:

- An annual Stakeholder Round Table on an ever-changing roster of topics in order to gain insight into stakeholders' expectations and opinions. The results of this meeting are presented to the Executive Board and incorporated into the company's strategic development. Unfortunately, the Stakeholder Round Table planned for early 2020 had to be indefinitely postponed due to the coronavirus pandemic.
- 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. This year's survey served to update the materiality analysis (→ [pages 22–25](#)).

- KfW's participation in conferences and network meetings enables it to maintain ongoing dialogue with its stakeholders during the year.
- In 2019, KfW launched its first ever podcast: In "Ausgesprochen nachhaltig", KfW strategist Alexander Baunach discusses a new sustainability issue every month with interesting guests from the worlds of science and business. The podcast is set to continue into 2020.
- When necessary, KfW holds bilateral meetings on key changes and milestones in its sustainability strategy.

KfW Group is a globally active promotional bank established as a public law institution and interacts with a wide range of international stakeholder groups from all areas of society on a daily basis. Stakeholders that are important for KfW come from 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 include:

- Shareholders, public sector clients and strategic partners in politics and business
- End clients and borrowers from its promotional programmes, clients in foreign transactions
- Financing and business partners in domestic and foreign business transactions



KfW Group's first podcast  
"Ausgesprochen nachhaltig"  
went online in 2019

- Representatives from the media, research community, supra-national interest groups, and non-governmental organisations (NGOs)
- Analysts, representatives from rating agencies and initiatives, investors and issuers
- Suppliers
- Local residents at KfW locations
- (Potential) employees
- The general public

### Dialogue on promoting a climate-neutral economy

The EU Commission's goal to make Europe the world's first climate-neutral continent by 2050 has made huge waves in the world of business. As part of its Climate Action Programme 2030, the German Federal Government has set itself the goal of advancing KfW's development into a transformative promotional bank. Seizing on both of these initiatives, KfW has taken the opportunity to reflect on its own role in this transformation in dialogue with its stakeholders. The annual Stakeholder Round Table with this in mind was planned for spring 2020 but had to be indefinitely postponed due to the coronavirus pandemic. Decision makers from the business world, the civil society and experts from the research community would have discussed this topic with representatives from KfW.

### Association forums and memberships

Forums for dialogue with stakeholders also include the various associations and initiatives in which representatives

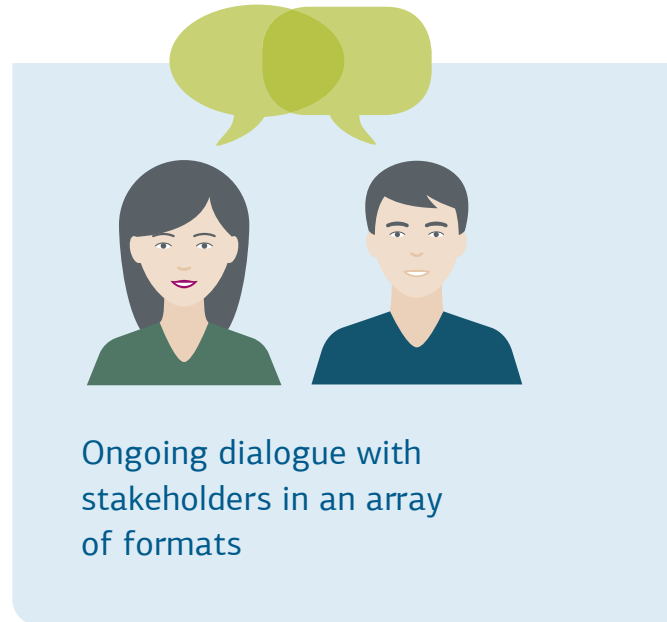
of KfW Group actively participate or hold honorary positions or mandates. These include:

- Asia-Pacific Committee of German Business
- German Federal Institute for Geosciences and Natural Resources
- Women's Career Index Initiative
- German Near and Middle East Association
- East-Asian Association

KfW Group also supports a number of external initiatives whose orientation, guiding principles and programming it supports. Further memberships of associations and initiatives dedicated to sustainability include:

- Association of European Development Finance Institutions (EDFI) (via DEG)
- Association of German Public Banks
- Carbon Disclosure Project (CDP)
- Climate Action in Financial Institutions
- Conservation Finance Alliance (CFA)
- 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.



## Materiality analysis

We updated our materiality analysis in autumn 2019 in order to identify the sustainability issues relevant for KfW's reporting in accordance with GRI standards and Section 289c (3) HGB. This covered the following stages of analysis:

- 1) Revision of the list of possible sustainability issues
- 2) Evaluation of impact and stakeholder relevance
- 3) Evaluation of business relevance
- 4) Validation of results

In the initial step, the list of possible sustainability issues was revised. During this stage, we adapted the system used as a basis for the list of issues in order to increase the comparability of the various issues. For the first time ever, the promotional business was not evaluated, but instead was classified as material right from the outset. It goes without saying that a promotional bank's core business is material in the context of sustainable development. Furthermore, the focus areas of the promotional business are already clearly defined under KfW's Strategic Objectives (→ page 15). The materiality analysis therefore focused specifically on prioritising management issues.

To make sure the list of management issues is complete and up to date, the list of issues from the old materiality analysis was compared to the results of the 2018 stakeholder panel survey, KfW's sustainability mission statement, and external industry-relevant sustainability standards and frameworks. This resulted in a list of 18 management issues (→ pages 24–25), which were prioritised during the subsequent analysis stages.

The 18 management issues were then evaluated in terms of their impact and relevance to stakeholders. To do this, the people on the KfW Stakeholder Panel were surveyed in autumn 2019. Eight representatives from the financial sector, non-governmental organisations, the research community and official authorities made themselves available for a 45-minute interview. The respondents prioritised the issues both in terms of their impact and their relevance for the stakeholder in question. The results reveal that the evaluation of stakeholder relevance is identical to the evaluation of impact. The two perspectives have therefore been combined for the summary below.

In the next step of the analysis, the business relevance of the individual issues was evaluated in a workshop attended by representatives from KfW's sustainability management team, corporate strategy team and risk management team. These representatives also discussed and validated the results of the stakeholder panel survey.

The stakeholders and KfW representatives were in agreement that, when it comes to management issues related to the bank's core business, KfW is able to play a particularly important role in shaping a sustainable future, while in-house issues are regarded as less important. However, during the validation process, the group of in-house experts ranked the impact of the issue of "Employment" higher than the stakeholders did. As an employer of almost 7,000 people and with its status as a role model in the financial sector, the validation group rated KfW's impact for the area of employment as "moderate", meaning that the issue is material for reporting.

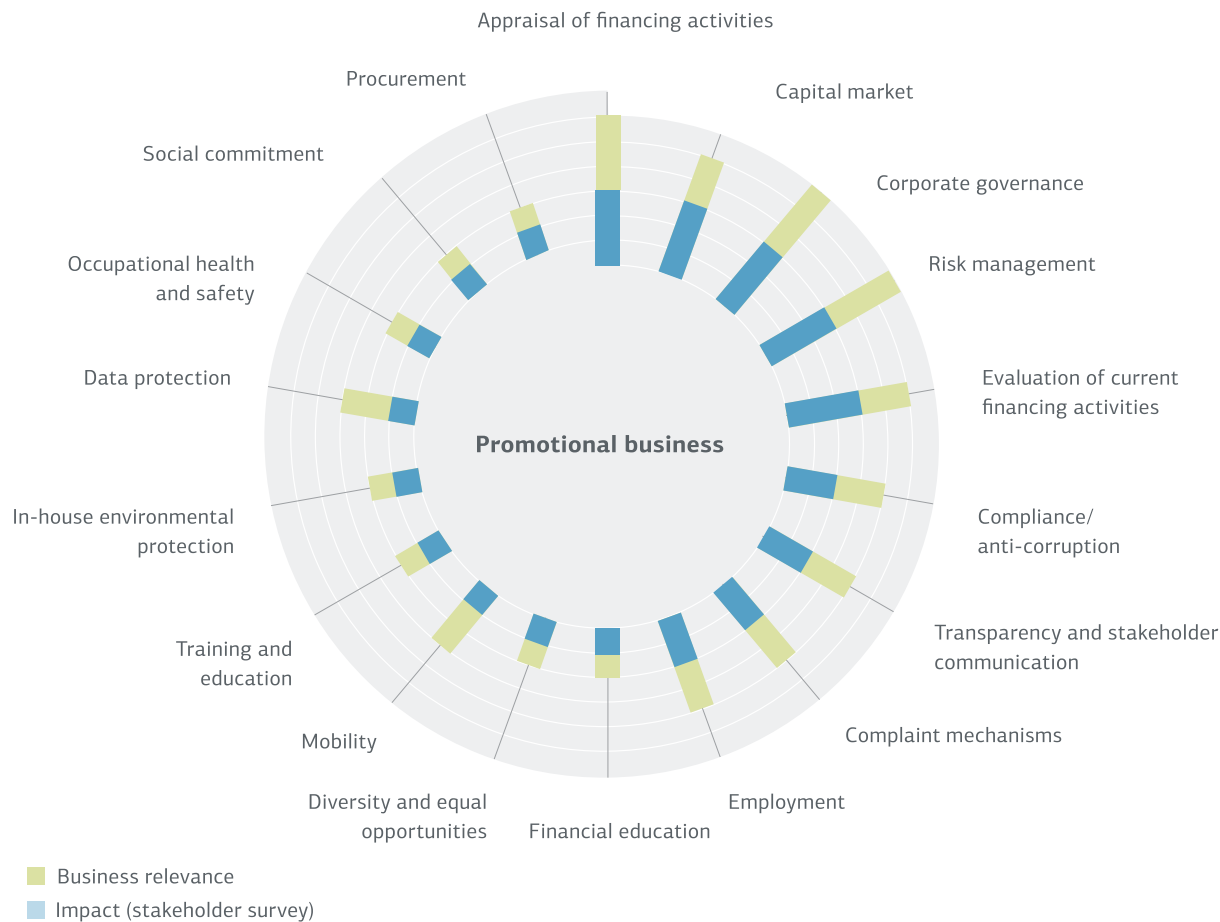


Eight new interviews were conducted with experts from the KfW Stakeholder Panel in 2019

The group of in-house experts held in-depth discussions on evaluating the issue of data protection. Although the issue is assigned a high degree of importance within the group, KfW’s potential impact in the area of data protection is deemed to be low as its contact with data of private customers is low compared to commercial banks.

Nine material issues were identified in total. Issues are defined as material if they have a medium or high impact and/or business relevance. Both impact and business relevance are decisive factors for materiality in accordance with Section 289c (3) HGB, while impact relevance is key for materiality under GRI. The table (→ pages 24–25) and chart below show the results of the 2019 materiality analysis in detail.

**Results of the materiality analysis**



The new materiality analysis identifies nine issues as material for sustainability management

## Material issues in 2019

Management issue	Description	Material under GRI	Material under HGB
Appraisal of financing activities	Application of a KfW-wide exclusion list; consideration of international environmental and social standards for financing projects	Yes	Yes (environment, respect for human rights, social concerns)
Capital market	Consideration of sustainability criteria for refinancing activities (green bonds) and liquidity management (i.a. by integrating ESG or exclusion criteria)	Yes	Yes (environment, respect for human rights, social concerns)
Corporate governance	Corporate governance and alignment of business as per group-wide sustainability mission statement and business-sector-specific sustainability guidelines	Yes	Yes (environment, respect for human rights, social concerns)
Risk management	Analysis and consideration of environmental and climate-related risks (in particular) to the KfW portfolio within the scope of ESG risk management	Yes	Yes (environment, respect for human rights, social concerns)
Evaluation of current financing activities	Regular evaluation of financing activities completed by KfW Development Bank and parts of the domestic promotion business to check the achievement of promotional targets	Yes	Yes (environment, social concerns)
Compliance/anti-corruption	Comprehensive compliance with relevant legal and in-house requirements (incl. prevention of corruption); ongoing advancement of processes to avoid reputation risks	Yes	Yes (fight against corruption and bribery)
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)
Complaint mechanisms	Mechanisms that allow anonymous complaints by persons involved in promoted projects and KfW business activities	Yes	Yes (environment, respect for human rights, social concerns)
Employment	Assurance of fair remuneration, employee participation and a good balance between work and private life in order to increase employee satisfaction and employer appeal, incl. the integration of flexible working models in employment	Yes	Yes (employer)
Financial education	Promotion of access to financial products and financial education, particularly for young people (covers communication and promotion of sustainable finance outside KfW)	No	No



Management issue	Description	Material under GRI	Material under HGB
Diversity and equal opportunities	Equal treatment of all employees; diversity in management, discrimination-free recruitment processes, employment of discrimination officers	No	No
Mobility	Use of low-emission modes of transport (train, electric company cars); avoidance or off-setting of air travel; employee involvement in mobility issues and awareness-raising measures	No	No
Training and education	Encouragement of personal and specialist employee development, particularly measures that advance skills related to digital and sustainability issues, facilitation of life-long learning	No	No
In-house environmental protection	Ongoing reduction of the impact of office work on the environment and climate, i.a. by using resources sparingly, using recyclable materials and renewable energy, reduction and careful handling of waste	No	No
Data protection	Expansion of cybersecurity to protect customer and employee data, and responsible handling of information technology	No	No
Occupational health and safety	Assurance of a healthy and safe working environment	No	No
Social commitment	Assumption of social responsibility by encouraging engagement among employees and through KfW Stiftung	No	No
Procurement	Responsible procurement that takes social and ecological guidelines into account	No	No

The non-financial report on the issues relevant under Section 289c (3) HGB can be found in the chapters “Strategy” (for the issue of Transparency and stakeholder communication), “Corporate governance” (for the issues of Corporate governance, Risk management, Compliance and anti-corruption), “Banking business” (for the issues of Appraisal of financing activities, Capital markets, Evaluation of current financing activities, and Complaint mechanisms), and “Employees” (for the issue of Employment).

A GRI index with all page references for reporting in accordance with GRI standards can also be found on → [pages 121–129](#). A table-based overview of all content relevant for the non-financial report is also provided on → [pages 130–131](#).

The assessment of non-financial risks is covered by risk management at KfW. The “Corporate governance” chapter contains information on sustainability-relevant risks (→ [page 38](#)).

## 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 extend over two or more years or those that aim to achieve an ongoing improvement process.

A selection of the central issues and measures is presented below, broken down according to the five areas of action in the new sustainability mission statement. The complete programme is available on the KfW Sustainability Portal at → [www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/](http://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/).

Area of action and issue	Objective	Target year	Implementation
<b>Banking business</b>			
Capital market	Implementation of a sustainable investment approach	Ongoing	New investments in treasury portfolio taking into account the best-in-class approach
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 2019: around EUR 1.6 billion
Financing activities	Increased energy efficiency and use of heat from renewables in business	2023	Implementation of the Federal Ministry for Economic Affairs and Energy's (BMWi) promotional strategy for energy efficiency and heat from renewable energy (RE) in business with savings of 2.8 million t CO <sub>2</sub> each year from energy efficiency and process heat from RE  Introduction of promotion as part of the Federal Promotion Programme for Energy Efficiency in Business, the scope of which is tied to the level of CO <sub>2</sub> savings
Financing activities	Increase of energy efficiency and reduction in CO <sub>2</sub> emissions in the building sector	2020	Implementation of the BMWi's 2020 Energy Efficiency Promotion Strategy and the Climate Action Programme 2030 (building sector), including by revising building promotion measures for non-residential buildings as part of the new Federal promotion programme for efficient buildings (BEG)  Provision of extensive, target-group-specific promotion options for energy efficiency investments via the programmes for energy-efficient construction and refurbishment. The financing figures (maximum loan amount, repayment grants and investment grants) were increased in January 2020 to support the objectives set out in the → <a href="#">Federal Climate Change Act</a>
Financing activities	Achievement of the internal quota for environmental projects of 35% of the total promotional volume	2019	Assurance of a consistently high promotional volume in the focus area of environmental and climate protection: – Status 2019: environment quota 38% – Increase to the target environment quota from 35% to 38% of the commitment volume
Financing activities	Promotion of climate action projects among SMEs (Implementation of the BMWi's SME initiative)	2020	Introduction of the Climate Protection Drive for SMEs on behalf of the BMWi in order to prepare SMEs for the EU's taxonomy and support them on their journey towards climate-friendly, sustainable business practices; programme start: March 2020

Area of action and issue	Objective	Target year	Implementation
Financing activities	Promotion of sustainable mobility to reduce emissions in the transport sector	2020	Introduction of a promotion concept for local authorities to support the implementation of the mobility transition: as part of the Immediate Action Programme for Clean Air, the Federal Ministry of Transport and Digital Infrastructure (BMVI) supports local authorities with particularly high levels of nitrogen dioxide (NO <sub>2</sub> ) in implementing projects related to the digitisation of the transport system.
Financing activities	Provision of funds for investments in digital infrastructure	2020	Introduction of an investment loan and syndicated loan for digital infrastructure in order to support the Federal Government's goal of establishing a nationwide fibre optic network in Germany by 2025
Financing activities	Development of a sustainability concept for the systematic evaluation and management of financing activities (sub-project 2 in the KfW Roadmap Sustainable Finance)	2020	<p>Progress made in 2019:</p> <ul style="list-style-type: none"> <li>– Introduction of the bank's first group-wide exclusion list</li> <li>– Implementation of automated SDG mapping based on the year's new commitments</li> </ul>
Risk management	Integration of climate-related risks into the risk management process (sub-project 3 in the KfW Roadmap Sustainable Finance)		<p>Progress made in 2019:</p> <ul style="list-style-type: none"> <li>– Implementation of TCFD recommendations, including the first climate report in line with TCFD guidelines (→ from page 42)</li> </ul> <p>Planned for 2020:</p> <ul style="list-style-type: none"> <li>– Assessment of options for embedding ESG factors further into written orders, rating tools and credit processes</li> </ul>
<b>Employer</b>			
Reconciliation of work and private life	Raising of employee awareness regarding work-life balance, reconciliation of family, job and care	Ongoing	<p>Progress made in 2019:</p> <ul style="list-style-type: none"> <li>– Joined the nationwide Fathers' Network and set up KfW's own fathers' network</li> <li>– Launched a series of talks (e.g. a talk entitled "Media: Smart for kids, tough for parents") with high levels of interest (over 400 attendees)</li> <li>– Applied for KfW and KfW IPEX-Bank to be re-audited by berufundfamilie (a family and careers auditing company); implementation: 2020–2023 (→ page 100)</li> </ul>
Equal opportunities	Enhancement of equality at KfW in terms of all aspects of diversity	2020	<p>Deliberate promotion of inclusion in everyday working life:</p> <ul style="list-style-type: none"> <li>– Increase in proportion of employees with severe disabilities</li> <li>– Annual themed days (inclusion days) with specialist talks</li> <li>– Series of interviews on reconciling career and illness</li> </ul> <p>Incorporation of the objectives set out in the UN's Convention on the Rights of People with Disabilities (CRPD) into the in-house inclusion agreement</p> <p>Signature of the Diversity Charter</p>
Equal opportunities	Increasing the proportion of women in management and senior specialist positions	2020–2023	<p>Implementation of the new Equal Opportunities Plan 2020–2023 → page 97. Agreement of new targets: 40% for team leaders, 32.5% for heads of divisions, 25% for heads of departments</p> <p>Elimination of all structural inequalities (in relation to remuneration and opportunities for promotion and development)</p>

Area of action and issue	Objective	Target year	Implementation
Employer attractiveness	Development and quality assurance of further education opportunities for employees	2020	<p>Progress made in 2019:</p> <p>Development of methodological skills in agile working methods:</p> <ul style="list-style-type: none"> <li>– Certification as Scrum Masters or Product Owners under the Scrum approach</li> <li>– New management development programme “Lead Transformation” with a focus on agile leadership</li> <li>– Continuation of the work performed by the interdisciplinary “Transition Team Scrum”: around 50% of IT teams had switched to Scrum by the end of 2019</li> </ul> <p>Planned for 2020:</p> <ul style="list-style-type: none"> <li>– Continuation of the “KfW agile” initiative</li> <li>– Creation of the “Agile KfW Transition Team”</li> </ul>
Employer attractiveness	Expansion and quality assurance of management development measures	2021	Launch of the management development programme “Lead Transformation” including an in-depth analysis of expectations regarding the definition and conduct of leaders. Start: 2019; term: two years
Employer attractiveness	Promotion of up-and-coming talent	Ongoing	Since 2019: new dual Bachelor degree in the field of business economics with a focus on banking and digitisation in cooperation with Baden-Württemberg Dual University
Employer attractiveness	Promotion and protection of the physical, mental and social health of employees	2020	<p>Planned for 2020:</p> <ul style="list-style-type: none"> <li>– Further awareness-raising measures in the four prevention fields of exercise, nutrition, stress management and addiction</li> <li>– Development of measures to promote good health</li> <li>– Advancement of the process for analysing psychological stress (with KfW’s in-house doctors and occupational health experts)</li> <li>– Involvement of an external service provider to support employees in the context of fragile states</li> </ul>
<b>Banking operations</b>			
Corporate governance and compliance	Efficient identification of compliance risks for the active control of non-financial risks (NFR)	2021	Introduction of an IT-based data capture and processing tool for the compliance risk assessment of financial cooperation projects
Procurement	Development of sustainable supply chain management	Ongoing	<p>Survey of primary suppliers regarding sustainability issues</p> <p>Completion of four supplier audits per year for on-site assessments; discussion of the survey results with the suppliers in question and, if necessary, cooperation with them to find solutions to problems</p>
Procurement	More in-depth implementation of sustainability aspects into current and future service and supply agreements for food and drinks; target rate: ecological foods to make up around 25% of the total supply volume	Since 2019	<p>Ongoing incorporation of sustainability aspects into the selection of suppliers:</p> <ul style="list-style-type: none"> <li>– Preference given to products from the region, from farms that comply with animal welfare standards, and from sustainable fisheries, plus a focus on seasonal produce and increased procurement of ecological, organic produce</li> <li>– Embedding of sustainability aspects into the selection criteria for EU tenders</li> </ul>
Procurement	Reduction of printer power consumption by 40%; reduction of printer dust emissions by 70%; reduction of benzene, ozone and styrene to values below the measurement threshold	2019	Replacement of old printers with models with lower power consumption and lower dust and pollutant emissions completed

Area of action and issue	Objective	Target year	Implementation
In-house environmental protection	Future-proof energy supply at the site in Frankfurt; saving of CO <sub>2</sub> emissions by roughly 1,500 t/year	2020	Progress made in 2019: – Completion of the conversion of the heating and cooling supply at the site in Frankfurt and commissioning of the new system technology; currently: adjustment phase for the overall system
<b>Sustainability management</b>			
Sustainability ratings and rankings	First-class ratings (in the top 5) in relevant sustainability ratings (imug, Sustainalytics, ISS ESG) compared to the peer group	2020	Progress made in 2019: – Incorporation of rating results into strategic corporate developments and ongoing dialogue with the divisions involved – Average ranking of fifth place in the relevant ratings achieved: Sustainalytics (first place among national and international promotional banks), imug (second place), ISS-ESG (12th place)
Sustainability organisation	Further development of company-wide sustainability guidelines and standards	2019/2020	Progress made in 2019: – Update to the sustainability mission statement completed (sub-project 1 of the KfW Roadmap Sustainable Finance) – Revision of KfW Development Bank's sustainability guidelines completed – Start of revision process for domestic promotion sustainability guidelines  Planned for 2020: – Update to KfW human rights declaration
<b>Sustainability communication</b>			
Sustainability reporting	Improvement of transparency and active information for interested members of the public with regard to environmental, social and climate-related compatibility aspects for financial cooperation projects	2019	Development and introduction of a concept for the environmental, social and climate-related compatibility of financial cooperation measures and in relation to external communications completed
Sustainability reporting	More in-depth incorporation of the subject of sustainability into external communication	2019	Impact-related presentation of KfW Group's contribution to the Sustainable Development Goals (SDGs) and integration of SDG Mapping into the → KfW Group website (sub-projects 2 and 4 of the KfW Roadmap Sustainable Finance)
Stakeholder management	Enhancement and reinforcement of sustainability communication focused on targets and target groups	2020	Progress made in 2019: – Successful completion of the Stakeholder Round Table 2019 on the subject of sustainable finance  Planned for 2020: – Stakeholder Round Table 2020 with the aim of achieving climate neutrality in the real economy (indefinitely postponed due to coronavirus pandemic)
Stakeholder management	Improvements to stakeholder communication at KfW IPEX-Bank	Since 2019	Launch of sustainability dialogue for employees at KfW IPEX-Bank  Several events on current issues with strategic relevance; continuation of the series in 2020

# »»» Corporate governance

## How we incorporate sustainability into our organisational structures

Sustainable conduct is a guiding principle for responsible corporate governance at KfW. From our mission statement and specific guidelines through to risk management procedures, our work in this area is supported by well-oiled processes that emphasise our commitment and make sure that the company's bodies and their members act in compliance with the law.



Overall responsibility for the **sustainability strategy and communications** rests with the Chief Executive Officer.



**Protection of human rights**  
in accordance with the National Action Plan for Business and Human Rights from page 40



**Transparency in relation to climate risks**  
in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) from page 42

## 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 competencies stipulates their responsibilities. Significant changes require the approval of the Presidial and Nomination Committee. As a public-law institution, KfW is orientated on the principles of the Public Corporate Governance Code of the German Federal Government (PCGC), a document based on the legal framework for public limited companies. KfW explains how it fulfils these principles in its annual Declaration of Conformity in the Annual Report. For majority shareholdings, KfW generally assesses whether shareholder resolutions are consistent with the bank's sustainability principles.

KfW regularly offers training to its Executive Board members. This process is also based on an existing concept for providing the Executive Board with information about relevant legal (regulatory) requirements and obligations.

### Remuneration

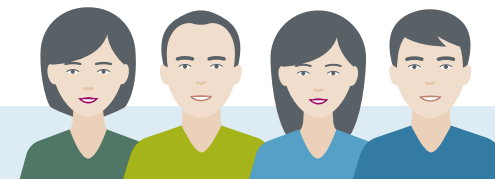
Based on the remuneration system of KfW Group, the Executive Board members – two of whom are women – are appropriately compensated in accordance with their duties and responsibilities. None of the members of the Executive Board received variable components in their remuneration in 2019. The members of the Board of Supervisory Directors are paid a remuneration the amount of which is determined by the authority exercising legal supervision in accordance with Article 7 (10) of the KfW Bylaws. Further details regarding remuneration, including a breakdown of the remuneration paid to the individual members of the Executive Board and

the members of the Board of Supervisory Directors, can be found in the 2019 Financial Report, pages 200–208 (Information on employee remuneration → [“Employees” chapter, pages 93–94](#)).

The Remuneration Committee of the Board of Supervisory Directors deals with remuneration matters and also acts 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, this is composed of 37 members, including seven women in the year under review (approx. 19%). 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 issues. With the exception of the Federal Ministers, the members of the Board of Supervisory Directors are appointed for three years, and one third of the members are replaced every year. To avoid conflicts of interest, they may not have any business or personal relationships with KfW or its Executive Board.



The percentage of women on the Board of Supervisory Directors has increased to around 19%

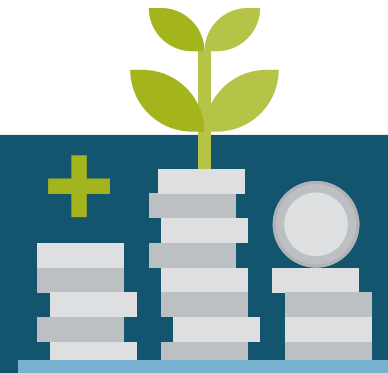
## Sustainability organisation

The Board of Supervisory Directors maintains four committees which make their work more efficient: the Presidial and Nomination Committee, the Remuneration Committee, the Risk and Credit Committee, and the Audit Committee (for the individual duties see p. 26 of the 2019 Financial Report). The Presidial and Nomination Committee evaluates 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 SME Advisory Council (Mittelstandsrat) specifies KfW's state mandate for the support of small and medium-sized enterprises. The Executive Board apprises 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 Federal Council; it is chaired by the Federal Minister for Economic Affairs and Energy. The Supreme Audit Institution (Bundesrechnungshof) and the Federal Financial Supervisory Authority (BaFin) also exercise further oversight functions. KfW is also subject in parts to the regulatory standards of the German Banking Act (KWG).

As an organisation that feels especially committed to sustainable development in Germany and worldwide, we see sustainability as a particularly important factor in the guidance of our core business and the management of our company. The extensive KfW Group → [sustainability mission statement](#), approved by the Executive Board in early 2019, forms the heart of this approach. This is a new programme-based mission statement that also sets out a sustainability management structure throughout the five areas of action: banking business, banking operations, employer, sustainability management and sustainability communications (→ [“Strategy” chapter, pages 18–19](#)). It is based on foundations such as the requirement to focus more than one third (35%) of the total annual new commitment volume on the key area of climate change and environmental protection, a requirement that has been in place since 2012. This target rate is also part of KfW Group's strategic objectives, which define the bank's medium-term target positioning and is obligatory for the strategic management of all business sectors; the environment quota was increased to 38% with effect from financial year 2019 (→ [“Banking business” chapter, page 55](#)). Furthermore, action area 2 (“Employer”) of KfW's sustainability mission statement also refers to the target quota for increasing the ratio of women in management roles at KfW.

The guidelines of the sectors, business areas and subsidiaries adhere to the KfW Group sustainability mission statement and provide further details regarding 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.



Increase in target financing quota: 38% of new commitment volume for climate and environmental protection



Theme-based sustainability guidelines are also in place across the Group, such as group-wide guidelines for in-house environmental protection (→ [page 79](#)) and responsible procurement (→ [page 90](#)); these guidelines set out the standards, responsibilities and processes for the topic in question.

### New sustainability guidelines

KfW Development Bank published its revised sustainability guidelines on 1 October 2019. Our external stakeholders can access these guidelines on the KfW Development Bank website. Compared to the 2016 edition, the updated version contains a range of new content that is already being implemented in-house at KfW Development Bank. The amended content includes:

- the revised exclusion list and sectoral guidelines of KfW Group
- more in-depth requirements for financial intermediaries (FIs) and a description of the new ESIA categories for FIs
- the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)
- the explicit call to adhere to the principle of Free, Prior, Informed Consent (FPIC) if a project affects indigenous rights
- information explaining that a Human Rights Impact Assessment (HRIA) may be requested in certain circumstances

The guidelines also contain a new section on transparency. This is on account of the publication of the ESIA categories in July 2019. From 2020 onwards, public summaries of the ESIA's are due to be made available on a gradual basis.

### Areas of responsibility 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, he thereby also ensures operational implementation of sustainability-related issues with regard to sustainable financing transactions and sustainable banking operations.

In financial year 2018, KfW Group's central Sustainability Management team was incorporated into Group Development, where it became part of the "Corporate Strategy and Sustainability" division (see organisational chart overleaf). The Group Sustainability Officer represents the topic within this division. He coordinates the work performed by the Group Environment and Climate Steering Committee (KUK), which is responsible for sustainability management within business operations, and the task force on business ecology. These two committees consolidate the work performed by the 15 decentralised sustainability officers from all relevant organisational units (subsidiaries and business areas).

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 controlling the further development of the Sustainability Programme as it relates to in-house environmental protection (→ [page 28](#)).

### Organisational chart for sustainability management at KfW Group



The Group Sustainability Officer and the decentralised sustainability officers from the market areas and central units cooperate in developing proposals for decision by the Executive Board. In addition, the formulation and implementation of KfW's Sustainability Programme (→ [“Strategy” chapter, pages 26–29](#)) generate 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.

## Compliance

KfW Group defines clear expectations for the actions of its employees as well as its business partners and suppliers. Integrity is the basis for the trust that business partners, 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 other criminal offences, the environment, and social and economic matters. In light of this, KfW Group has incorporated the prevention of corruption and other criminal offences into its sustainability mission statement 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 other 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 ongoing training measures enhance employees' knowledge in the area of governance and compliance.

### Organisation and functions

The Executive Board is responsible for compliance within KfW Group. The Compliance unit 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 (MaRisk), 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, Compliance at KfW 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 MaRisk compliance.

### Prevention of corruption and fraud

KfW has explicitly incorporated the preventive fight against corruption, fraud and other criminal offences into 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.

Corruption risks typically exist in the approval of loans or subsidies, in procurement and in the award of contracts.

Confidential complaints regarding criminal activities, such as fraud and corruption, can be submitted 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; email: kfw@brillinger-rechtsanwaelte.eu). All complaints are carefully pursued and any necessary measures are implemented.

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 Extractive Industries Transparency Initiative (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.

### 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 items on integrity and taxes. It applies group-wide, is binding for all employees as well as the Executive Board, and comprises succinct and understandable key rules of conduct as well as the employees' duty to cooperate. A link to the intranet forwards 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 rules of conduct.

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 in the form of specific information letters. Divisional workshops are also held on the subject of fraud and corruption prevention.



KfW conducts compliance audits every year to fight fraud and corruption

KfW informs its business partners 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 unit itself via a hotline or email – 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.

Suspected compliance violations received by KfW's Complaints Management team are forwarded to the Compliance unit, where they are investigated further. These cases and all other suspected cases of compliance violation are reported to the Executive Board, which receives various documents, including an aggregated quarterly report. The Executive Board also receives ad-hoc reports in the event of prominent cases of suspected violation depending on factors such as the extent of damage 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, or to organisations affiliated with parties.

### Money laundering prevention and data protection

An in-house Anti-Money Laundering Officer coordinates preventive measures against money laundering and the financing of terrorism. The officer is responsible for complying with legal and regulatory requirements and thus 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.

Giving due consideration to banking secrecy, KfW complies with statutory technical and organisational data-protection requirements. Group-wide regulations ensure the security of personal data. The project to implement the new data protection requirements arising from the European General Data Protection Regulation (GDPR) ended on schedule on 31 December 2019.

In 2019, KfW reported six data protection incidents to the responsible supervisory authorities. These related to cases where data was sent erroneously; suitable awareness-raising measures were applied and implemented in good time for these incidents.



KfW's external ombudsman is available to assist with compliance incidents and treats these confidentially

## Risk management

The Executive Board is responsible for central decisions regarding risk policy. Consistent with the business strategy, a risk strategy is determined annually and thereby defines the framework for business activity with regard to risk tolerance and risk 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, who work 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 quarterly extended sessions, it makes decisions regarding potential changes to the methods for assessing credit risk. It also monitors industry- and country-specific risks.
- 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 Executive Board decisions on interest rate risk positions, transfer pricing and funding strategy.

– Within the scope of the authorities assigned to 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)
- 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 on a quarterly basis.

The → [Annual Report](#) contains in-depth information regarding the risk management process and its results in 2019.

### **Sustainability-related risks and impacts**

KfW Group also considers the risks and effects of environmental, social and governance matters in its business decisions. Two perspectives are considered in this process:

- Possible negative impacts of KfW's business activities on the environment and society ("inside-out")
- Possible effects on KfW's risk exposure resulting from challenges related to the environment, social affairs and governance ("outside-in").

### Inside-out perspective

Inside-out effects must be observed, for example, when launching new products such as promotional programmes: for domestic business, a routine assessment is performed by the central Sustainability Management team within the New Product Process (NPP). A check is carried out to see whether the new product has any adverse 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 with a third party. Risks are assessed in view of the environmental and social impact of the co-financed projects. In-depth information concerning the environmental and social impact assessment (ESIA) is provided in the → “Banking business” chapter from page 66.

The inside-out perspective with the focus of climate has been dealt with in more detail since 2018 as part of the in-house project “KfW Roadmap Sustainable Finance”. As part of the second sub-project “Steering concept”, factors including the carbon footprint linked to the project co-financed by KfW are analysed. The initial results are expected in mid-2020. An explanation of the project is provided in the → “Strategy” chapter, from page 16.

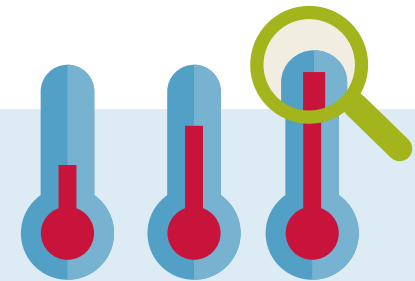
Potential risks to environmental and social issues caused by KfW’s actions are also assessed for procurement processes and outsourcing. In the case of procurement, KfW – as a public-sector contracting authority – is obligated to issue a formal request for Europe-wide tenders through its EU awarding unit if certain threshold values are exceeded. When selecting and soliciting for tenders for tangible assets and services, and when making the final procurement decision, criteria for environmentally and socially compliant procurement are applied – even in KfW’s external structure.

Principles like transparency, non-discrimination and competition are incorporated into this process. This also generally applies to products and services that do not reach EU thresholds (→ “Banking operations” chapter, page 90). The central Sustainability Management team performs assessments in line with the NPP for outsourcing processes and also performs spot checks in the case of EU 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 “Climate reporting according to TCFD” chapter from → page 42 contains more information on this. Most of the content included in this report is the result of the third sub-project “Risk management” in the in-house project “KfW Roadmap Sustainable Finance” (→ “Strategy” chapter, page 18).

Reputation risks are classed as outside-in risks. They are categorised within the group as a separate, significant risk type and are thus subject to the risk management cycle. Every year, KfW identifies potential reputational risks at group level and has them internally evaluated by experts for ten relevant stakeholder groups. According to the guidelines on risk reporting, the group risk report addresses significant new reputational risks or trigger events. This report is presented to the Board of Supervisory Directors, the Federal Ministry of Finance (BMF), the Federal Ministry for Economic Affairs and Energy (BMWi) and the Financial Supervisory Authority. Particularly critical issues are addressed in the form of ad-hoc reports to the Executive Board. No reports were submitted in 2019.

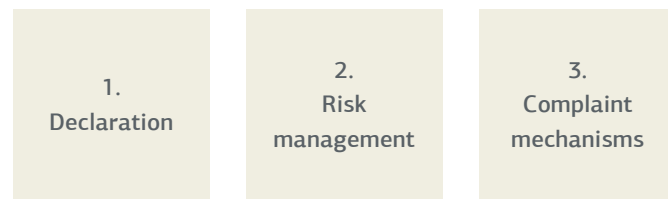


Climate-relevant effects under the microscope: KfW analyses the carbon footprint of its promotional measures

## Due diligence in the field of human rights: German National Action Plan on Business and Human Rights (NAP)

The German Federal Government expects businesses (including financial institutions) to fulfil their due diligence in the field of human rights and, by the end of 2020, to have established structures to ensure the protection of human rights in their corporate processes. KfW Group welcomes the Federal Government's initiative; the following chapter – including the passages in this report referred to in this chapter – is the bank's first corporate report in the sense of the NAP.

In order to fulfil its due diligence in the field of human rights, KfW Group has defined three core elements to implement the NAP; these elements are being pushed on a gradual basis.



### 1. Declaration on respect for human rights

The protection of human rights forms a central part of the international community's efforts to improve sustainable development. KfW Group therefore published a → [“Declaration of KfW Group on respect for human rights in its business operations”](#) as far back as 2008,

in which it explicitly commits itself to the protection of human rights and declares its stance on complying with the International Labour Organization's (ILO) core labour standards and being 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 for the whole of KfW Group in due course.

Furthermore, human rights are → [guiding principles of German development cooperation](#); KfW Development Bank therefore follows the → [guideline](#) issued by the German Federal Government in 2013 in order to incorporate the principles of human rights into its development cooperation.





## 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 the due diligence in the field of human rights is a fixed component in the environmental and social impact assessment (ESIA) for financing activities. The standards and processes applied by each business sector's ESIA are explained in detail in the → [“Banking business” chapter, from page 66.](#)

It goes without saying that KfW Group also considers the protection of human rights in relation to its staff and goes beyond just 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 a number of development options, and places great value on diversity, inclusion and the balance between work and family life. More comprehensive information on this subject is provided in the → [“Employees” chapter, page 92.](#)

Furthermore, KfW Group ensures its compliance with social standards and the protection of human rights in its own banking operations, for example by defining ecological and social criteria – including those related to human rights – for its procurement processes (governed specifically in its procurement policy). The matter of human rights is also regularly included in our ongoing surveys of service providers and suppliers as part of procurement management (→ [“Banking operations” chapter, page 90.](#))

## 3. Complaints mechanisms and countermeasures for suspected violations of human rights

KfW's goal is to prevent human rights breaches as much as possible by establishing processes and preventive measures. To ensure that anyone who feels negatively affected by KfW Group projects – in spite of its comprehensive ESIA and defined preventive measures – has an opportunity to submit a complaint, bank-wide complaints mechanisms are in place and tailored to the business sectors in question and the format of the complaints submitted. A detailed description of these mechanisms and information on the promoted measures that were the subject of complaints in the year under review are provided in the → [“Banking business” chapter, from page 70.](#)

Countermeasures are applied without delay should a breach of human rights take place once a financed project is underway. These vary depending on the form and scope of the complaint. Further information on the measures taken is provided in the sample projects in the → [“Banking business” chapter, from page 71.](#)

In order to gain feedback from a broad group of stakeholders on KfW's approach to the protection of human rights and to simultaneously explain how KfW actively upholds human rights in its promotional activities, the → [2017 Sustainability Report](#) focused on the topic of human rights. In parallel to this, KfW representatives and stakeholders from the worlds of business, politics and social affairs discussed problems and challenges when dealing with human rights at the → [Stakeholder Round Table 2017.](#)



# Climate reporting according to TCFD

Climate change affects all industries and areas of life – but how exactly? What are the opportunities and risks for businesses and for the investors who have a stake in these businesses? In recent years, a great deal of research and discussion has tried to answer these questions. The Task Force on Climate-related Financial Disclosures (TCFD) wants to shed light on the subject and issues recommendations on how businesses can provide more transparent communications on climate-related risks. KfW Group is getting ready, too.



KfW has been supporting TCFD **since 2018** – it was Europe's first national promotional bank to do so



A **2° scenario** is currently the most important climate scenario for risk management at KfW



**Climate-related risks** are embedded in risk management at KfW



## TCFD: Climate change becomes an investment issue

It is rare that an environmental issue has triggered so much action in the boardrooms of listed companies as the risks related to increasing global warming. Against this backdrop, the TCFD was set up in 2015; its [→ recommendations](#) published in 2017 aim to enable companies to conduct transparent and effective corporate climate reporting. The urgent need to take action against climate change is reflected in TCFD's call to businesses to inform investors and stakeholders of their strategy for dealing with the opportunities and risks presented by climate change. Several of the world's largest institutional investors – both investment companies as well as insurance companies and stock exchanges – already apply the TCFD recommendations.

While KfW is not a company listed on the stock exchange, it is still a key player on the international credit and capital markets. It is financed by its own bonds – including green bonds ([→ from page 62](#)) – and uses these funds to provide the German, European and international economy with promotional loans on behalf of the German Federal Government.

The Principles for Responsible Investments (PRI), a United Nations initiative subscribed to by KfW, have also incorporated the TCFD recommendations as a reporting requirement.

And lastly, as a public-sector institution, we believe we owe it to our stakeholders – our owners, associations, investors and the general public – to present risks in a transparent manner, to take responsibility for this issue, and to cultivate trust.

### Early support

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 strong belief that – as well as pursuing a business strategy that is geared towards sustainability – businesses should also actively confront climate issues as a source of risk. They should also provide transparent information on their plans for dealing with material risks resulting from climate change. A further driving factor in our stance on this matter is the high level of interest of the public and our stakeholders in climate risks.

### Identifying and reporting on climate risks

The TCFD recommendations provide specific information on how companies can present their climate risks on a voluntary basis. They provide a structure that was drawn up in cooperation with a number of international experts and was discussed and coordinated on a public level. It comprises four categories ([→ chart on page 44](#)).

## Four TCFD recommendations and dimensions for climate reporting



### What is KfW's approach to the TCFD recommendations?

This chapter of the 2019 Sustainability Report is KfW Group's first report to be prepared in accordance with TCFD recommendations. The development of our TCFD report is set out as a defined process. We are still in the early stages and have yet to meet all of the formal requirements defined by the TCFD.

For instance, for our first report we have focused on the issue of risks, while potential opportunities, for example industries which could gain from certain scenarios, have yet to be taken into account. With regard to opportunities in the form of additional areas of promotion for KfW Group, we refer to the magazine section of this Sustainability Report. This contains reports on the financing topics of adaption to climate change and forestry.

Our focus on the subject of risk also means that climate risks are mainly assessed from the “outside-in” perspective within the TCFD report. In other words, we analyse whether and to what extent physical or transition climate risks could impact KfW Group’s risk exposure. Physical climate risks might include damage to buildings or infrastructure caused by the consequences of climate change, such as flooding, storms or droughts. Transition risks, on the other hand, result from the transition between the current economic systems, which are based primarily on fossil fuels (oil, coal, gas), and a low-greenhouse-gas economy. Transition risks could also affect our borrowers and therefore impact our credit risks (the term “credit risks” in this report always includes investment risks). As such, neither form of risk reflects primarily the damage caused by climate change, but its financial impact 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 huge role for KfW as a promotional bank and relates to the majority of our financing activities. This is described mainly in the “Banking business” (→ [pages 54–77](#)), “Corporate governance” (→ [pages 38–39](#)) and “Banking operations” (→ [pages 78–86](#)) chapters of this Sustainability Report.

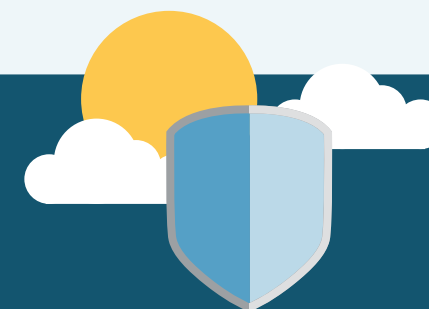
### Climate change as a source of risk

For KfW, climate change is one of many sources of risk that could affect our risk exposure. As such, climate change is equally important as other sources of risk. However, it is not a new, separate type of risk. Within our portfolio, climate risks mainly affect our credit risk; regarding other risk categories at KfW (e.g. market price risks), climate risks are de facto not even theoretically significantly identifiable and (therefore) not separable.

Hence, this report focuses on credit risks and our figures report initially only on scope 1 (direct emissions by KfW) and scope 2 (emissions from energy procured by KfW).

### Scenarios

One of the core elements of the TCFD recommendations is the scenario analyses assessing possible climate risks. TCFD recommends analysing at least two scenarios: a) Global warming of 2° Celsius compared to the pre-industrial age or below – corresponding to the 2015 Paris Climate Agreement – and b) Significantly higher global warming, which the planet is heading for, if no significant steps towards reducing emissions are taken. Our goal is to find out whether and to what extent our material positions would be exposed in these scenarios. We will then provide suitable transparent information on this subject in future reports.



Climate change is one of many sources of risk at KfW Group



## 1. Governance

Viewed from our integrated perspective, results from scenario analyses can impact all four dimensions (governance, strategy, risk management, metrics/targets). We are therefore going beyond the TCFD recommendations in this respect and regard the scenario analysis as a holistic matter. However, according to TCFD recommendations we are only reporting the results under the strategy dimension.

Analysing the scenarios presents a huge challenge. The familiar climate scenarios differ – significantly in some parts – which makes them difficult to transfer to the company perspective in an informative way. It is not without good reason that the TCFD does not anticipate its recommendations to be implemented in full until (about) five years in advance.

A best-practice approach for climate reporting according to the TCFD has yet to emerge, and even the TCFD's approach itself is still evolving. For this reason, we are foregoing an independent audit of our report's content for the time being.

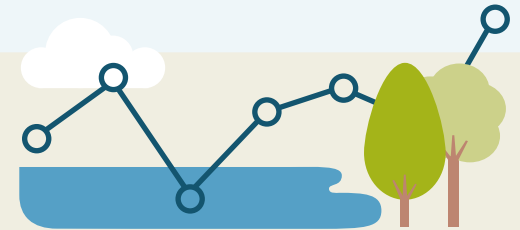
We want to develop our climate risk reporting process on an ongoing basis and use it to provide transparency regarding the questions we are asking ourselves, the answers we have already found and the challenges we are facing. We are aiming for an annual reporting cycle for KfW Group, which includes the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

KfW Group has for some time already been observing and considering the risks and opportunities presented by climate change for its business. They are taken 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 our risk strategy on an annual basis and thereby determine the framework for business activity with regard to risk tolerance and risk 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 considerable, they are presented to the Executive Board for information or decision on an ad hoc basis. As a result, the business or risk strategy can be adjusted accordingly. Any targets related to substantial climate risks or opportunities can be included in the group's business sector planning, and targets can be aligned.

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 (→ ["Risk management" chapter, page 38](#)).



Climate scenarios differ significantly – making it difficult to analyse them from a company perspective

Climate risks within KfW are coordinated by Group Credit Risk Management. This task involves, in particular, coordinating all matters relevant to climate risk. This includes, for example, initiating studies, integrating the topic into relevant tools and processes within the group, and also creating this TCFD report and conducting the scenario analyses. With regard to this task, Credit Risk Management works closely with Risk Controlling, the risk departments of the subsidiaries and Group Strategy 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 decisions. In the case of substantial risks at sector level in the field of corporate and project financing, the reporting chain is as follows:

#### Decision-making chain in risk management\*



\* Depending on the extent of the risk, not all stages 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 subject, the necessary committee in the decision-making chain is brought in.

Significant climate risk issues are monitored depending on the level of impact at various points, for example:

- for individual credit commitments, in a rating process that takes place at least once a year
- for impacts on an entire portfolio, in the form of studies or analyses
- as resubmissions in committees



## 2. Strategy

KfW has set itself the goal of playing an active role in shaping the transformation to a sustainable economic and financial system. Our strategic plans therefore contain ambitious targets for continuing to build on KfW's position as a sustainable bank. KfW's primary goal focuses on sustainable promotion – in other words, improving living standards in Germany, Europe and around the world. This supports measures that have already been implemented (e.g. a new sustainability mission statement, an extended exclusion list including sectoral guidelines, and SDG mapping for the portfolio). To address the special importance of climate change, the environmental commitment quota was defined as an ambitious target of  $\geq 38\%$  of the total new commitment volume. To identify its own sustainability performance, KfW has also set itself the goal of being listed on average among the top 5 promotional and development banks – in the ratings of imug, ISS ESG and Sustainalytics

Furthermore, KfW's Executive Board adopted the in-house project "KfW Roadmap Sustainable Finance". The aim of this project is to create a stringent, multi-dimensional sustainability concept as an extended tool for managing KfW Group's business in line with sustainability-related aspects by mid-2020. KfW wants the Roadmap to help us contribute to the United Nations' SDGs and support the implementation of the Paris climate objectives. Involving a range of central units and all market areas,

work on the roadmap has been broken down into five sub-projects: the mission statement, a steering strategy, risk management, communication and governance. One key task in the Roadmap's risk management sub-project was to pilot a scenario analysis as part of the planned TCFD reporting process.

### Scenario analyses – objective

According to the TCFD's recommendations, the aim of the scenario analyses is gain an insight into how resistant our business model is to climate risks. For us as a bank, the decisive question is whether a high concentration of climate risks could be present in our portfolio over the medium to long term.

The climate scenario analyses involve simulating a number of parameters across a range of sectors; these parameters are based on various scientifically supported scenarios as to how the planet's climate could develop in future. Reciprocal effects are also considered and factored into the calculations. The result is a self-consistent scenario. At this point, it is important to note that the likelihood of long-term scenarios based on a wide range of assumptions actually arising can be very low or difficult to estimate. It is not until different scenarios and their results are examined and compared that usable knowledge is generated.



### Process

For this report (KfW's first report under TCFD), we tested the process for performing a scenario analysis; due to the complexity of this process, we focused on a single scenario and single sector to begin with. We identified general risk factors that would affect our borrowers in the specific scenario.

### Selecting the scenario

We discussed a 1.5° scenario, a 2° scenario (recommended by TCFD) and a 4° scenario. According to our appraisal, the 2° scenario is a challenging scenario, about which there is apparent political consensus, at least at a German and EU level.

We therefore selected the 2° scenario with a focus on transition risks, because a scenario like this inherently implies a high level of ambition for climate policy in terms of preventing any physical risks. This scenario was published by the International Energy Agency (IEA) in 2017 and is frequently used all over the world.

Due to the significance of developments in the oil and gas sector with regard to possible climate risks, we chose this sector for our initial analysis even though it only makes up 1% of the group's total net exposure or 4% of the corporate risk portfolio (net exposure). Within the limits of a qualitative assessment, we evaluated the risk factors' effects on significant loan exposures in our portfolio (credit term > 5.5 years and net exposure > EUR 2 million) according to the scenario for the year 2030 (e.g. oil price).

### Results of the scenario analysis

Based on the underlying scenario, no significant concentrations of climate risks are anticipated in the oil and gas sector for KfW Group.

Only a figure in the low double-digit millions (EUR) of risk (net exposure) would be affected if our internal rating deteriorated. This is particularly down to the fact that the majority of the borrowers studied appeared to have business models that are resilient to the risk factors in the 2° scenario (e.g. oil and gas prices) because they have long-term, fixed supply agreements for example, are heavily integrated into petro-chemical complexes, or are active on regulated markets (grid infrastructure). Furthermore, a number of loans contain structural elements (e.g. guarantees) that reduce the financial risks for KfW.

Our goal is to examine and analyse further climate scenarios and other sectors over the coming years to ultimately be able to examine a broad range of climate risk results and – where necessary – apply risk-mitigating measures.



In a 2° scenario, KfW's risk in the oil and gas sector is not significantly higher

## 3. Risk management

Climate risks are not classed as an independent category of risk, but may be part of several other categories. For KfW, this relates particularly to

- credit risks, and
- operational risks (OpRisk), especially physical risks in this case (e.g. property damage caused by the consequences of climate change). OpRisk management already considers these results, albeit termed differently than “climate risks”.

Over the short to medium term, the transition risks are more relevant to our portfolio than the physical risks, as the risks resulting from climate change have reached the national, European and international level from the legislators’ perspective. The economy’s transition to climate neutrality is being tackled at an increasing rate and this process could be challenging for the business world and, as a result, for some of our customers as well.

This is why we focused on the transition risks first. In this regard, we distinguish between climate risks at individual commitment level and portfolio level.

### Climate risks at individual commitment level

If a climate risk appears to be a significant aspect in risk-relevant transactions, this is examined at two points in the credit process – as is the case for other risk factors:

- Identification of customers’ probability of default: Depending on the scope 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 a manual up- or downgrade).
- Evaluation of the transaction structure and its terms and conditions: the front and risk management offices run a credit check in a two-stage process (first and second decision recommendations). Their evaluation focuses particularly on the structure of the transaction, such the term of the loan. If a climate issue appears to be unfavourable (risk) or particularly positive (opportunity) in its interaction with the structure, this is evaluated during the credit check and the results are incorporated into the decision recommendation. In the case of a risk, this may lead to the transaction being rejected or subjected to additional conditions.

A new loan or a subsequent decision for an existing loan is then approved depending on the extent of the risk (“risk exposure”) by the relevant decision-making level (Senior Manager, Vice President, Team Head, Head of Division or Head of Department, Group Credit Risk Committee, entire Executive Board, Board of Supervisory Directors).

### 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 currently in the process of advancing and extending these formats.

- Examinations as part 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 already exist for financial industry risks and country risks, and they also present analyses to the Group Credit Risk Committee.
- Addition to various “heat maps”, e.g. the general Risk Report Heat Map or the special Environment and Climate Risk Heat Map set up in 2018.
- Discussion in the Expert Committee for stress tests and, subsequently, performance of a stress test, which is then presented to the Group Credit Risk Committee for acknowledgement.

If the security evaluation or rating method demonstrate climate risks to be relevant enough that they have to be explicitly taken into account as their own criteria within the methodology, the risks are examined by the security or rating systems task forces set up for this purpose. Measures drawn up as a result of the analyses by the various committees are then discussed and approved by the Group Credit Risk Committee.

We also dealt with the topic of climate risks during our regular risk inventory process in 2019. 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 written procedural rules were amended accordingly in early 2020 to include a definition of climate risks.

Climate risks can have a particularly big 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 field of credit risks is therefore the main focus of our work.

### Climate risks as reputation risks

Climate risks are also related to reputation risks and are 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, operational risks relate particularly to compliance risks, information security risks or legal and payment risks.

As an institution with close ties to the government and high ethical, governance and compliance standards, KfW Group regards reputation risks as material even though significant adverse effects to the assets, income or liquidity situation have yet to be observed or measured as a result of a negative reputation.



For KfW, climate risks are particularly important in the loan business

Sub-risk strategies for these issues 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.



## Presentation of 2019 risk management activities related to climate-relevant risks using the export and project finance sector at KfW subsidiary IPEX-Bank as an example:

### Identification of climate risks at sector level

To provide an overview of the extent to which the sectors we finance are affected by climate risks, we developed a “Climate Risk Heat Map”, which categorises transition and physical climate risks for a range of industries. This is a qualitative expert assessment performed by credit analysts based on their knowledge of the sector. Our credit analysts survey the materiality of climate risks for their sectors on the basis of detailed definitions. Based on the potential effects on the probability of default/rating, they categorise each sector’s exposure into five sub-categories of climate risk. This produces a concrete image of the sector’s general exposure level. During this process, attention was paid to the fact that climate risks may not arise until the medium to long term, giving industries and businesses time to respond to climate-based changes in their market environment.

Ultimately, this procedure is a qualitative identification and evaluation process. In 2019, the results of the “Climate Risk Heat Map” were used as a basis for conducting a more in-depth analysis of selected industries with the potential for higher transition climate risks. For the eight sectors of the automotive industry, steel industry, commercial shipping, cruise ships, oil and gas, petrochemicals, aviation and thermal energy (in total, the eight sectors make up 6% of the Group’s total net exposure or 21% of the net exposure in the corporate risk portfolio), a standardised format demonstrated how changing environmental and climate regulations, new technologies and changes to the dynamics of supply and demand could affect each industry.



## 4. Metrics and targets

For the area of climate-relevant metrics and targets, the TCFD recommendations relate primarily to the “outside-in” perspective, which looks at the financial impacts of climate change on KfW as a business; however, they also cover the “inside-out” perspective – in other words, the question of how our business activities could affect the climate.

The development of metrics for the “outside-in” risk perspective is still in the planning stages. Over the medium term, we are aiming to generate multiple metrics and – if required – targets for the “outside-in” risk perspective.

Metrics for the “inside-out” perspective include, for example, KfW Group’s carbon emissions. They are recorded in accordance with the Greenhouse Gas Protocol for Scope 1 and 2 and for Scope 3 on a selective basis. 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 “Banking operations” chapter of the Sustainability Report (→ [page 84](#)).

Options for recording and reporting the carbon emissions resulting from projects co-financed by KfW (“inside-out”) are currently being prepared as part of the in-house KfW Roadmap Sustainable Finance project. The initial results are expected in mid-2020. An explanation of the project is provided in the → [“Strategy” chapter, from page 16](#).

# Banking business

## How we are advancing sustainable development with our financing

By promoting investment, KfW Group is committed to sustainable development with concrete and quantifiable results. We provide support for areas such as business start-ups, environmental and climate protection, and protection of human rights. We perform systematic assessments and evaluations to ensure the integrity of our services.



**EUR 77.3 billion in commitments**  
in 2019 (2018: EUR 75.5 billion)



**Ten “Green Bonds – Made by KfW”**  
with a volume of EUR 8.1 billion were  
issued by KfW in 2019 (2018: EUR 1.6 billion)



KfW Development Bank is introducing  
a **climate mainstreaming instrument**  
in 2020

## KfW's promotional priorities

KfW Group's primary objective is promotion. As a public promotional bank, KfW abides by two promotional principles: subsidiarity and sustainability.

The principle of subsidiarity means that KfW concentrates on addressing market weaknesses without encumbering or crowding out private enterprise. KfW is a partner to commercial banks, not a competitor. It supports commercial banks in financing projects that otherwise would not be implemented. With regard to the principle of sustainability, KfW aims to be a sustainable bank in the fullest sense: within its business, within its operations and within its role as an employer. KfW's promotion work is geared towards long-term and sustainable success. Its financing activities are based on the highest ecological and social standards. Both of these promotional principles are explicit elements of KfW Group's strategic objectives (→ "Strategy" chapter, page 15).

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 of risk and liquidity, Risk Controlling is responsible for this report)
- Financial controlling report (secondary target of profitability and efficiency, Financial and Promotional Business Controlling is responsible for this report)

In 2019, KfW focused most of its promotional activities on what it believes to be the socially and economically important megatrends of "climate change and the environment", "globalisation", "social change" and "digitisation 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.

To address the special importance of the "climate change and the environment" megatrend, KfW set itself a target ratio for these two areas of over 35% of its total annual promotional business volume as far back as 2012. At the start of financial year 2019, the group's target quota was increased to 38%; this figure was reached in 2019.

The → table on page 56 reveals how the 2019 commitment volumes of KfW's individual business sectors were distributed between 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, projects directed towards climate action and environmental protection are categorised under the corresponding 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 action and environmental protection are mainly categorised under the globalisation megatrend.

# 38%

of the commitment volume was allocated to climate action and environmental protection (2018: 40%)

**KfW Group commitment volume according to business sectors and megatrends in 2019, in EUR billion<sup>1</sup>**


	Business sector SME Bank & Private Clients	Business sector Customised Finance & Public Clients	Business sector KfW Capital	Business sector Export and Project finance	Business sector: Promotion of developing countries and emerging economies		Total commitment volume
					KfW Development Bank	DEG	
Total commitments	36.0	7.2	0.2	22.1	8.8	1.8	77.3 <sup>2</sup>
of which Climate change & environment (environment commitment ratio) <sup>3</sup>	19.2 (53%)	1.8 (24%)	n.a.	2.6 (12%)	5.2 (60%)	0.7 (37%)	29.7 <sup>4</sup> (38%)
of which Globalisation	n.a.	0.3	n.a.	18.7	n.a.	0.8	19.9
of which Social transformation	10.6	0.9	n.a.	n.a.	n.a.	n.a.	11.5
of which Digitisation & innovation	0.4	0.4	0.2	0.7	0.04	0.3	2.1
of which non-trend- related promotional issues	5.7	3.9	n.a.	n.a.	3.5	n.a.	14.2 <sup>5</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 1.4 billion, of which EUR 0.3 billion is attributable to climate change and the environment and EUR 1.1 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 0.3 billion.

<sup>5</sup> Also includes commitments from the financial markets business sector in the amount of EUR 1.1 billion.

The product range for domestic promotional business mainly consists of promotional programmes focused on specific topics.

The → [table on page 57](#) 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 2019** (commitments in EUR billion)

<b>Megatrend</b>	<b>SME Bank &amp; Private Clients</b>	<b>Customised Finance &amp; Public Clients</b>	<b>KfW Capital</b>
Climate change & environment	Energy-efficient construction and refurbishment (11.2) KfW Energy Efficiency programme (4.8) Renewable energy programmes (2.9)	IKK – KfW Investment Loans for Municipalities (0.5)	
Globalisation		Refinancing export loans covered by Federal guarantees (0.3)	
Social transformation	KfW Home Ownership programme (4.4) Baukindergeld scheme (2.7) ERP Start-up Loan (proportion of company successions: 1.1)	IKK – KfW Investment Loans for Municipalities (0.5)	
Digitisation & innovation	ERP Digitisation and Innovation Loan (0.4)	KfW Loan for Growth (0.2)	ERP VC fund investments (0.2)
Non-trend-related promotional issues	KfW Entrepreneur Loan (3.1) ERP Start-Up Loan (1.8)	Global leasing loans (1.5)	

## Development of promotion in the business sectors and areas

Commitment volume development in KfW Group's various business sectors depends on customer demand for promotion and financing. Equal relevance is attributed to the commissioning ministries' political focal points and the resulting financial resources available for the promotional programmes.

### SME Bank & Private Clients

The volume of new business in the SME Bank & Private Clients business sector amounted to EUR 36.0 billion (2018: EUR 36.3 billion).

#### 1. SME Bank segment

In the year under review, the volume of new business amounted to EUR 15.3 billion. Promotion was focused on the areas of corporate investment, start-ups, innovation, environment, sustainability and the energy transition. With a promotional volume of EUR 7.9 billion, the energy transition priority area made the most significant contribution to this segment. This priority area consists of the KfW programmes for improving energy efficiency and the use of renewable energy at commercial enterprises. The second-largest volume is attributed to the priority area of corporate investment with a share of EUR 3.8 billion.



### Increasing energy efficiency

Klinge paper factory has had its own power plant for energy-intensive paper and cardboard production at its site in Weener, East Frisia, Germany, since 2008. The steam generated in the plant is used to dry the paper. Any excess steam is used to produce electricity for in-house use.

With the help of a loan of EUR 8.3 million from the Federal Promotion Programme for Energy Efficiency in Business, the next plan is to install a more efficient turbine and a new air condenser. This will enable 26,000 MWh of additional energy to be generated.

The results of the energy efficiency measure speak for themselves: around 80% of the site's power requirements is covered, energy costs are reduced by EUR 1.5 million per year, and carbon emissions are cut by more than 14,000 tonnes. Thanks to a 30% repayment bonus from funds provided by the Federal Ministry for Economic Affairs and Energy (BMWi), the investment will be paid off much more quickly and the traditional company, which has been in business since 1961, will be supported on its journey to better environmental protection.

## 2. Private Clients segment

In 2019, the Private Clients segment recorded a new business volume of EUR 20.6 billion. With a commitment volume of EUR 11.2 billion, the energy transition priority area made up the largest share of new business. All of these commitments were used for the Energy-efficient Construction and Refurbishment programmes. The homes and living priority area came in second place with a commitment volume of EUR 7.6 billion. Along with the Home Ownership programme (EUR 4.4 billion) and the Age-appropriate Conversion programme, this priority area also includes the new Baukindergeld grant introduced in 2018. Thanks to the Baukindergeld programme, families received support in purchasing their own homes with a total commitment volume of EUR 2.7 billion in 2019.

### Customised Finance & Public Clients

In the Customised Finance & Public Clients business sector, the new commitment volume amounted to EUR 7.2 billion (2018: EUR 9.5 billion).

The municipal and social infrastructure segment recorded a new business volume of EUR 3.9 billion. This segment includes the promotional priority areas of public infrastructure (EUR 2.8 billion) and energy transition (EUR 0.9 billion). The segment of individual financing for banks and promotional institutions of the federal states achieved a new business volume of around EUR 3.1 billion. Its primary priority areas include corporate investment (EUR 1.8 billion) and public infrastructure (EUR 1.3 billion). The segment that focuses on customised finance for businesses offered new commitments amounting to EUR 0.3 billion and covers the priority areas of innovation, corporate investment and the energy transition.



## Energy-efficient construction and refurbishment

With its family of investment loans for municipalities (known as IKK programmes), KfW finances the construction of new energy-efficient buildings with low energy requirements and carbon emissions, as well as the refurbishment of energy-related features in existing buildings, to significantly reduce energy consumption and cut carbon emissions. The promotional programme is therefore an important element in Germany's achievement of its climate targets and, at the same time, helps to tackle the backlog of investments in municipalities.

The programme can be used for all non-residential buildings in municipal and social infrastructure, such as administrative buildings, sports facilities, hospitals, schools and nurseries. For instance, the town of Marbach am Neckar is using the programme to finance a new nursery building, which will meet KfW Efficiency Building 55 standards, and has secured a repayment bonus in addition to a low-interest loan issued from government funds.

### KfW Capital

KfW Capital invests in venture capital (VC) and venture debt funds, which in turn invest in innovative, technology-oriented companies in their start-up and growth phases in countries including Germany. The three current products and programmes are the three generations of the High-Tech Start-Up Fund, the co-investment fund coparion and ERP VC fund investments.

With support from the ERP Special Fund, KfW Capital completed ten venture capital fund investments in 2019; the investment volume totalled around EUR 156 million (+11% compared to the prior-year period). Its investments focused particularly on VC funds that finance start-ups and growth companies in the information and communication technology sector and life sciences. From 2020 onwards, KfW Capital will invest an average of around EUR 200 million



## Promoting sustainable start-ups

The complexity of the requirements for modern cloud-based solutions is growing all the time – sustainability criteria add a new dimension to the challenges. Based on the idea that the waste heat from servers can be used for heating purposes, the young Dresden-based company Cloud&Heat has evolved into a partner for energy-efficient, secure and scalable public, private and hybrid cloud solutions. Spread over two floors and 640 square metres, the data centre in the 111-metre-tall Eurotheum building in Frankfurt city centre demonstrates how sustainability can be combined with the future of digital technology. Every process performed by the servers supplies the building with heat and hot water thanks to the sophisticated water cooling technology. According to the company, it has been able to save up to EUR 160,000 in energy costs and up to 557 tonnes of carbon emissions every year. Cloud&Heat is co-financed by the ETF III fund, which specialises in sustainable business models. KfW Capital is one of the fund's investors.

p.a. in German and European VC funds. KfW Capital's goal is to strengthen the VC market, enabling innovative tech companies in Germany to enjoy better access to growth capital through financially strong funds.

### Export and project finance

In the Export and project finance business sector, for which KfW IPEX-Bank is responsible, new business in 2019 added up to EUR 22 billion (2018: EUR 17.7 billion) in a highly competitive market environment. These commitments were often concluded in consortia with other banks. The largest commitments in the industry sector came from area of Energy and Environment with EUR 3.2 billion, a significant portion of which was once again accounted for by wind farms. This underscores KfW IPEX-Bank's efforts to make a significant contribution to environmental protection and climate action.



## Sea breeze for green energy

Off-shore wind power is regarded as the most important source in the future of sustainable power supply. KfW IPEX-Bank is also active in this area: over the past ten years, it has financed 26 off-shore wind farms in Germany, Belgium, the UK, Taiwan and France. KfW IPEX-Bank's total off-shore portfolio currently amounts to around 11 GW (cumulative, installed power) and is set to grow even higher.

### Financial cooperation (KfW Development Bank)

KfW Development Bank was also able to increase its financial commitments. In 2019, around EUR 8.8 billion in financing was provided to developing countries and emerging economies on behalf of the German Federal Government (2018: EUR 8.7 billion). Around 60% of financing was earmarked for climate action and environmental protection projects.

### DEG

In 2019, DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH pledged around EUR 1.85 billion to finance and promote investments by private companies in developing countries and emerging economies and therefore built on the previous year's figure (2018: EUR 1.90 billion). The focus was placed on financing for small and medium-sized enterprises; at EUR 1.1 billion, the EUR 1 billion mark was exceeded for the first time (2018: EUR 967 million). Financing for climate action and environmental protection projects reached EUR 691 million (2018: EUR 641 million).

Since 2007, KfW Development Bank has published information about the projects it finances at country and sector levels. Since 2013, it has also provided an online database for research and analysis of promotional projects for development financing with its → [KfW Transparency Portal](#). This portal provides up-to-date information and a short description of the project, thus making data publicly available in a clear, easily accessible manner so that it can be used for individual evaluation. In mid-2019, this project data was extended to include environmental and social categories; in mid-2020, the summaries from the ESIA will also be added (→ [Sustainability guidelines, page 17](#)). Since 2015, DEG has also published investment-related information about new financing commitments on its website (→ [DEG financing](#)).



## Cushioning the effects of climate change

One of the focus areas of Financial Cooperation is the financing of projects that aim to protect the climate or support adaptation to climate change. In view of this, on 3 May 2019, KfW Development Bank concluded two financing agreements with the Tanzanian Ministry of Finance and Planning with a total value of around EUR 128 million on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Green Climate Fund (GCF). The financing covers a climate-adapted water supply and sanitation system along with agricultural adaptation measures for climate change in the Simiyu region of north-east Tanzania. KfW's financial contribution amounts to EUR 25 million. The project will include the construction of a sustainable water supply system supplied from Lake Victoria. In addition to this, a number of measures will be applied to improve the sanitation supply, alongside various measures that aim to make local farmers, whose style of subsistence farming is dependent on rain, more independent and less susceptible to problems during extended periods of drought by promoting new agricultural practices. With this project, KfW Development Bank is helping Tanzania to tackle the challenges of climate change and improve the income and development prospects of 495,000 people in the Simiyu region.

# 60%

of financial commitments by KfW Development Bank in 2019 can be attributed to climate action and environmental protection



## Green power for Kenya

Kenya has good potential when it comes to renewables: geothermal, wind and solar power. It already obtains two thirds of its energy from renewable energy sources. However, at present, only half of the population in the East African country has access to electrical power. And a better power supply is important to Kenya's growing economy.

For this reason, DEG is financing the construction and operation of the 40-MW Malindi solar farm with a loan amounting to USD 20 million. The financing, which has a total volume of almost USD 50 million, was arranged by the British CDC Group. The solar power generated will be fed into the state grid under a long-term supply agreement.

In the future, it will be possible to supply around 180,000 households with 90 GWh of green energy per year. Furthermore, 37,000 tonnes of CO<sub>2</sub> will be avoided each year.

DEG has been financing renewable energy projects in Africa, Asia and Latin America for years in order to promote the production and use of green energy in developing countries. In Kenya, it is also financing the Olkaria III geothermal power plant and Sub-Saharan Africa's largest wind farm in Lake Turkana.

## KfW in the capital market

KfW Group's good reputation in international capital markets is based not only 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.

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

- green bond portfolio
- ABS promotional portfolio for the SME sector
- sustainability-oriented management of the liquidity portfolio
- funding via green bonds

The first two activities in this list are classified as promotional business.

### Green bond portfolio

In April 2015 under a mandate by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), KfW began to build up a green bond portfolio. The objectives of this portfolio are to finance environmental protection and climate action measures, and also 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 2022 at the latest.

The BMU's promotional mandate stipulates compliance with minimum criteria that align with the → [Green Bond Principles \(GBP\)](#). The minimum criteria refer to eligible project categories (for example, renewable energy, resource efficiency, environmentally friendly transport projects and biodiversity), including the statement of the projects' objectives and expected impacts, the process of project selection, management of proceeds, reporting and qualified verification by a third party (for example, in the form of a "second party opinion"). Furthermore, it is ensured that no funds are provided for measures intended for commercial power generation with nuclear energy or coal.

Prior to each investment decision, KfW evaluates if a green bond meets the minimum criteria and uses an internal assessment scheme to categorise green bonds. KfW also analyses the reporting after each investment. Based on the information provided by the respective issuer, KfW examines whether the allocation of funds is explained transparently and is still in accordance with the promotional aim. 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 together with other market participants such as issuers,

external review providers or market initiatives. The GBP play a particularly important role here. As an investor, KfW is a member of the GBP Executive Committee and the working groups "Green Projects Eligibility" and "Impact Reporting".

The BMU receives an annual report about market and portfolio development and the accompanying activities. The Executive Board of KfW is informed about the portfolio's development on a monthly basis. As of 31 December 2019, the volume of the green bond portfolio amounted to around EUR 1.6 billion.

#### **ABS promotional portfolio for the SME sector**

KfW Group promotes financing for commercial enterprises via the capital market with the ABS promotional portfolio. On behalf of the German Federal Ministry for Economic Affairs and Energy, KfW invests in ABS (Asset-Backed Securities) and ABCP (Asset-Backed Commercial Papers) that directly or indirectly benefit SME-sector financing. As of 31 December 2019, the volume of the ABS promotional portfolio amounted to around EUR 3 billion. The funding of capital-market-oriented SME financing using investments in SME-based securitisation transactions achieved its goal of contributing to the maturation of this market segment and ended on 31 December 2019.



KfW as an investor: the green bond portfolio has been increased to around EUR 1.6 billion

### Liquidity portfolio

KfW's liquidity portfolio is part of KfW's bank-wide liquidity management activities. This portfolio is a pure fixed-income portfolio, which only comprises bonds issued by public-sector entities, supranational organisations, bank bonds, covered bonds and ABS, which have an investment-grade rating. As of 31 December 2019, the size of the liquidity portfolio amounted to EUR 28.3 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 comprises the following components:

#### 1. Integration of ESG criteria

Since 2008, in addition to the credit assessment of the issuers, KfW has taken into account the issuers' sustainability rating based on environmental, social and governance (ESG) criteria when selecting bonds for the liquidity portfolio.

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/countries against ESG criteria. This evaluation is based on the sustainability ratings provided by a sustainability 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 integrated into the investment approach for the liquidity portfolio. This will 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 aspects of environmental and social areas. The exclusion criteria are based on the → "IFC Exclusion List" (an exclusion list issued by the International Finance Corporation (IFC), a member of the World Bank Group) and the exclusion list of KfW Group. 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 the issuers of the liquidity portfolio is focusing on voluntary dialogue. As part of this strategy, KfW provides issuers with annual information on their sustainability ratings and their position when 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 environmental protection and climate change mitigation.

As a pioneer on the market, it is KfW’s goal 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 protection through renewable energy and residential building efficiency.

In 2019, KfW issued ten “Green Bonds – Made by KfW” in seven currencies with an equivalent value of EUR 8.1 billion. One new promissory note bond and seven new bonds were issued, and two of the bonds were re-opened. Green bonds therefore made up 10% of the volume of new issuances in 2019. The significant increase compared to the previous year (2018: EUR 1.6 billion) was achieved by expanding the framework for green bonds. With a total portfolio of around EUR 22.6 billion issued as at the end of 2019, KfW is by far the largest issuer of green bonds in Germany and one of the largest in the world. KfW’s climate-related green bond ratio as of 31 December 2019 (total amount of green bonds outstanding at year end divided by a 5-year rolling average of total amount of bonds outstanding) is 5.4%.

#### Extending the green bond framework

To respond to ever-growing investor demand, KfW extended its green bond framework in May 2019. As well as for financing projects in the field of renewables, amounts equalling the green bonds’ net yields are now also used for the KfW programme “Energy-efficient Construction”. This means

that a second standardised loan programme, which makes a quantifiable contribution to climate protection and generates a significant volume, is now financed by “Green Bonds – Made by KfW”.

The KfW credit programme “Renewable Energy – Standard” provides financing for building, expanding and purchasing systems that produce power or heat from renewable energy sources. The “Energy-efficient Building” credit programme finances new energy-efficient residential buildings in Germany. These buildings’ primary energy requirements must be at least 25% lower than the maximum value permitted under the current German Energy-Saving Ordinance (EnEV).

All of the projects financed by these two credit programmes have in common that they contribute to at least one of the Sustainable Development Goals (SDGs). The three goals defined in the new green bond framework are: “Affordable and clean energy” (SDG 7), “Sustainable cities and communities” (SDG 11) and “Climate action” (SDG 13).

#### 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 as an issuer:  
10 green bonds with a volume  
of EUR 8.1 billion were issued  
in 2019

## 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 Environmental and Social Policy.

The ESIA is a fixed part of project appraisals at KfW Group and is performed according to similar assessment processes and standards in the three organisational units mentioned above. It is divided into a screening process, which determines the categories of environmental and social risks, and the assessment itself. If the assessment reveals that the existing environmental and social management plan is inadequate or does not exist at all, additional or new measures are defined and usually recorded in an action plan. Implementation of the action plan, and the regular reporting and monitoring of measures are part of the loan agreement.

KfW Group's ESIA process is based on ecological and social standards in line with internationally recognised benchmarks. These include:

- for public-sector borrowers and executing agencies: the most recent version of the → World Bank Group's Environmental and Social Standards (ESS)
- for cooperation with the private economy, the Green Climate Fund and financing for the international climate change mitigation initiative (IKI): the → International Finance Corporation's Performance Standards (IFC PS)

As well as these standards, the assessment of human rights issues 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.

KfW Development Bank has been applying the World Bank's Environmental and Social Standards (ESS) as a binding benchmark for its ESIA since 1 January 2019. These have replaced the World Bank's Operational Policies. Furthermore, outstanding incidents will be logged centrally by a new Non-Financial Risk department in future.



Overall there are currently 26 experts responsible for ESIA at KfW Group. They support the operative departments in implementing the ESIA standards. From 2020 onwards, KfW Development Bank is also planning to increase the decentralised deployment of environmental and social experts for evaluating and managing risks directly in the operative divisions.

All new employees and 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 during the credit process; follow-up training is provided in the event of significant changes. Furthermore, there is a separate mandatory training course on the topic of protecting human rights as part of the induction events for new KfW Development Bank employees; the course is held four times a year. A total of 379 KfW Group employees received ESIA training in the year under review.

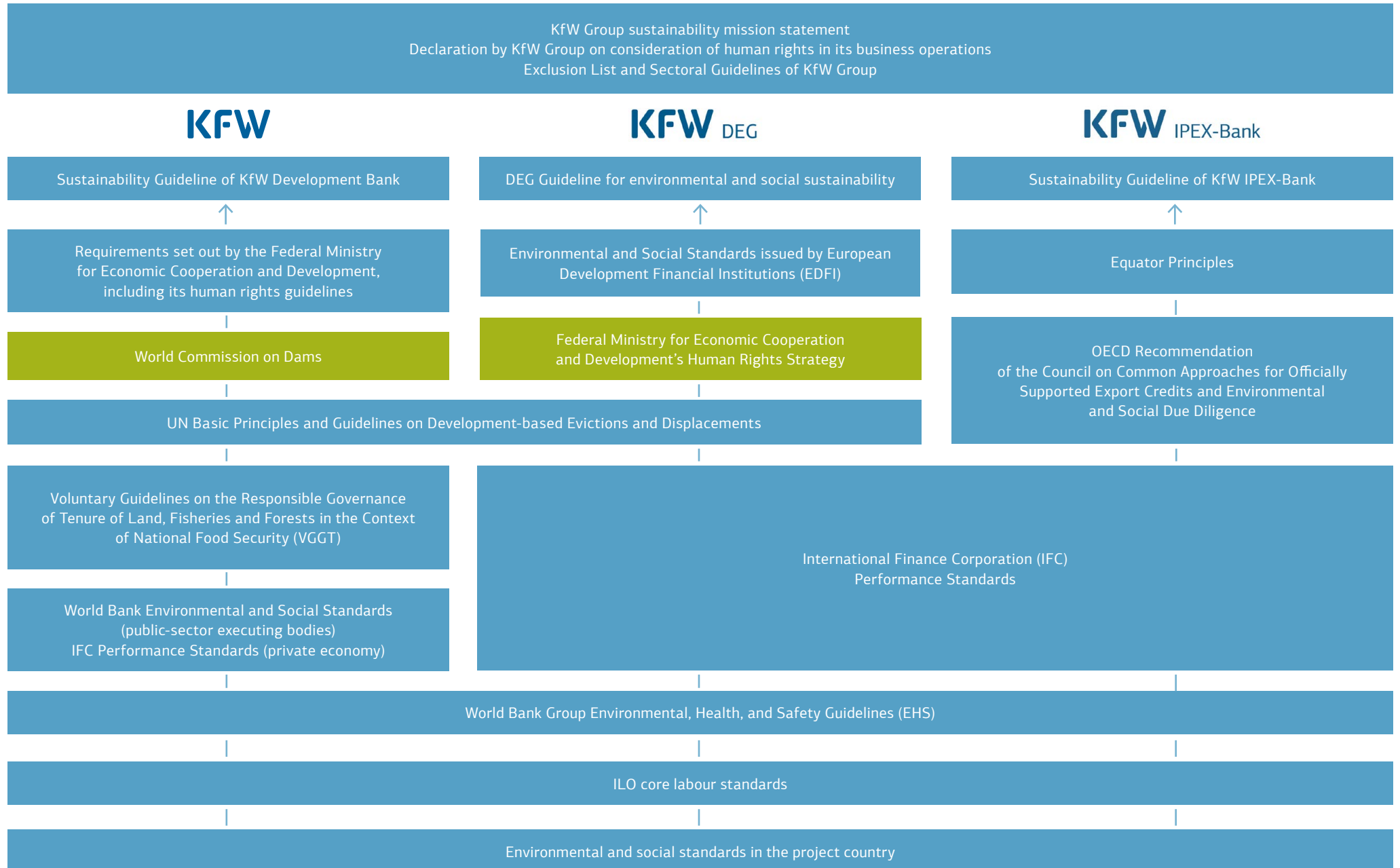
### The ESIA process

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 (or B+ or B- at DEG and for KfW Development Bank, or B as appropriate and B at IPEX-Bank) or C according to the standards set out by the World Bank, EDFI or Equator Principles. The results are reviewed internally by 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 are to be provided by the borrower. To assess social factors 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. The due diligence for human rights within supply chains as required under the National Action Plan for Human Rights is assessed and tracked through the application of international environmental and social standards.

Measures are usually defined in an action plan if deficiencies are identified during the assessment. These then have to be implemented by the project partner or financed enterprise in an effort to prevent unwanted ecological 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 devised 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.

Standards to be applied in KfW Group’s environmental and social impact assessments



### Climate assessment

In addition to the ESIA, KfW Development Bank performs an additional systematic climate assessment on all projects; this assessment looks at adaptation to climate change and climate protection.

The **climate assessment – adaptation** helps to ensure that the anticipated development policy impact of the financed measures is not threatened by climate variability (mainly extreme weather events) or the effects of climate change. A further analysis is performed to find out whether and to what extent the measure is able to reduce the vulnerability and, with it, the threat to the people and eco-systems affected with regard to climate variability and change. At the same time, the climate adaptation assessment aims to evaluate whether and to what extent the measure is able to increase the capacity for adjustment among the people affected and eco-systems.

The **climate assessment – reduction** analyses whether the planned project will cause greenhouse gases to be emitted, how high the levels of emissions will be and what mitigation measures will be necessary to reduce emissions. At the same time, areas of potential for reducing greenhouse gas emissions are identified and their impact is evaluated. Furthermore, the climate assessment – reduction analyses the options for sequestering CO<sub>2</sub> in soil and vegetation.

From 2020 onwards, climate mainstreaming will be introduced for all projects. This means that climate effects and risks will be analysed at the early design stage of every project so that these can be systematically accounted for in the project design. In this way, the project's effectiveness in terms of climate protection can be further increased and possible risks can be taken into account more effectively.



From 2020 onwards, climate mainstreaming will replace the climate adjustment and CO<sub>2</sub> reduction assessment

### Project categorisation of potential environmental and social risks of newly committed financing in 2019

	Risk category A (high)	Risk category B (medium)	Risk category C (low)
<b>KfW IPEX-Bank</b>	<b>18</b>	<b>47</b>	<b>187</b>
<b>KfW Development Bank</b>	<b>23</b>	<b>222<sup>1</sup></b>	<b>71</b>
Non-financial sector	9	178	56
Financial sector	14	44	15
<b>DEG<sup>2</sup></b>	<b>30</b>	<b>63</b>	<b>11</b>
Non-financial sector	12	35 <sup>2</sup>	1
Financial Intermediaries	18	28	10

<sup>1</sup> A total of 48 of the 222 projects in risk category B (medium risk) were assigned to sub-category B+ (high risk)

<sup>2</sup> 30 of these projects are in the B+ category (medium to high risk in some instances)

## Complaint mechanisms

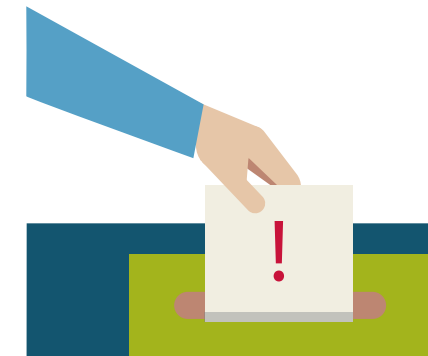
KfW Group uses incoming complaints as a vital customer-feedback tool to optimise processes and services. In this approach, KfW bases its work on the BaFin minimum requirements for complaint management. Persons – be they customers, potential customers or financing partners – who are not satisfied with a KfW service are able to submit critical feedback to KfW either over the phone, in writing or online via a complaint form. Each complaint is responded to on an individual basis. The central Complaint Management team coordinates the clarification of the matter involving all necessary departments at the bank and makes sure the case is dealt with without delay. Complaints are evaluated quarterly and reported in the form of key findings to the Executive Board. Should the analysis process reveal any recurring problems, these are addressed to make KfW's services even more customer-friendly. For KfW IPEX-Bank, this is done on an ad hoc basis to the IPEX Management Board. Stakeholders can address basic questions and complaints on sustainability-related issues that are not clearly related to a specific project to KfW Group via the central email address [nachhaltigkeit@kfw.de](mailto:nachhaltigkeit@kfw.de). All difficult cases, particularly those concerning potential criminal activities and KfW employee infractions, can also be addressed anonymously to the external ombudsperson (Attorney at Law, Arndt Brillinger, phone +49 721-91546568, fax: +49 721-91546580; email: [kfw@brillinger-rechtsanwaelte.eu](mailto:kfw@brillinger-rechtsanwaelte.eu)).

For those who feel negatively affected by Financial Cooperation projects, KfW Development Bank provides a complaint page, including an → [online complaint form](#). This form can be used to describe a complaint in detail and quickly submit the information needed for the matter to be

dealt with. As an alternative, those affected in developing countries can use the project partner's local complaints mechanism or contact the local KfW office or German embassy. In addition, the Complaint Office also analyses all complaints the bank receives through other channels (via email or the ombudsperson, for example). The Complaint Office forwards all recorded complaints to the responsible offices; if necessary, complaints are examined by an in-house group of experts. The person who submitted the complaint is informed of the results of this examination in writing. KfW Development Bank's complaints mechanism is currently under revision to reinforce the criteria of independence and transparency.

We are currently pursuing the implementation of an approach that corresponds to the BaFin minimum requirements as well as international standards, which is at the same time adequate in terms of the frequency of complaints. In the year under review, KfW Development Bank received a total of 14 complaints, five of which are currently being processed, eight have been completed and one was rejected. A selection of complaints relating to human rights and indigenous populations that experienced relevant developments in the year under review is presented in detail under "Human rights and indigenous population" on → [page 71](#).

KfW IPEX-Bank offers an option for submitting a complaint via the → ["Principles of complaint management at KfW IPEX-Bank" website](#). Furthermore, there is a whistleblower system in place for potentially criminal actions (ombudsman). In 2019, there were critical questions surrounding the environmental and social issues in a financing project.



Revision of the complaint mechanism at KfW Development Bank to reinforce the criteria of independence and transparency

The project in question related to participation in a financing package for Ituango hydropower plant in Columbia. KfW IPEX-Bank's financing package is a share of a so-called B loan tranche extended by the IIC (Inter-American Investment Corporation, a member of the Inter-American Development Bank Group, IDB). The borrower is Empresas Públicas de Medellín E.S.P., one of the three largest Colombian energy companies. The handling of the complaints submitted to the IIC is still pending.

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 signed up in 2018. No new complaints were submitted in the year under review. 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

In 2018, KfW reported on the complaints related to a road construction project in Mombasa (Kenya). The project is a co-financing project between KfW Development Bank, the African Development Bank (AfDB) and the EIB. The complaints caused by the resettlement of affected persons 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 a 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. The EIB and KfW are continuing to track the implementation of the action plan closely.

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 conservation authority Institut Congolais pour la Conservation de la Nature (ICCN) in the field of conservation since 2008, having committed a total of EUR 66 million to date. The goal of the conservation area project is to improve the management of conservation areas in cooperation with the local population as the primary target group. Salonga National Park has been promoted as part of this cooperation since 2016. KfW was first informed of the allegations of human rights violations by RFUK in May 2018 and immediately adopted a position, asking the implementing agency ICCN and the WWF as the co-manager of PNS to provide information on the matter and deal with the allegations. At the same time, KfW initiated dialogue between the WWF, KfW and RFUK. KfW is closely monitoring the clarification of the matter. KfW is currently speaking to the Federal Ministry for Economic Cooperation and Development (BMZ) regarding how to proceed in Congo (as of February 2020).

According to the information provided by the WWF, all cases were officially reported to the responsible Congolese law enforcement authorities on 31 May 2019. In the second half of 2019, the WWF and ICCN initiated another investigation involving representatives of the responsible justice authorities and an independent non-governmental organisation. In parallel, KfW commissioned an international team of experts to evaluate the management processes for preventing and dealing with human rights violations by PNS park staff. This evaluation is being independently supported by the German Institute for Human Rights. An initial on-site visit by the team of experts took place in October 2019; a follow-up trip is planned for the first quarter of 2020. KfW will work closely with the BMZ to initiate the next steps and any necessary consequences once all the results of the investigation have been presented.

## Project evaluation

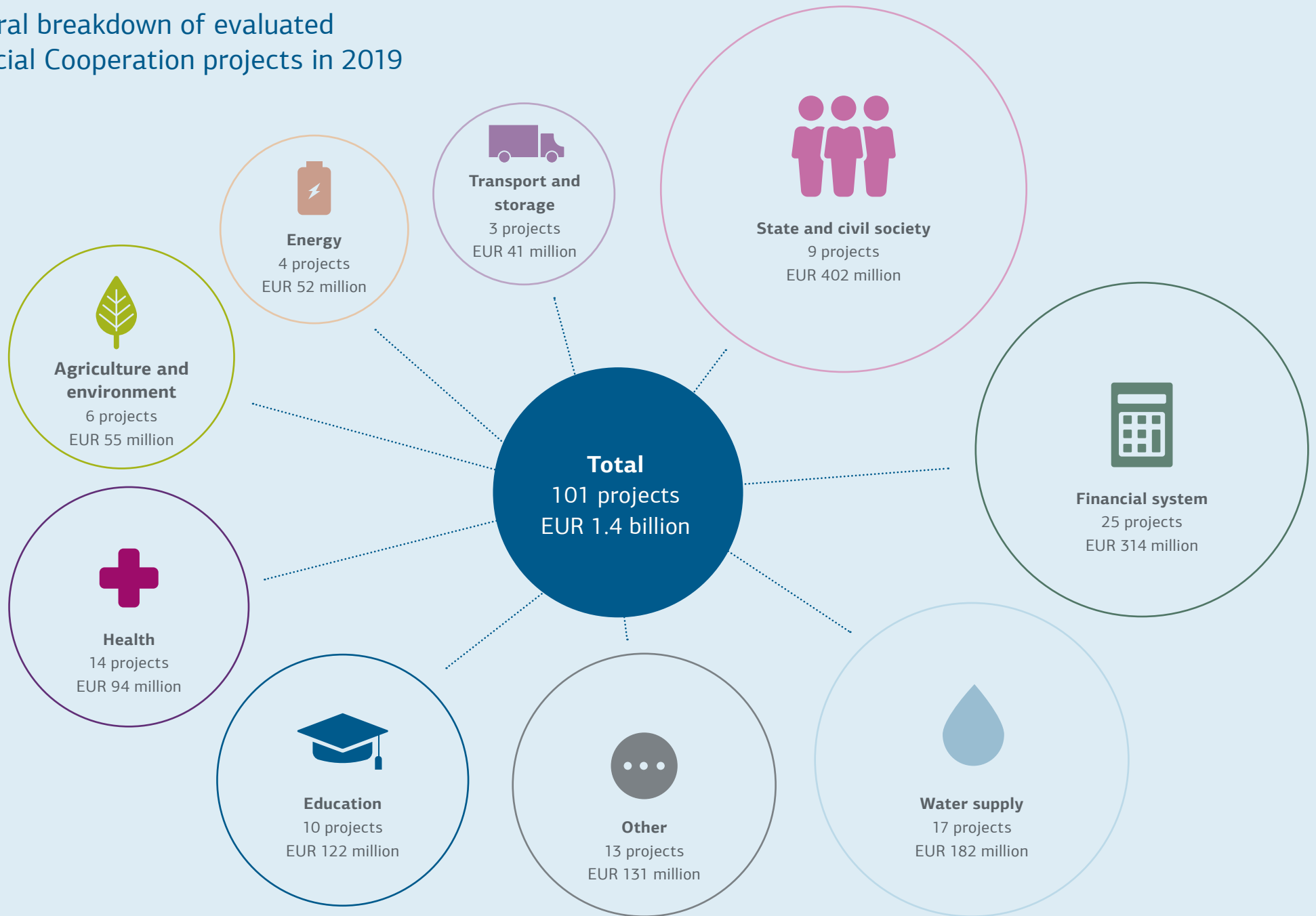
KfW has domestic promotional programmes regularly evaluated by external independent research institutes to determine their promotional effectiveness. Federal programmes and programmes with the greatest relevance due to volume and substantive scope are usually selected for evaluation. The aim of the evaluations is to determine the promotional effects and effectiveness of the respective programme. The evaluation results are given to the responsible federal ministries 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 for the promotional effects to be measured. This often includes comprehensive empirical surveys.

Financial Cooperation (FC) projects are evaluated by a separate evaluation department at KfW Development Bank. It operates independently from the operative FC departments and reports directly to the KfW Executive Board as an administrative unit. The framework for the actual evaluation process takes the form of 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 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, effectiveness, efficiency, impact and sustainability. The evaluations are mainly carried out in the form of on-site missions. If this is not necessary – for example, if enough information is available or if travel bans are in place (as is currently the case for Syria and Afghanistan, for example) – desk audits are performed instead. Selected projects are accompanied by in-depth evaluation research. The evaluation reports are available to the public. The Executive Board is also informed of the results of each individual evaluation (more information about FC evaluations is available on the → [internet](#)).

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 UN's SDGs. The rating takes cues from international best-practice approaches by predominantly 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.



## Sectoral breakdown of evaluated Financial Cooperation projects in 2019



### KfW Group's contribution to the SDGs

In order to adopt a pioneering role in the area of sustainability, KfW has been assigning almost all of its annual new business to the 17 SDGs since 2019 as part of its SDG mapping and therefore transparently discloses its SDG contributions in the financial sector.

The SDG mapping for 2019 reveals that new KfW commitments cover all 17 SDGs. This reflects KfW Group's broad legal mandate. Furthermore, the results continue to demonstrate that KfW Group's business makes the biggest contribution to the following SDGs: SDG 7: "Affordable and clean energy", SDG 8: "Decent work and economic growth", SDG 11: "Sustainable cities and communities" and SDG 13: "Climate action".

SDG mapping is part of the in-house KfW project "KfW Roadmap Sustainable Finance" (→ "Strategy" chapter, page 16). SDG mapping also provides important indications for KfW's advancement as a transformative promotional bank.

There is also a great deal of international interest in SDG mapping methodology as many partners are currently planning similar publications. Dialogue concerning this matter has therefore already taken place with organisations including the OECD, the World Bank, the Japanese Development Bank (DBJ) and multiple European promotional banks (EIB, French AFD, Spanish ICO).

### How KfW Group's promotional business is financing sustainable development\*



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

Detailed information on each business sector's contribution to the SDGs and details on the methodology is provided on the → [KfW website](#).

## Customer focus

KfW Group uses a number of different channels to meet the high information requirements of its clients and other interested parties. KfW's infocentre answered a total of 1 million questions in writing and by telephone in 2019. This reflects clients' high degree of interest in KfW's domestic financing offers. A total of 43% of all contacts concerned education, 50% concerned housing and 7% concerned commercial financing.

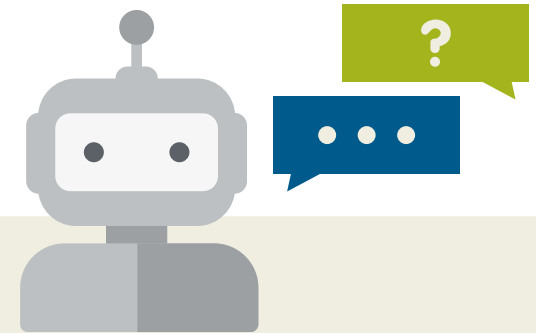
The online consultation query (BAN) facilitates the path to finding a financing partner. In 2019, over 14,300 domestic customers used this option to request an appointment with up to three KfW financing partners online for the majority of on-lent promotional products.

Thanks to a software connection to KfW's digital on-lending system (BDO), 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 automatically responds to standard questions on kfw.de – particularly those related to the high-volume business – round the clock (including Sundays and public holidays) without waiting times. The application was developed in cooperation with customers in use labs and has been continuously optimised to take customer requirements into account on an ongoing basis.

Customer satisfaction with the domestic promotional business is assessed as part of KfW's new customer monitoring solution. Roughly 500 ultimate borrowers and grant recipients are surveyed in this context every month. Along with the external evaluations of the promotional programmes (→ [project evaluation, page 72](#)), their feedback provides valuable information on how products, processes and services can be aligned more closely to market requirements. Once again, the 2019 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. Customer feedback regarding the Baukindergeld scheme, which was launched in autumn 2018, is also very positive: around 70% of customers in the scheme gave KfW top satisfaction ratings in 2019.

Furthermore, KfW regularly collects feedback from its financing partners in representative surveys and in-depth interviews.



A chat bot has been enhancing digital dialogue with clients since 2019, automatically responding to standard enquiries on a 24/7 basis

### Barrier-free service

KfW Group fundamentally strives to offer an accessible website in accordance with the requirements of the → [Ordinance on the Creation of Barrier-Free Information Technology](#). This means that over the medium term we aim to ensure, from both a technical and content-related point of view, that users with impairments (for example, if they are unable to use a mouse or have to use assistive technology such as screen readers) can also use the [www.kfw.de](http://www.kfw.de) website.

The KfW website currently fulfils over 80% of the barrier-free requirements, with ongoing optimisation. In 2019, 34 weak points were rectified with programming; these programmes were and are being gradually rolled out into the production environment until early 2020. Furthermore, a set of editorial guidelines regarding how to manage a barrier-free website has been drawn up. Due to the introduction of new, more stringent assessment criteria, KfW is due to implement even more improvement measures. The implementation of the findings is scheduled to be validated with another test by the end of 2020 at the latest.

## Additional key business figures

### Key corporate figures for KfW Group

	2015	2016	2017	2018	2019
Operating result after valuation (before promotional expense), in EUR million	2,539	2,108	1,669	1,834	1,503
Profit/loss from ordinary operating activity (before promotional expense), in EUR million	2,647	2,210	1,667	1,839	1,549
Consolidated profit, in EUR million	2,171	2,002	1,427	1,636	1,367
Total assets, in EUR billion	503.0	507.0	472.2	485.8	506.0
Volume of lending, in EUR billion	447.0	472.4	471.7	483.5	486.2
Volume of business, in EUR billion	587.2	609.2	572.1	590.7	610.7
Equity, in EUR billion	25.2	27.1	28.7	30.3	31.4
Tier 1 ratio, in %	18.3	22.3	20.6	20.1	21.3

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

<b>KfW Group<sup>1</sup></b>	<b>79.3</b>	<b>81.0</b>	<b>76.5</b>	<b>75.5</b>	<b>77.3</b>
<b>Domestic promotional business<sup>2</sup></b>	<b>50.5</b>	<b>55.1</b>	<b>51.8</b>	<b>46.0</b>	<b>43.4</b>
SME Bank & Private Clients	38.6	43.7	42.4	36.3	36
Customised Finance & Public Clients	11.8	11.3	9.3	9.5	7.2
KfW Capital	0.1	0.1	0.1	0.1	0.2
<b>Capital markets</b>	<b>1.1</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>
<b>Export and project finance</b>	<b>20.2</b>	<b>16.1</b>	<b>13.8</b>	<b>17.7</b>	<b>22.1</b>
<b>Promotion of developing countries and emerging economies</b>	<b>7.8</b>	<b>8.9</b>	<b>9.8</b>	<b>10.6</b>	<b>10.6</b>
Of which KfW Development Bank	6.7	7.3	8.2	8.7	8.8
Of which DEG	1.1	1.6	1.6	1.9	1.8

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

<sup>2</sup> The restructuring of the domestic business has led to changes in the breakdown of corporate figures for the individual business sectors.

# Banking operations

## How we ensure that KfW Group will remain functional for the sustainable future

KfW also takes responsibility for the economic, ecological and social consequences of its activities as part of its own banking operations. The aim is to consistently reduce its ecological footprint, primarily through the largely climate-neutral operation of its offices, and reduce consumption. The bank's procurement processes also give top priority to KfW sustainability criteria and involve regular supplier assessments.



### Reduction of CO<sub>2</sub> emissions

by 10%; one of the main reasons: a decline in business air travel



### Amount of paper used reduced

by 11% due to increasing digitisation



### Assessment of sustainability

**commitments** of 25 suppliers with a total procurement volume of EUR 271 million

## A structured approach to environmental protection

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 are a key part of environmental management at the group's subsidiaries and offices. The guidelines from October 2012 will be revised for the medium term 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 (→ “Strategy” chapter, pages 26–29). 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 on the topic of 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. The figures listed below therefore relate to 7,805 people (2018: 7,657).

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 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.



The business ecology task force supports all in-house environmental protection measures and keeps employees informed

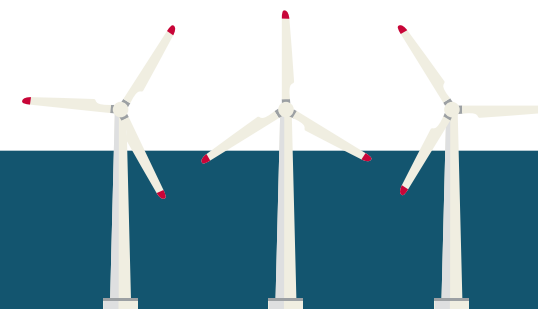
## Energy consumption

Thanks to the group's ongoing commitment to in-house environmental protection, it is able to reduce the consumption of energy, water, paper, and the production of waste, while also cutting the number of business trips per employee.

A further focus is on KfW's contribution to local biodiversity at its sites. For example, KfW plants greenery on its flat roofs wherever possible. Furthermore, five bee colonies are based on the wildflower meadows planted 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. The current share is almost 50% (2018: 55%). To achieve its objectives, KfW uses its own photovoltaic, solar, geothermal and wood pellet systems. The amount of solar power produced fell to almost zero in 2019 because the outdated systems in Berlin and Bonn suffered technical issues or damage, meaning that some sections had to be dismantled. The installation of new systems at both sites is currently under review.

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. The optimised, consistent use of the combined heat and power generation modules in Berlin with a high number of operating hours, the full operation of cooling and heating production, and new technical building equipment resulted in a slight rise in natural gas consumption in 2019. This also led to a simultaneous decrease in the procurement of green energy.



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



**Energy consumption of KfW Group in Germany** in megawatt-hours

	2015	2016	2017	2018	2019
Green electricity (100%)	23,635	24,017	24,169	23,962	21,928
Cogeneration unit <sup>1</sup> (electricity, own use)	1,267	1,720	2,023	1,549	2,486
Photovoltaic (own use)	19	18	8	15	14
Photovoltaic (fed into grid) <sup>2</sup>	-73	-70	-68	-73	-71
Emergency power generators (diesel)	7	51	5	7	51
Natural gas	16,780	18,089	19,013	18,185	18,936
Heating oil	0	0	0	265	0
District heating	1,500	1,358	1,281	2,042	1,459
Solar thermal energy	21	21	11	12	0
Wood pellets	507	451	286	604	306
<b>Total</b>	<b>42,469</b>	<b>44,005</b>	<b>44,773</b>	<b>45,092</b>	<b>45,251</b>
Per capita	6.7	6.6	6.0 <sup>3</sup>	5.9	5.8

<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> The system limit for surveying employees was changed in 2017, making a direct comparison of per-capita consumption impossible.

### Business travel

In 2019, there was a pleasing fall in the annual per-capita total of almost 10%. Compared with 2018, significantly more employees used the train for business travel. Electric vehicle usage increased sharply: 19 electric or hybrid vehicles were available in the fleet in the period under review.

The number of kilometres travelled and the modes of transport used by employees on the way to and from work are not recorded and therefore are not included in these figures. 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 vehicles. Additionally, there are a large number of bike racks, as well as showers and lockers for employees who cycle to work.

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

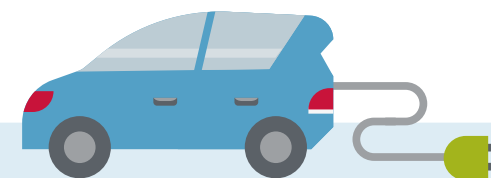
	2015	2016	2017	2018	2019
Car (petrol) <sup>1</sup>	161	239	301	278	231
Car (diesel) <sup>1</sup>	5,248	4,337	5,031	4,632	4,146
Car (natural gas) <sup>1</sup>	2	0	0	32	79
Electric	27	31	95	176	207
Train <sup>2</sup>	4,195	4,759	5,427	5,072	6,194
Flights (Germany) <sup>3</sup>	4,839	5,317	5,077	5,253	4,172
Flights (Europe) <sup>3</sup>	5,229	4,826	5,697	5,464	5,184
Flights (international) <sup>3</sup>	43,632	43,461	48,976	52,420	47,383
<b>Total</b>	<b>63,333</b>	<b>62,970</b>	<b>70,605</b>	<b>73,327</b>	<b>67,596</b>
Per capita	9.9	9.5	9.5 <sup>4</sup>	9.6	8.7

<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 travelled but not registered 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.

<sup>2</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>3</sup> 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.

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



The fleet included 19 electric and hybrid vehicles in the year under review

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

	2015	2016	2017	2018	2019
Car (petrol and natural gas)	263	659	416	428	402
Car (diesel)	7,391	5,071	5,953	5,506	5,305
Train	944	1,095	1,248	1,167	1,485
Flights (Germany)	4,409	4,839	4,626	4,785	3,800
Flights (Europe)	2,374	2,172	2,587	2,481	2,354
Flights (international)	19,809	19,558	22,235	23,799	21,512
<b>Total</b>	<b>35,190</b>	<b>33,394</b>	<b>37,065</b>	<b>38,166</b>	<b>34,858</b>
Per capita	5.5	5.0	5.0 <sup>2</sup>	5.0	4.5

<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 system limit for surveying employees was changed in 2017, making a 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 site, KfW completely restructured the system between the end of 2016 and early 2019.

This project was a response to the changing consumption structures within the building complex and to the challenges of the energy transition. The restructuring process was completed on schedule and the project is currently in the adjustment phase within the system as a whole.

## 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 due to 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 offsets the emissions that remain despite the conversion to renewable energy sources and the use of more environmentally friendly transportation. 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. So far, not all avoidable emissions have been completely offset. KfW Group still also continually strives to record and offset as many emissions as possible.

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 2019, these originated from a wind power project in India and had the maximum possible certification status of "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 into 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 events emissions are only marginal, Scopes 2 and 3 in particular recorded clear reductions. These can be explained by an obvious reduction in travel. This significant reduction in Scope 3 of over 10% is based mainly on the large fall in international air travel (see table on → [page 82](#)).



KfW's CO<sub>2</sub> emissions could be reduced by around 10% in 2019  
One of the main reasons is the decline in business air travel

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

	2015	2016	2017	2018	2019
Emissions from direct energy consumption (Scope 1) <sup>2</sup>	5,095	5,260	5,616	5,571	5,435
Emissions from indirect energy consumption (Scope 2) <sup>3</sup>	1,097	1,400	1,368	1,898	1,348
Total business travel (Scope 3) <sup>4</sup>	7,394	7,411	8,208	8,665	7,753
Events (Scope 3) <sup>5</sup>	102	74	87	101	96
<b>Total</b>	<b>13,628</b>	<b>14,145</b>	<b>15,278</b>	<b>16,236</b>	<b>14,632</b>
Per employee	2.2	2.1	2.1 <sup>6</sup>	2.1 <sup>6</sup>	1.9

<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 system limit for surveying employees was changed in 2017, making a direct comparison of per-capita consumption impossible.

**Location- and market-based CO<sub>2</sub> emissions of KfW Group according to Scope 2 (2018–2019) in tonnes**

	Location-based, 2018	Market-based, 2018	Location-based, 2019	Market-based, 2019
Green electricity	5,819	4,596	5,325	4,206
Emergency power generators (diesel)	3,577	2,902	27,774	22,538
Heating oil	80	80	0	0
District heating	88	163	63	117
<b>Total</b>	<b>9,567</b>	<b>7,732</b>	<b>33,162</b>	<b>26,861</b>

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). This data has been recorded since 2017.

## Resource consumption

Paper is one of the most important materials of a financial institution. KfW Group successfully 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. Due to an increasing level of digitisation at KfW, the total amount of recycled paper consumed fell by around 23% in the year under review. Per capita consumption fell by almost four kilograms in total (an 11% decrease).

By far, the largest percentage of paper used at KfW Group – over 72% – is recycled paper with the “Blue Angel” environmental label. Publications intended for public use are printed exclusively on FSC® paper, which means that we do not use any ECF, TCF or fresh-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

	2015	2016	2017	2018	2019
Recycled paper (Blue Angel) <sup>1</sup>	251,150	225,863	196,084	213,000	165,035
Writing paper (recycled paper – Blue Angel) <sup>1</sup>	3,351	3,171	2,635	1,865	1,802
Virgin fibre paper for promotional materials (FSC mixed sources label)	153,512	73,291	32,528	39,704	63,728
<b>Total</b>	<b>408,413</b>	<b>302,325</b>	<b>231,247</b>	<b>254,569</b>	<b>230,565</b>
Per capita	64.3	45.5	31.2 <sup>2</sup>	33.3	29.5
of which recycled paper (in %)	62	76	86	84	72

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

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



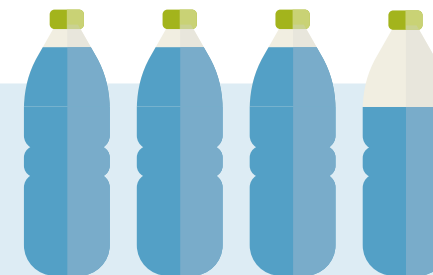
Due to increasing digitisation, the amount of paper consumed fell by 11% in the year under review

## Water management

According to the sustainability guidelines for in-house environmental protection, KfW Group strives to continually reduce water consumption within the group. Existing public infrastructure is used for wastewater. Separation systems make sure that the relevant statutory limits are met.

### Water consumption

Up to around 84% of water is drawn from the municipal pipeline network. The remaining 16% comes from groundwater (in Berlin, groundwater or stratum water occurring at underground garages is used) 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 groundwater in Berlin is used for toilet flushing and operating the cooling tower. After four years of a downward trend in per-capita water consumption, 2019 marked a return to a slight increase of around 5%, resulting from the extreme summer in 2019 and a group-wide increase in water requirements.



The extreme summer in Germany resulted in a 5% rise in per-capita water consumption in 2019

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

	2015	2016	2017	2018	2019
Drinking water	98,808	95,830	94,819	95,502	106,618
Other process water (rainwater and groundwater)	17,355	18,313	12,912	17,750	15,264
<b>Total</b>	<b>116,163</b>	<b>114,143</b>	<b>107,731</b>	<b>113,252</b>	<b>121,882</b>
Per capita	18.3	17.2	14.6 <sup>1</sup>	14.8	15.6

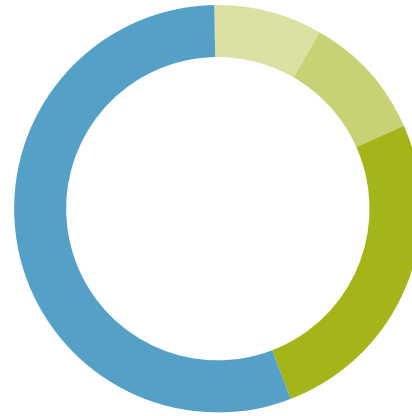
<sup>1</sup> The system limit for surveying employees was changed in 2017, making it impossible to perform a direct comparison with per-capita consumption in previous years.

## Wastewater

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

Nothing is discharged directly into water bodies. In 2019, KfW discharged around 82,000 cubic metres of wastewater into the sewerage system from its four German locations. This figure also includes the stratum water (groundwater) occurring at the underground garages in Berlin; the portion of this water that is not needed for toilet flushing and in the cooling tower has to be pumped out. No unplanned discharge of wastewater took place, though the quantity of wastewater in Berlin rose due to the increase in employees and the completion of building projects. The technical sanitation systems are in operation once again and are working at full capacity. Apart from the groundwater in Berlin, the quantity of wastewater is not measured but instead is calculated on the basis of the amount of water consumed from the grid minus the amount of water used for outdoor irrigation.

## Total volume of water discharged by destination in cubic metres in 2019 (2018)



81,993 (72,057) **Total volume**

■ **Frankfurt am Main**

45,776 (48,808)

■ **Bonn**

8,284 (7,702)

■ **Berlin**

21,085 (10,947)

■ **Cologne (DEG)**

6,848 (4,600)



## 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 makes sure that the transport routes are as short as possible.

### Quantities of waste and methods of disposal

The quantities 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 proportion of paper for recycling has risen again. However, the per-capita consumption of paper was reduced within the group (→ [Resource consumption, page 86](#)).

At not even 2%, hazardous waste accounted for a very small percentage of the total amount of waste. The proportion of electronic waste from the total amount of hazardous waste amounted to around 34%. This waste is always disposed of correctly; at the Frankfurt and Berlin sites it is sent to workshops for people with disabilities, while the Bonn office uses a certified disposal expert. As the owner of old electrical and electronic equipment subject to disposal requirements, KfW Group submits an annual report on any relevant waste data to the → [Stiftung elektro-altgeräte-register](#) (national register for waste electrical and electronic equipment).

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

	2015	2016	2017	2018	2019
Non-hazardous waste	2,143	1,999	2,495	2,139	2,304
of which paper for recycling	406	469	396	206	340
Hazardous waste	58	32	109	84	38
of which electronic waste	14 <sup>1</sup>	20 <sup>1</sup>	60 <sup>1</sup>	41	13
<b>Total</b>	<b>2,201</b>	<b>2,031</b>	<b>2,604</b>	<b>2,222</b>	<b>2,342</b>
Per capita (in kilograms)	347	306	352 <sup>2</sup>	290	300

<sup>1</sup> Excluding Berlin; external service providers ensure proper disposal there and are responsible as waste producers.

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

In addition to normal forms of waste, waste may also be generated from comprehensive construction and refurbishment work. This type of waste is listed separately here to ensure that the waste table above can be compared with previous years. In 2019, a total of around 125 extra tonnes of waste was generated by construction and refurbishment work at the sites in Frankfurt, Berlin and Cologne, only a very small amount of 25 kg of which was hazardous waste and zero tonnes was electronic waste.

## Procurement

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 guidelines for responsible procurement](#) (German only). They are part of our sustainability mission statement and apply across the group (including our representative offices) in addition to our general terms and conditions of purchase for all orders. The guidelines from 2012 are currently under revision.

KfW Group's supply chain is distributed across Human Resources, Facility Management (including office furniture and company vehicles), IT, Marketing and Communications.

The only exception is food for KfW Group's catering establishments. When purchasing produce, KfW's canteen at its Frankfurt site attaches particular value to regional produce and high quality. Wherever possible, it focuses on organic and fair-trade produce and short transport routes.

KfW thus also expects its suppliers and service providers to bear corporate responsibility for achieving sustainable development targets. KfW procurement strives to maintain a fair and responsible relationship between suppliers and the customer.

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 doing so, it must adhere to the principles of transparency, non-discrimination and competition.

In its invitations to tender, KfW generally checks for the implementation of sustainable and social aspects depending on the subject of the tender. KfW regulations or the requirements set out by the specialist divisions issuing the tender lead to corresponding criteria being considered in the order's terms and conditions.

In 2019, KfW Group's procurement volume was around EUR 576 million (2018: EUR 623 million). Of the 2,302 active contractors (2018: 2,362), around 91% are based in Germany and the remaining 9% in other OECD states.



Over 90% of KfW's suppliers are based in Germany

### Ecological and social criteria

As well as requirements under procurement law and market-appropriate conditions, 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 generally acknowledged, 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 various Fair Trade labels.

Suppliers and service providers whose products and services have a major impact on the environment must possess principles and management systems to minimise these effects. Their corporate policies should call for an efficient approach to resources, minimal strain on the environment, and the development of innovative and environmentally friendly products. KfW also places value on compliance with social principles and standards, including human rights, when awarding contracts. The main focus in this area is the revision of the sustainability guidelines for responsible procurement for 2019. For instance, 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. 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. violation 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 the year under review (2019), KfW's central sustainability management team worked with the procurement division to assess 25 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 EUR 271 million for 2019 – in relation to their commitments to sustainability. The suppliers completed a standardised questionnaire; the answers to this and the certificates provided 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.

The sustainability rating makes up 10% of a tier-A supplier's overall rating. Overall, the majority of the results were good or had improved – even compared to ratings from previous years – and no negative abnormalities were detected. The central sustainability management team held further discussions regarding future improvements with individual suppliers.

# 25

tier-A suppliers with a total procurement volume of EUR 271 million were assessed in view of their sustainability commitments in 2019

# Employees

## How we shape our role as a responsible employer

KfW Group employees work hard for sustainable development in almost 70 countries around the world. They challenge themselves to transform ideas into a tangible reality. Their commitment is needed wherever there is a project backed by people with a vision. Whether we are dealing with private investments or international infrastructure projects, we support the doers behind the visions, the experts and the courageous up-and-comers.



**New equality plan** 2020–2023 increases percentage of women in management roles



**Joining the Diversity Charter** emphasises KfW's commitment to diversity within the company



Direct line managers support **flexibility in balancing work and private lives**, which was confirmed by 82% of employees in the 2019 employee survey

## 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. More information on KfW Group's human resources work is provided →online.

### KfW Group employees according to gender in 2019



6,934 employees in total

■ 3,570 men    ■ 3,364 women

### Personnel structure

As of the end of 2019, KfW Group employed a total of 6,934 people, 1,955 of whom worked part-time. The turnover rate in 2019 was 2.3% at KfW, 7.3% at KfW IPEX-Bank and 4.8% at DEG.

### 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 28.1% at DEG (not including temporary staff and interns), 24.1% at KfW IPEX-Bank and 28.0% 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 substantiated 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.

<sup>1</sup> KfW Capital – which was only established during the course of 2018 – is not included in the figures in this chapter. As it is still under development, the figures for this subsidiary would not be significant. It will be fully incorporated into the reporting process from the coming year onwards.



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 without subsidiaries, 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 without subsidiaries 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 in accordance with chapter 7 of the German Remuneration Ordinance for Institutions (Institutsvergütungsverordnung).

When assigning employees to foreign posts, KfW provides additional benefits which meet the local economic and safety-related requirements.

### The principles of fair remuneration

Every year, KfW Group applies a structured procedure to assess its employees' performance. Employee target management and performance evaluation 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 regarding median monthly gross remuneration and up to two salary components of a peer group of the respective other gender. All companies within KfW Group have implemented this legislative requirement.

### Pensions and additional benefits

KfW Group employees with open-ended contracts – around 88% 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 dependents. The exact details and extent of these benefits are based on the pension regulations issued 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. Additional company benefits do not vary according to the number of hours worked. A few additional benefits are not offered to employees on a fixed-term contract or temporary employees, such as access to a low-interest building loan.

### Employee participation

The German Federal Staff Representation Act (Bundespersonalvertretungsgesetz – BpersVG) governs the representation of staff interests for all employees within KfW. 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 staff 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 supervisory board 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 group works council. The responsible bodies and affected employees are involved as early on as possible and in a comprehensive manner, 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 employees with severe disabilities are represented by the relevant KfW, KfW IPEX-Bank or DEG representative for employees with severe disabilities.

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

- Shareholders are incorporated according to KfW Bylaws through the Board of Supervisory Directors and the Remuneration Committee.
- Employees can exercise influence through the employee representatives – in other words, the staff councils – in accordance with the German Federal Staff Representation Act or Works Council Constitution Act.

### Employees in foreign offices

Local KfW Group staff working in our foreign offices receive the working hours and social benefits governed by their national legal requirements. These are similar to benefits offered by comparable international companies in their local areas.

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

## Diversity and equal opportunities

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 recorded 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.”

Regular exchanges with KfW IPEX-Bank and DEG ensure 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 from KfW IPEX-Bank and DEG.

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
- organisation of a sustainable working environment
- setting of trends for further development of the corporate culture
- continual improvement of employer appeal in order to recruit the best employees and retain talent

The measures, initiatives and instruments in the area of diversity and equal opportunities are described below based on the issues of the work-family-care balance, career prospects and inclusion. External employer appeal is measured using employer rankings such as Trendence and Universum, while employee satisfaction is assessed through in-house surveys.



### Diversity Charter

In 2019, KfW Group signed up to the Diversity Charter. By joining the charter, KfW made a public pledge to ensure the company is diverse. To sign up, KfW had to fulfil various requirements, such as cultivating an organisational culture shaped by mutual respect and appreciation. Acknowledgement of the aspect of diversity in the company is reflected, for example, in the fact that over 50 nationalities are represented at KfW. Implementation of the charter is communicated within the group using posters in staff canteens or articles on the intranet for example, and externally on the KfW careers page for instance. Activities aimed at promoting diversity and appreciation and their progress 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.



By joining the Diversity Charter, KfW made a public pledge to ensure the company is diverse



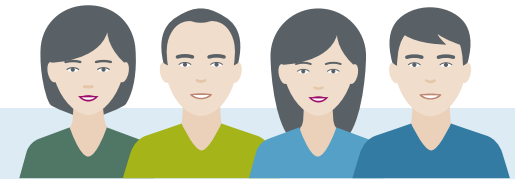
**Gender equality**

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 ratios. 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.

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

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



In the new Equal Opportunities Plan 2020–2023, KfW has set itself ambitious goals, such as a target quota of 40% for female Team Leaders

Illustration of KfW’s 2020-2023 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 in the following.

#### Proportion of women in management in 2019 in %

	KfW	KfW IPEX-Bank	DEG
Executive Board	33.3		
Management Board		25.0	66.67
Heads of Department	8.7	–	22.2
Heads of Division	27.1	27.8	33.3
Team Leaders	36.4	31.4	–

Data as of 31 December 2019. Figures were omitted in categories where those hierarchy levels do not exist. The group was not presented as a whole due to these deviating hierarchy levels. The total figures are based on all employees in the corresponding level of the 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 leaders are mentored by experienced managers.
- Part-time managers: 17% (84 people) of the 489 managers at KfW worked on a part-time basis in 2019. 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 ten 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 ratio of 40% in team management, 32.5% among the Heads of Divisions and 25% among the Heads of Departments.

By the end of 2019, the ratio of female Heads of Department at KfW was 8.7%, 27.3% for female Heads of Division, and 36.4% for Team Leaders.

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 a proportion of 31.6% women at the level of Head of Division by 30 June 2022. At 27.8%, this target figure had not been reached by 31 December 2019, but would already be exceeded if one additional Head of Division position were to be staffed with a female employee. At team management level, the target to reach a quota of 30% by 30 June 2022 had already almost been met by the end of 2019 with a rate of 31.4%. 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 2021 in which proportions of 33% for the top management level, 22% for the Head of Department level and 30% for the Head of Division level were stipulated. All targets were 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 perceived and honoured 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.

### Incorporating equal opportunities into corporate culture

Incorporating equal opportunities requires role models and time to succeed in the long term. KfW Group also continued the transition in 2019 by applying best-practice examples. The issue of equal opportunities has been included in existing formats, e.g. introductory event for new employees, series of events and interviews by the Equal Opportunities Officer, or inclusion of the subject in the employee survey. Furthermore, a remuneration check was performed in cooperation with the Federal Anti-Discrimination Agency. In general, a gender-sensitive approach is applied during all selection processes, potential assessment processes, and succession management. Female managers, representatives from the Human Resources department and the Equal Opportunities Officer are incorporated into all selection processes.

# 84%

of DEG employees believe that all employees are treated equally regardless of gender, origin, religion or disability

## Reconciling career, family and care-giving

An even work-life balance is an important prerequisite for health and employability. Furthermore, it increases motivation and a connection 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 child care, 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 – on top of the existing social counsellor on site – is on hand to provide advice during family crises and offers support for conflicts at work. In addition to personal counselling, there is also a 24-hour hotline available seven days a week.

Testimony to KfW and KfW IPEX-Bank's strategically planned, family-friendly human resources policy is borne by their certification under the "Work and family audit" performed by the non-profit Hertie Foundation, an accolade which both companies have held since 2001. DEG has been certified since 2012. KfW and KfW IPEX-Bank were re-audited again in 2020. In the 2019 group-wide employee survey, the topic of work-life balance received high approval values. For example, 82% of employees confirmed that their direct line manager supports the use of flexibility options for reconciling work and private life. This demonstrates the positive view of their implementation into everyday business life.

### Framework services for care-giving

To support its employees as they provide care for their relatives, KfW Group has established a wide range of care-giving services and also added new aspects in 2019. Services including those listed below have been established:

- 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.
- Information events at all sites: a new series of talks was held in 2019, which were carried out with the Hans und Ilse Breuer-Stiftung. They provided information on various aspects of dementia. Furthermore, a "Last-Aid Seminar" was organised as a pilot project in Frankfurt. Plans are in place to continue the series in 2020 along with additional aspects and the option to stream a webinar at work stations.

### Offers for families

KfW and KfW IPEX-Bank also support their employees with integrated offers in the area of child care. One concept applied 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. For childcare at other facilities, employees can access extensive databases with lists of nursery places, after-school care facilities and schools. In 2019, a 24-hour nationwide emergency care service provided by a family service all year round in the case of last-minute childcare requirements was added to the service portfolio.

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 for a few months. Three talks have already been held and were also streamed to the sites. One topic covered was how to deal with children and the media. All of the talks were well received, with over 400 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 home office options. The pilot stage of the staff agreement on working hours – which has been in place since 2015 – is due to run until the end of 2020. The agreement aims to promote more conscious management of time spent working and achieve a systematic move away from a culture that is based on how many hours someone spends in the office to one that focuses on the results that an individual achieves. The declared 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.

The project “Dealing with flexible forms of work” accompanied the pilot phase. In principle, mobile working is available to any employee whose duties and working environment allow them to work outside of KfW premises, provided this has been approved by their line manager. Clear arrangements regarding availability, joint attendance days and other team rules must be clarified in advance.



Nursery places, emergency care and a babysitting portal are some of the services provided by KfW for its employees' families

## Inclusion

KfW Group supports the inclusion of persons with severe disabilities as an aspect of exercising its 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).

The instruments introduced in 2018 – such as the additional listing of vacancies on the target-group-specific employment portals of MyHandicap and Capjob – reveal positive impacts in terms of the increased attraction of external employees with disabilities. Furthermore, cooperation between the recruitment team and the disability representative in Frankfurt was stepped up to increase the quota of employees with severe disabilities, particularly in departments with few disabled employees.

Additionally, internal measures to build confidence were expanded. A series of interviews on the reconciliation of illness and career, in which illnesses like multiple sclerosis, depression and stress, diabetes and migraine were discussed by one expert and one sufferer, was very well received – all articles were in the top 5 most-read articles on the KfW intranet. The inclusion day in Bonn was covered

by the media. An excerpt from the film was published on various social media platforms. Two films featuring employees with disabilities were also published; these showed successful examples of team integration. Furthermore, the inclusion page on the subject of “Overcoming barriers – Inclusion is more than a quota” was successfully relaunched.

A further focus area is barrier-free digital channels: KfW must ensure that the KfW website, the intranet, all of its applications for mobile devices and all of its PDF files are barrier-free by September 2020 in line with the German Ordinance on Barrier-Free Information Technology (Behindertengleichstellungsgesetz – BGG).

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 that represents the interests of this group.

KfW was once again able to slightly exceed the statutory quota of 5% for the employment of staff with severe disabilities, with a rate of 5.7%. The statutory quota or employment of staff with severe disabilities at KfW IPEX-Bank was 1.9%. At DEG, it was 4.0%.



The KfW website, intranet, apps and PDFs will have a barrier-free upgrade in 2020

### Conflict management

Employees who feel they are discriminated against for reasons contained 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 recorded by an internal complaint unit, and then analysed and handled in collaboration with the respective people or departments. The offer provided under the Fair Play service agreement to locate trained conflict advisors to assist with conflicts was barely used, which is why a decision was made not to extend the agreement. External social consultants and a service provider are available as an alternative. Trained conflict resolution officers are also available for consultation. As a supplementary measure, a stable committee system made up of the Staff Council, Equal Opportunities Officer and representative for employees with severe disabilities ensures that a range of different contacts are available.

## Professional prospects

Attracting, developing and retaining capable employees is key to the long-term success of KfW Group in view of demographic and social transformations – and is a matter of responsibility as well. In its management principles, KfW commits to creating a trusting working environment. All instruments for developing and selecting managers are founded on a behaviour-based competence model and are aligned with a clearly defined target vision for good management.

### Training

KfW Group has been offering a range of different ways to enter into working life for decades now. It trains employees in different professions and subject areas at all locations as required. In addition to banking experts and office managers, the Berlin office also trains mathematical and technical software engineers. 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 216 as of 31 December 2019 (previous year: 207). This equated to a training rate of 4.0% (previous year: 4.0%). The training rate was 6.2% at KfW IPEX-Bank (3.1%) and 4.0% at DEG (4.6%). As of the end of 2019, 118 young people were undergoing their first vocational training course (previous year: 101) at KfW, of whom 67 were sandwich degree students (previous year: 64). The number of graduate trainees stood at 58 as of 31 December 2019 (previous year: 50). In the course

of the year, 118 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 its traineeship for “office management specialists” also as a part-time model since 2016. This means that single mothers, for example, can be given the opportunity to complete a traineeship in a way that is reconcilable with their personal circumstances. Since 2019, KfW has been working with Baden-Württemberg Dual University to offer a new Bachelor degree in business economics with a focus on banking and digitisation.

### Continuing education

With its qualification strategy, KfW aims to guarantee individual development opportunities for employees and managers geared towards future requirements in order to secure their commitment for the sustainability of KfW promotion.

To achieve this, KfW Group offers its 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 Human Resources Department and the specialist divisions. Issues concerning sustainability 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.

Management training, interpersonal and communication skills, language courses and technical training were the priorities during the period under review. KfW employees completed a total of 90,952 hours of continuing education in 2019. In-house training was supplemented by external training measures where necessary. KfW IPEX-Bank and DEG also offer their own continuing development programmes.

In general, all employees are able to access almost all training and continuing education courses. 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.

### Further development

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

Other topics discussed during this conversation are qualifications, development and feedback. Beyond the annual performance review, managers will use a structured 360-degree method to collect feedback from superiors and employees in their division until the end of 2021. This serves as a reflection of leadership behaviour and encourages a positive, constructive feedback culture and cooperation. This feedback makes it possible to derive targeted individual training measures.



**New dual degree course:  
Business economics  
with a focus on banking  
and digitisation**



A successor management process for management positions, which takes place every two years, creates transparency concerning the succession situation at different hierarchy levels and serves as the foundation for internal recruiting recommendations. Candidates for leadership positions are required to successfully complete the respective potential assessment procedure for team or division management positions. The leadership competence model developed specifically for KfW and KfW IPEX-Bank creates the basis for this. It was developed even further in the year under review by conducting interviews with managers in an agile project setting and holding workshops with employees. The aspects of employee management, digitisation and the new requirements in the current working environment played an important role in this process.

The following developments were further highlights in the year under review:

**The Future of Learning:** With its “The Future of Learning” project, KfW is assessing its qualification strategy and adapting the portfolio in terms of content, formats and the role of HR in line with the new underlying conditions. One particular aim is to encourage the use of digitally supported learning formats in order to establish a mix of different formats that are geared towards the respective learning objective within the internal qualification portfolio.

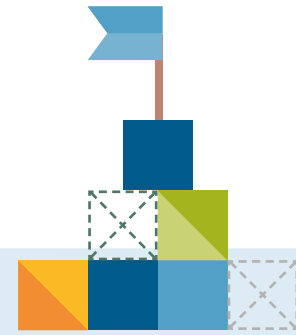
**Lead Transformation project:** The aim of the “Lead Transformation” management development programme is to give managers the chance to analyse new requirements and advance their understanding of leadership so that they are equipped for their role in KfW’s central change processes. The programme is based on new learning methods and the responsibility of managers, who are asked to contribute their own knowledge and expectations for the future. The programme began in the year under review with a duration of two years.

### Digitisation and agile working

The HR development and change management teams also deal with the topics of agility and the impacts of digitisation. As such, they regularly offer training courses on agile working methods, for example. Since 2019, KfW employees have been able to attend in-house training courses to become certified Scrum Masters or Product Owners under the Scrum approach. In the new “Lead Transformation” management development programme, the topics of agility and agile leadership also play a prominent role.

Monthly meet-ups of the “Community of Practice network for agile users and interested parties” continued to take place in 2019. The meet-ups focused on subjects including the use of agile methods, in particular line units, and the impacts on leadership. The interdisciplinary Transition Team Scrum also continued to manage activities related to the introduction of Scrum in software development. By the end of 2019, around half of the IT teams had switched software development to Scrum.

The “KfW agile” initiative, an interdisciplinary undertaking made up of the HR Department, KfW Digital Office, internal consulting and Group Strategy, remained active in 2019. The group’s activities were focused on the areas of communications, networks, management and support. After testing various tools and methods and gathering experience in 2018 and 2019, the plan for 2020 is to standardise successful approaches and embed agile working methods on a wider scale.



Agility and employee workshops: the leadership competence model is constantly developing

## Social commitment

### 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. This allows their payable salary to be rounded down to the next full euro or five euros. In 2019, the donations from KfW staff amounted to EUR 43,500, and KfW topped it up by EUR 27,800. Employees at KfW IPEX-Bank donated a total of EUR 6,400 through the “spare cents” and “spare euros” initiatives, with the bank topping it up by EUR 6,600 to create a total of EUR 13,000.

At DEG, employees collected a total of around EUR 1,000 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.

During the Kölner FreiwilligenTage (Cologne volunteer days), DEG employees get involved in social projects twice a year – for example in schools, nursing homes, kindergartens or refugee facilities.

In total, KfW (including the Executive Board and “spare cents” donations) made donations amounting to close to EUR 137,200 to institutions in 2019, mainly in the social and cultural sectors. To keep the circle 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 2017–2019 in EUR

	2017	2018	2019
KfW (including the Executive Board)	105,400	142,920	93,700
Employees	33,550	35,990	43,500
<b>Total</b>	<b>138,950</b>	<b>178,950</b>	<b>137,200</b>

## Safety and health

To maintain and increase its employees' performance capacity 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 avoid risks at work, and to prevent accidents. KfW Group is currently setting up a certifiable occupational safety management system. A piece of occupational safety management software was purchased for this purpose and is now due to be adapted to KfW's needs and rolled out in the central services department in a 16-month pilot phase, after which, KfW will decide whether to roll it out across the whole bank.

### Health management

Preventive 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 various areas of actions and measures:

**Operational integration management:** The operational integration management service agreement was concluded with the General Staff Council in the year under review. 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, those present will discuss how the employee can return to work, how to prevent them from being absent again and how to maintain their performance – for example through medical rehabilitation, technical support at work or a reduction in working hours.

**Health check:** The voluntary check-up for members of top management and team leaders 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 burnout. 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 in the context of a risk assessment. Together with the company's managers, measures are developed and implemented for work tasks with increased psychological strain. An analysis of psychological strain has already been conducted on sample job roles with the help of a screening procedure developed by the University of Potsdam. Possible stress factors were also recorded, evaluated and, where necessary, reduced during workshops. The overall picture is very positive, with only a few departments experiencing small peaks in stress. Most of the roles studied were not critical with regard to psychological stress and had a stress rating of 0. The aim for the future is to develop a new approach to assessing psychological risks to make sure it responds even more closely to the circumstances at KfW.

In 2019, DEG conducted an employee survey on a risk assessment for psychological strain. This covered various topics on healthcare habits, health condition and the psycho-social demands placed on employees. A reference value within the survey enables the results to be compared to the working population in Germany. In view of this, DEG received a very positive overall result. Detailed findings will be incorporated into an extended offer and specific measures over the next year.

### Corporate sports programme and increased awareness:

KfW Group offers a broad spectrum of subsidised corporate sports. Furthermore, it also offers prevention courses. For instance, the health platform “DEG-macht fit” provides access to numerous subsidised and certified prevention and health courses. A total of 76.6% of DEG employees have now registered for the platform. KfW and KfW IPEX-Bank are currently reviewing the introduction of this platform.

Furthermore, a cooperation was concluded to enable our staff around the world to gain discounted access to fitness and spa facilities.

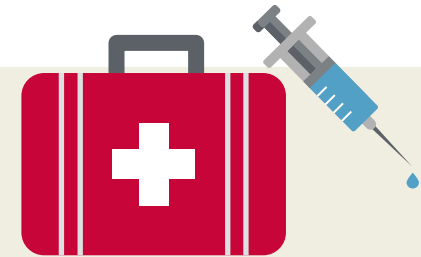
In order to further raise awareness about health issues, KfW Group runs regular physical fitness days. In 2019, an event on coping with stress was held at all three sites. Employee awareness of this important topic was raised at motivational talks and workshops. Additionally, screening measures were offered for employees to test their stress levels.

**Care from company physicians:** KfW’s Occupational Health Office is available to all KfW and KfW IPEX-Bank employees. At KfW’s Frankfurt locations, the office is staffed five days a week and provides emergency care, immunisations and counselling for KfW secondees and all employees travelling for business purposes. At the Berlin and Bonn locations, the Occupational Health Office is staffed on certain days. Secondees posted outside Europe and those going on business trips to countries outside Europe are at increased risk for infectious diseases. These groups of people are thus given regular health counselling and check-ups. If necessary, they are also vaccinated.

### Occupational safety

KfW considers the topic of promoting good health when setting up and designing workstations. Since the risk of injury caused by accidents at work is low for KfW Group employees, the primary focus is not on absence rates due to occupational accidents but on absence due to illness. In the period under review (2019), the illness rate per KfW employee was 11.2 days compared to a Germany-wide average of 19.5 days.

A total of 87 accidents occurring during working hours, or while commuting or engaging in corporate sporting activities, were reported in the entire group in 2019 (2018: 80). The occupational safety committees active at each site coordinate occupational safety activities. Managers receive training on their role in occupational safety. Once a year, all employees receive instruction on hazards at work and preventive measures in a mandatory online training course. Any additional hazards identified are clarified on the basis of the activity in question.



At 11.2 days per employee, the illness rate at KfW in 2019 was significantly lower than the German average

## Employee figures

All figures are rounded to one decimal place apart from the absolute total of employees. Furthermore, the figures for the group are calculated in summary form. The figures reported do not include temporary employees, contractors, or staff at the representative offices (locals) unless otherwise stated.

### Employee structure at KfW Group

Number	2015	2016	2017	2018	2019
KfW Group <sup>1</sup>	5,966	6,104	6,284 <sup>2</sup>	6,574 <sup>2</sup>	6,934
of which women	2,921	2,970	3,051	3,176 <sup>2</sup>	3,364
KfW	4,763	4,872	4,990	5,184	5,475
of which women	2,327	2,361	2,398	2,493	2,644
KfW IPEX-Bank	657	673	683	708	779
of which women	304	316	320	339	370
DEG	548	561	613	677	673
of which women	290	293	333	348	348
KfW Capital	n.a.	n.a.	n.a.	n.a.	23
of which women	n.a.	n.a.	n.a.	n.a.	5

<sup>1</sup> Including: members of the Executive Board, members of the Management Board and employees on leaves of absence, adjusted for secondments within the group

<sup>2</sup> An examination of the prior-year figures revealed that these had been reported incorrectly due to a calculation error; they have now been adjusted retrospectively.

# 6,934

employees worked  
at KfW Group in 2019

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

KfW Group	26.8	29.0	26.3	26.4	27.9
KfW <sup>1</sup>	27.9	27.5	27.9	26.8	28.0
KfW IPEX-Bank <sup>2</sup>	16.4	16.0	15.1	19.8	24.0
DEG <sup>3</sup>	29.0	28.5	25.4	28.6	28.1

**Employees with fixed-term contracts** in %

	2015	2016	2017	2018	2019
KfW Group	10.1	10.8	10.2	10.4	12.3
of which women	53.1	52.2	54.8	53.4	54.5
KfW	10.9	10.6	10.4	10.4	12.6
of which women	54.5	53.1	54.7	54.8	55.9
KfW IPEX-Bank	4.4	3.9	5.1	6.2	10.0
of which women	31.0	42.3	54.3	52.3	49.9
DEG <sup>4</sup>	10.5	10.7	14.2	14.8	12.8
of which women	50.9	48.3	55.2	46.0	47.7

<sup>1</sup> Including hourly wage employees, but not trainees, sandwich degree students, graduate trainees or interns

<sup>2</sup> Including trainees

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

<sup>4</sup> The data differ from the 2015 Sustainability Report due to adjustments in the survey basis.

**Part-time staff** in %

	2015	2016	2017	2018	2019
KfW Group	24.9	25.7	26.5	26.9	28.2
of which women	81.4	80.0	78.4	76.6	75.2
KfW	24.8	25.7	27.0	27.6	28.6
of which women	79.4	78.4	76.5	75.1	73.4
KfW IPEX-Bank	21.6	23.2	23.1	24.6	26.6
of which women	90.0	85.6	86.1	85.1	82.6
DEG	22.6	23.7	26.0	24.1	27.5
of which women	87.1	88.0	86.9	80.4	82.2

# 28.2%

of KfW Group employees  
worked part-time in 2019

## Period of employment and fluctuation

Average period of employment in years					
	2015	2016	2017	2018	2019
KfW	11.6	11.7	11.9	11.9	11.9
KfW IPEX-Bank	9.4	10.1	10.5	10.9	10.8
DEG	10.5	10.9	10.7	10.6	10.2
Fluctuation in % <sup>1</sup>					
<b>KfW</b>	2.7	2.6	3.3	3.3	2.3
Ratio of women	2.5	2.5	1.6	1.5	1.3
Ratio of men	2.9	2.7	1.7	1.9	1.1
<b>KfW IPEX-Bank<sup>2</sup></b>	5.9	2.1	7.2	6.1	7.3
Ratio of women	2.8	0.9	2.8	3.0	3.7
Ratio of men	5.3	2.3	4.4	3.1	3.6
<b>DEG<sup>3</sup></b>	3.4	2.5	4.6	3.5	4.8
Ratio of women	1.4	2.0	2.1	4.1	4.3
Ratio of men	4.7	2.2	2.4	3.2	5.2

<sup>1</sup> Based on cost-effective FTEs (full-time equivalents) in the past and calculated with regard to the average cost-effective personnel of the respective gender. Since 2017, the quota has been calculated with regard to all employees and is based on absolute employee figures on the reporting date of 1 December 2017. Temporary employees, contractors, employees who work in the representative offices (locals) or staff with fixed-term contracts that have run out are not taken into account. 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

# 2.3%

was the KfW fluctuation rate in 2019



## New employees by gender

	2015	2016	2017	2018	2019
<b>KfW (headcount)</b>	603	506	535	661	683
in % (of total workforce)	12.7	10.4	10.7	12.8	12.5
Women (in % <sup>1</sup> )	48.1	47.4	47.5	50.7	52.4
<b>KfW IPEX-Bank (headcount)</b>	33	44	61	73	130
in % (of total workforce)	5.0	6.5	8.9	10.3	16.7
Women (in % <sup>1</sup> )	48.5	47.7	47.5	57.5	46.2
<b>DEG (headcount)</b>	73	50	113	134	31
in % (of total workforce)	13.4	8.9	18.4	19.8	4.6
Women (in % <sup>1</sup> )	53.4	44.0	60.2	41.6	48.4

<sup>1</sup> Proportion of women among new employees

## New employees by age group in absolute numbers

		2017	2018	2019
<b>KfW</b>	Age group < 30	296	327	351
	30 ≤ age group ≤ 50	206	281	266
	50 < age group ≤ retirement age	33	53	66
<b>KfW IPEX-Bank</b>	Age group < 30	42	39	93
	30 ≤ age group ≤ 50	15	35	35
	50 < age group ≤ retirement age	4	3	2
<b>DEG</b>	Age group < 30	62	70	12
	30 ≤ age group ≤ 50	47	58	16
	50 < age group ≤ retirement age	4	6	3

# 683

new employees joined KfW in 2019. KfW IPEX-Bank in particular recruited far more employees than in the previous years

## Training and education

	2015	2016	2017	2018	2019
<b>Training and education quota in %</b>					
KfW <sup>1</sup>	4.8	4.7	4.2	4.0	4.0
KfW IPEX-Bank <sup>2</sup>	2.4	1.8	2.5	3.1	6.2
DEG <sup>3</sup>	3.8	3.0	2.3	4.6	4.0
<b>Professional development in hours</b>					
KfW	87,128	78,412	89,346	82,412	90,952
KfW IPEX-Bank <sup>4</sup>	–	–	9,924	8,520	10,884
DEG	5,392	4,872	6,584	6,856	6,318

<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.

# 90,952

hours were invested in  
professional development  
by KfW employees in 2019

## Employees on parental leave in 2019 (2018)

	Men	Women	Total
<b>Number of employees who took parental leave in 2019 (2018)</b>			
KfW Group	194 (169)	274 (281)	468 (450)
KfW	132 (125)	214 (217)	346 (342)
KfW IPEX-Bank	39 (31)	39 (39)	78 (70)
DEG	23 (13)	21 (25)	44 (38)

## Number of employees who returned from parental leave to the workplace in 2019 (2018)

KfW Group	170 (148)	146 (125)	316 (273)
KfW	112 (106)	98 (91)	210 (197)
KfW IPEX-Bank	35 (28)	25 (21)	60 (49)
DEG	23 (14)	21 (25)	44 (39)

## Number of employees who ended their parental leave in 2018 (2017) and were still under contract at the end of 2019 (2018)

KfW Group	140 (152)	115 (135)	255 (287)
KfW	102 (101)	87 (94)	189 (195)
KfW IPEX-Bank	26 (36)	15 (23)	41 (59)
DEG	12 (15)	13 (18)	25 (33)

An examination of the prior-year figures revealed that these had been reported incorrectly in the previous report; they have now been adjusted retrospectively.

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

	2015	2016	2017	2018	2019
KfW	5.4	5.5	5.6	5.6	5.7
KfW IPEX-Bank	0.9	1.3	1.6	2.3	1.9
DEG	2.3	2.5	3.7	3.3	4.0

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

# 5.7%

of KfW employees had  
severe disabilities in 2019

## Percentage of women in KfW Group

	2015	2016	2017	2018	2019
KfW	48.9	48.5	48.1	48.1	48.3
KfW IPEX-Bank	46.3	47.0	46.9	47.7	47.5
DEG	53.5	52.4	54.3	51.4	51.7

### Women in management positions

<b>KfW<sup>1</sup></b>	29.4	30.2	31.4	33.2	33.5
Middle management <sup>2</sup>	24.4	28.1	30.4	27.1	27.3
Senior management <sup>3</sup>	17.4	12.0	12.0	12.5	8.7
<b>KfW IPEX-Bank<sup>4</sup></b>	25.3	26.0	27.3	29.2	30.4
Middle management <sup>2</sup>	35.3	31.3	27.8	27.8	27.8
Senior management <sup>5</sup>	0.0	20.0	25.0	25.0	25.0
<b>DEG<sup>6</sup></b>	30.8	30.8	33.3	30.0	31.3
Middle management <sup>2</sup>	30.2	32.6	35.9	31.7	33.3
Senior management <sup>3</sup>	33.3	22.2	22.2	22.2	22.2

<sup>1</sup> Team Head, Head of Division, Head of Department

<sup>2</sup> Head of Division

<sup>3</sup> Head of Department

<sup>4</sup> Team Head, Head of Division and Management Board

<sup>5</sup> Management Board

<sup>6</sup> Head of Division, Head of Department

# > 30%

of management roles at KfW, KfW IPEX-Bank and DEG were filled by women in 2019

### Personnel expenditure and provisions

	2015	2016	2017	2018	2019
Expenditure on personnel (KfW Group) in EUR million	630	634	668	771	749
Pension provisions (KfW Group) <sup>1</sup> in EUR billion	1.7	2.0	2.0	2.1	2.5

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

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

	2015	2016	2017	2018	2019
KfW Group	71	113 <sup>1</sup>	116 <sup>1</sup>	80	87
of which fatalities	0	1 <sup>2</sup>	0	1 <sup>2,3</sup>	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

<sup>3</sup> An examination of the prior-year figure revealed that this had been reported incorrectly in the previous report; it has now been adjusted retrospectively.

# 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, an asset-backed commercial paper (ABCP) is a tradable money market instrument covered by a company's assets.

**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 client's regular bank or a commercial one. This bank then forwards the applications to KfW and subsequently passes on the funds provided by KfW back to their client.

**Best-in-class approach:** Under this investment strategy (for shares or > bonds), only the most sustainable companies in any sector are adopted into an investment portfolio.

**Biodiversity:** Diversity of species, genetic diversity and diversity of eco-systems. The destruction and fragmentation of natural habitats are a current threat to the existence of many species of flora and fauna. A great number of initiatives and international agreements aim to protect biodiversity.

**Bonds:** Fixed-interest long-term debt securities issued by public bodies or private companies; enable loans to be carried out in the financial market (see also > green bonds).

**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:** 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.

**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 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.

**Fairtrade labels:** Quality labels issued by various organisations which use fixed criteria to test and certify the cultivation and trade of food produce from developing countries and emerging economies. "Fair trade" means that farmers normally receive higher financial income.

**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 protect the climate. KfW Development Bank has been responsible for FC on behalf of the German Federal Government since the 1960s.

**Financial intermediaries:** In international Financial Cooperation projects in developing countries and emerging economies, KfW works with local financial intermediaries, in other words local organisations which manage the projects' committed funds on a fiduciary basis and are required to submit reports in accordance with defined criteria.

**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 clients.

**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 requires the > issuers to use the funds received as a result of the bond’s emission to finance measures that protect the environment and climate.

**Greenhouse Gas Protocol/GHG Protocol:** International standard for calculating greenhouse gas emissions, such as CO<sub>2</sub>, and reporting on them. 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 power, steam, heat and cooling power that is generated or purchased from outside the company. Scope 3 covers 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 since 1999 has been using multi-stakeholder processes to develop generally accepted sustainability reporting standards that are not legally binding. Sustainability Reporting Standards, known as GRI Standards for short, have also applied since 2016.

**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 state’s responsibility for KfW Group.

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

**Leverage ratio:** The relationship between equity and the total assets before they have 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 due diligence in the field of human rights and, by the end of 2020, to have established structures to ensure the protection of human rights in their corporate processes.

**SDGs – Sustainable Development Goals:** 17 goals designed to promote sustainable development adopted by the global community in 2015 as part of the United Nations’ 2030 Agenda (find out more → [here](#)).

**Stakeholder:** Collective term for social groups (or their representatives) who are impacted by a company’s activities or who are able to influence a company’s success. A distinction is often drawn between internal and external stakeholders. Internal stakeholders are groups such as employees, members of staff councils and shareholders; external shareholders could be politicians and officials, non-governmental organisations, members of the media, etc.

**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 put more focus on ecological and social criteria in their investment strategies in the future and that they promote the real economy by issuing 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 currently insufficient earning power.



Index

GRI and non-financial report



# GRI content index



For the GRI Materiality Disclosures Service, GRI had access to this report, the “2019 Sustainability Report. Data according to GRI standards, HGB and TCFD”. The correct positioning of the “Materiality Disclosures” (GRI 102-40 – 102-49) in the report was confirmed by the GRI Services team.

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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 → <a href="#">Financial Report</a> .
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 → <a href="#">Financial Report</a> .
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GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	7–12, 93–95	
GRI 202-2: Proportion of senior management hired from the local community	95	All of the managers at KfW Group locations outside Germany are seconded and employed in Germany. There are no guidelines on hiring local management.
<b>GRI 203: Indirect Economic Impacts 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	66–67, 72	
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GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	35–37	
GRI 205-2: Communication and training about anti-corruption policies and procedures	36–37	
GRI 205-3: Confirmed incidents of corruption and actions taken		In the year under review, 27 cases of fraud and/or corruption were reported by KfW.

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GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	79, 87	
GRI 303-1: Water withdrawal by source	87	
GRI 303-2: Water sources significantly affected by withdrawal of water		No groundwater is removed from protected areas.
GRI 303-3: Water recycled and used	87	KfW processes neither wastewater nor sewage itself.
<b>GRI 304: Biodiversity 2016</b>		
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GRI 307: Environmental Compliance 2016		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	35, 39	
GRI 307-1: Non-compliance with environmental laws and regulations		None.
GRI 308: Supplier Environmental Assessment 2016		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	90–91	
GRI 308-2: Negative environmental impacts in the supply chain and actions taken	91	
GRI 400: Social		
GRI 401: Employment 2016		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	93	
GRI 401-1: New employee hires and employee turnover	93, 112–113	Details about employee turnover and new employee hires according to 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	115	
GRI 402: Labour/Management Relations 2016		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	94–95	
GRI 402-1: Minimum notice periods regarding operational changes	95	
GRI 403: Occupational Health and Safety 2016		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	107–108	
GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities	108, 117	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.

Disclosures	Page	Omission/comment
<b>GRI 404: Training and Education 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	103–105	
GRI 404-1: Average hours of training per year per employee	104, 114	
GRI 404-2: Programs for upgrading employee skills and transition assistance programs	104–105	
GRI 404-3: Percentage of employees receiving regular performance and career development reviews	104–105	
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	96–99, 102	
GRI 405-1: Diversity of governance bodies and employees	97, 98, 102, 109, 113, 115	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	94	Individual employee salaries are protected as confidential information; disclosure of this information, even for statistical evaluation, remains limited accordingly at KfW Group.
<b>GRI 406: Non-Discrimination 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	96–99, 102	
GRI 406-1: Incidents of discrimination and corrective actions taken	103	There were no known cases of discrimination in the reporting period.
FS14: Initiatives to improve access to financial services for disadvantaged people	76	
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	93–95	
GRI 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	95	
<b>GRI 411: Rights of Indigenous Peoples 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	70–72	
GRI 411-1: Incidents of violations involving rights of indigenous peoples	71–72	
<b>GRI 412: Human Rights Assessment 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	40–41	
GRI 412-1: Operations that have been subject to human rights reviews or impact assessments	66–67, 70–72	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.

Disclosures	Page	Omission/comment
GRI 412-2: Employee training on human rights policies or procedures	67	
GRI 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	62–64, 66–67	
<b>GRI 414: Supplier Social Assessment 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	90–91	
GRI 414-1: New suppliers that were screened using social criteria	91	Because the definition and, as a result, the group of suppliers who were surveyed on social criteria, changed in 2019, a response is not required.
GRI 414-2: Negative social impacts in the supply chain and actions taken	91	
<b>GRI 415: Public Policy 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	37	
GRI 415-1: Political contributions	37	
<b>GRI 417: Marketing and Labelling 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	75	
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.
<b>GRI 418: Customer Privacy 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	37	
GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	37	
<b>GRI 419: Socioeconomic Compliance 2016</b>		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	35–39	
GRI 419-1: Non-compliance with laws and regulations in the social and economic area		None.



Disclosures	Page	Omission/comment
Product portfolio		
GRI 103: Management Approach 2016 (including 103-1, 103-2, 103-3)	7–12, 55, 66–67	
FS6: Percentage of the portfolio for business lines by specific region, size (e.g. micro-/SME/large) and by sector	56, 57	
FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	58–62	
FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	58–62, 62–63, 65	

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