



LEA 02	Discipline: Monetary	Principle: PRI 1, 2, 3
<p>Reason for interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decisionmaking in & company's material ESG issues <input checked="" type="checkbox"/> To enhance corporate transition or identify the need for additional or <input checked="" type="checkbox"/> To engage investor ESG disclosure <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in internal staff 	<p>Type of engagement</p> <p>Individual/ internal staff engagements</p> <p>Collaborative engagements</p> <p>Service provider engagements</p>	<p>Reason for interaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> To support investment decisionmaking in & company's material ESG issues <input checked="" type="checkbox"/> To enhance corporate transition or identify the need for additional or <input checked="" type="checkbox"/> To engage investor ESG disclosure <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in collaborative engagements <input type="checkbox"/> To support investment decisionmaking in & company's material ESG issues <input type="checkbox"/> To enhance corporate transition or identify the need for additional or <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in collaborative engagements <input type="checkbox"/> To support investment decisionmaking in & company's material ESG issues <input type="checkbox"/> To enhance corporate transition or identify the need for additional or <input type="checkbox"/> Other: specify <input type="checkbox"/> We do not engage in service providers

RI TRANSPARENCY REPORT

2018

KfW Bankengruppe

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2018 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		-	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Public							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown by passive, quantitative, fundamental and other active strategies	🔒	n/a							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown by passive, active strategies	✓	Public							✓
OO FI 02	Option to report on <10% assets	🔒	n/a							✓
OO FI 03	Breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown by passive, quantitative, fundamental and other active strategies	🔒	n/a							✓
OO PE 01	Breakdown of investments by strategy	🔒	n/a							✓
OO PE 02	Typical level of ownership	🔒	n/a							✓
OO PR 01	Breakdown of investments	🔒	n/a							✓
OO PR 02	Breakdown of assets by management	🔒	n/a							✓
OO PR 03	Largest property types	🔒	n/a							✓
OO INF 01	Breakdown of investments	🔒	n/a							✓
OO INF 02	Breakdown of assets by management	🔒	n/a							✓
OO INF 03	Largest infrastructure	🔒	n/a							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public							✓
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Public							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Public							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	🔒	n/a							✓
SG 08	RI in performance management, reward and/or personal development	✓	Public							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	🔒	n/a	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 14	Long term investment risks and opportunity	✓	Public	✓						
SG 15	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 16	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
SG 17	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 18	Innovative features of approach to RI	✓	Public							✓
SG 19	Communication	✓	Public							✓
SG End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Public	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	✓	Public	✓						
FI 05	Negative screening - overview and rationale	✓	Public	✓						
FI 06	Examples of ESG factors in screening process	✓	Public	✓						
FI 07	Screening - ensuring criteria are met	✓	Public	✓						
FI 08	Thematic investing - overview	✓	Public	✓						
FI 09	Thematic investing - themed bond processes	✓	Public	✓						
FI 10	Thematic investing - assessing impact	✓	Public	✓						
FI 11	Integration overview	✓	Public	✓						
FI 12	Integration - ESG information in investment processes	✓	Public	✓						
FI 13	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 14	ESG incorporation in passive funds	🔒	n/a	✓						
FI 15	Engagement overview and coverage	✓	Public		✓					
FI 16	Engagement method	✓	Public	✓	✓					
FI 17	Engagement policy disclosure	✓	Public	✓	✓					
FI 18	Financial/ESG performance	✓	Public							✓
FI 19	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI End	Module confirmation page	✓	-							

Assurance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01.1	Assurance, verification, or review	✓	Public							✓
CM1 01.2 & 01.8	Assurance of this year's PRI data	✓	Public							
CM1 01.3 & 01.9	Assurance of last year's PRI data	✓	Public							✓
CM1 01.4, 10-12	Other confidence building measures	✓	Public							✓
CM1 01.5	External assurance	🔒	n/a							✓
CM1 01.6	Assurance or internal audit	🔒	n/a							✓
CM1 01.7	Internal verification	✓	Public							✓
CM1 01 End	Module confirmation page	✓	-							

KfW Bankengruppe

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic information

OO 01

Mandatory

Public

Gateway/Peering

General

OO 01.1

Select the type that best describes your organisation or the services you provide.

- Non-corporate pension or superannuation or retirement or provident fund or plan
- Corporate pension or superannuation or retirement or provident fund or plan
- Insurance company
- Foundation
- Endowment
- Development finance institution
- Reserve - sovereign or government controlled fund
- Family office
- Other, specify

OO 02

Mandatory

Public

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

Germany

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

72

OO 02.4

Additional information. [Optional]

The information given above refers to KfW's treasury department that is responsible for KfW's asset management activities. Overall, KfW group has offices in more than 80 locations worldwide. As at the end of 2016, KfW group employed 6104 people.

OO 03	Mandatory	Public	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Public	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2017

OO 04.2 Indicate your total AUM at the end of your reporting year, Exclude subsidiaries you have chosen not to report on and any advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		29	210	174	000
Currency	EUR				
Assets in USD		34	657	776	991

OO 04.5 Additional information. [Optional]

The total AUM indicated above refer to three distinct portfolios that are managed within KfW's treasury department and comprise KfW's asset management activities. All three portfolios have distinct objectives. In addition to the liquidity portfolio, KfW has two promotional investment portfolios under management: the KfW Green Bond portfolio and the ABS promotional portfolio. The promotional portfolios are supported by the Federal Ministry for Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and the Federal Ministry for Economic Affairs and Energy (BMWi), respectively.

Whereas the liquidity portfolio is an essential component of KfW's liquidity maintenance strategy, the Green Bond and ABS portfolios each have separate promotional purposes. The main objective of the Green Bond portfolio is to finance projects with regard to environmental protection and climate change while the ABS promotional portfolio aims at facilitating access to capital markets for the small and medium-sized companies (SMEs).

Further details regarding the responsible investment approach of all three portfolios are available in SG 01.5.

OO 06	Mandatory	Public	Descriptive	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 06.1 Select how you would like to disclose your asset class mix.

- as percentage breakdown

	Internally managed (%)	Externally managed (%)
--	------------------------	------------------------

Listed equity	0	0
Fixed income	100	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

as broad ranges

OO 06.2 | Publish asset class mix as per attached image [Optional].

OO 07	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO 07.1 | Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.

Internally managed	SSA	39.3
	Corporate (financial)	3.7
	Corporate (non-financial)	0
	Securitised	57
	Total	100%

OO 09	Mandatory to Report Voluntary to Disclose	Public	Peering	General
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OO 09.1 Indicate the breakdown of your organisation's AUM by market.

Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Total	100%

Asset class implementation gateway indicators

OO 10	Mandatory	Public	Gateway	General
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Fixed income SSA – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (financial) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (securitised) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

OO 11	Mandatory	Public	Gateway	General
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Fixed income - SSA

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - corporate (financial)

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - securitised

- We address ESG incorporation.
- We do not do ESG incorporation.

OO 12	Mandatory	Public	Gateway	General
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OO 12.1 Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules

- Organisational Overview
- Strategy and Governance

RI implementation directly or via service providers

Direct - Fixed Income

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Securitised

RI implementation via external managers

Closing module

- Closing module

Peering questions

OO FI 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO FI 01.1	Provide a breakdown of your internally managed fixed income securities by active and passive strategies
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SSA	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>
Corporate (financial)	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>
Securitized	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>

OO FI 03	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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OO FI 03.1 Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.

SSA	Developed markets	100
	Emerging markets	0
	Total	100%

KfW Bankengruppe

Reported Information

Public version

Strategy and Governance

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Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Asset class-specific RI guidelines <input checked="" type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Other, specify (1) Engagement policy <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change and related issues
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, and how they consider ESG factors and real economy impact.

Sustainability is a core value of KfW's mission statement. Accordingly, we endeavor to assume responsibility in a variety of roles on the international capital markets. As an institutional investor, we apply a responsible investment approach to our three portfolios taking into account the specific objectives and characteristics of each portfolio.

Liquidity portfolio: KfW's liquidity portfolio is designed to ensure that KfW remains capable of taking action even if it has no access to the capital markets as KfW refinances its promotional activities almost solely via bonds issuance. On this background, the key investment objective of the liquidity portfolio is to secure liquidity, while return targets are of secondary importance. KfW acts as a buy-and-hold investor and invests exclusively in bonds with good credit quality (investment-grade).

Green Bond portfolio: KfW has the promotional mandate to set up a € 2bn green bond portfolio, which is supported by the Federal Ministry for Environment, Nature Conservation, Building and Nuclear Safety (BMUB).

ABS promotional portfolio: On behalf of the Federal Ministry for Economic Affairs and Energy (BMWi), KfW has the promotional mandate to invest in asset-backed securities (ABS, ABCP, SME-collateralized bonds) in favour of small and mid-sized companies (SMEs).

Please see SG.01.5

SG 01.5

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

KfW is not a typical institutional investor due to the specific function and characteristics of the three portfolios it manages. On this background, we do not follow an investment policy in the classical sense of the term but we rather apply an investment strategy in accordance with the respective internal portfolio guidelines, the respective responsible investment approach developed for each portfolio and/or the promotional mandate. For this reason, our answers to the questions from SG 01.1 to SG 01.3 refer to these different elements.

The RI investment approaches for each portfolio can be described as follows:

Liquidity portfolio (ESG integration, exclusions, engagement): The liquidity portfolio is made up solely of bonds issued by governments and supranational organisations, financials, covered bonds and ABS. It includes the following asset classes: SSAs, corporate (financial), securitized.

The sustainable investment approach for the liquidity portfolio consists of three elements:

At the beginning of 2017, we critically reviewed the existing sustainable investment approach for the liquidity portfolio and decided to modify it in order to achieve a higher impact. The new investment approach is based on a best-in-class approach. The eligible investment universe is defined based on diversification criteria, rating of the issuer as well as its sustainability assessment. The sustainability assessments are provided by the external sustainability rating agency Sustainalytics. Companies are assessed based on several ESG criteria which are differently weighted depending on the sector. Currently, the ESG criteria are applied with a weighting of 30% for environment, 32% for social and 38% for corporate governance issues for financial institutions. The three ESG criteria are weighted as follows for sovereign issuers: 15% environment, 35% social, 50% governance.

Our new best-in-class approach stipulates that for the liquidity portfolio, we will only invest in bonds of issuers whose sustainability score is among the best 80% of the respective sector.

In addition to the integration of ESG criteria, KfW introduced the use of exclusion criteria in its liquidity portfolio for non-governmental issuers early 2011. These criteria are based on the IFC Exclusion List. The aim is to ensure that, as a matter of principle, no fund provided by KfW through the purchase of bonds for the liquidity portfolio flows to an issuer which is engaged in activities which, from our perspective, are likely to have unacceptable negative environmental and social impacts.

As KfW's investment approach considers issuer sustainability in relation to their peers, we feel that it is appropriate to inform issuers about their current sustainability rating and any potential exclusion criteria. Hence, we provide issuers with detailed information about the sustainable investment process and their current sustainability rating via our engagement letters and we offer to enter in an open dialogue on sustainability topics with them.

Sustainability ratings for ABS investments in the liquidity portfolio are based on the ABS originator as sustainability ratings for ABS issuers are not available.

Green Bond portfolio (Sector specific RI guidelines, exclusions): The objective of the Green Bond portfolio is to finance climate and environmental protection measures via the capital market. Investments can be made in the following asset classes: SSAs, corporate (financial), corporate (non-financial) and securitized.

With the purchase of green bonds, KfW seeks to contribute to the realization of projects, e.g. in the fields of renewable energies, energy efficiency, environmental friendly transportation, waste industry, (waste) water-management as well as biodiversity measures. The Green Bond portfolio proves the commitment of KfW to expand its sustainability strategy on the capital markets, in addition to its lending activities and its own green bond issuances. KfW's long-term goal is an active contribution to the global reduction of environmental pollution and climate change through further funding of sustainable projects by green bonds.

By getting involved as an investor, KfW also aims at contributing to the qualitative development of the green bond market. For example, KfW supports the development of the market via the Green Bonds Principles or engagement with green bond market participants. Before investing in green bonds, KfW obligatorily checks the following minimum criteria.

- Fully transparent process of the allocation of funds raised via the green bonds as well as a competent project selection
- A clear description of the projects to be refinanced (including goals and - where feasible - projected impacts) and the management of proceeds
- A frequent, public reporting including project description, development as well as the allocation of funds
- A qualified verification of the project selection and use of funds from an independent third party

KfW will continuously develop and advance its minimum requirements to be in harmony with the Green Bond Principles and current market developments.

ABS promotional portfolio (asset class-specific guidelines): The objective of the ABS promotional portfolio is to promote financing options for SMEs by supporting (indirect) access of SMEs to capital markets. While initially focused on Germany, the mandate of KfW has been extended to Europe in 2015.

The investors' basis for capital market instruments (especially securitizations) with a focus on SMEs is still very limited. As Germany's most important promotional bank, KfW has a long experience in financing SMEs and as such, it can play an important role to support and promote capital market funding of SMEs.

Taking into account the importance of SMEs in the European economy, it is expected that by facilitating access to credit for SMEs, KfW's ABS promotional portfolio is contributing to stimulate growth in Europe.

For each transaction included in the portfolio, KfW verifies the use of proceeds. For ABS and ABCP, information on the use of proceeds is included in the transaction document and the information available regarding the securitized pool of assets.

No

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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Policy setting out your overall approach

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/>

Attachment (will be made public)

Attachment

[File 1:NH KfW Masterpräsentation_2017-04_EN grün_final_neu.pdf](#)

Formalised guidelines on environmental factors

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/>

Attachment (will be made public)

Formalised guidelines on social factors

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/>

Attachment (will be made public)

Formalised guidelines on corporate governance factors

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/>

Attachment (will be made public)

Sector specific RI guidelines

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfW-Green-Bond-Portfolio/>

Attachment (will be made public)

Screening / exclusions policy

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Exclusion-Criteria/>

Attachment (will be made public)

Other, specify (1)

Other, specify (1) description

Engagement policy

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Engagement/>

Attachment (will be made public)

We do not publicly disclose our investment policy documents

SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/2016_Sustainable-Investments.html

Attachment

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/2016_Sustainable-Investments.html

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Liquidity-Portfolio/>

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Strategie-Management/Organisation/index.html>

Attachment

ESG incorporation approaches

URL/Attachment

URL

	URL
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<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/>

- Attachment
- Climate change and related issues
- We do not publicly disclose any investment policy components

SG 02.3	Indicate if your organisation's investment principles, and overall investment strategy is publicly available
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Yes

	URL
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https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/2016_Sustainable-Investments.html

No

SG 02.4	Additional information [Optional].
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The governance structure of organisational ESG responsibilities for the Asset Management activities of KfW performed within its treasury department is embedded in the overall sustainability management system of KfW Group. A group's sustainability program with objectives designed to improve the Group's sustainability management (e.g. sustainable investments), accountability and responsibilities are drawn up by the sustainability officers of each unit and the Group's sustainability officer. For more details, please see: <http://sustainability2015.kfw.de/reports/kfw/annual/2015/nb/English/8530/kfw-sustainability-programme-2015-2017.html>. An updated sustainability program for 2018 is currently in preparation.

The investment objectives and the ESG approach are different in all three KfW's portfolios. For more details on the objectives and ESG approach in KfW Green Bond portfolio, please see: <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfW-Green-Bond-Portfolio/>

For more details on the objectives and ESG approach in the liquidity portfolio, please see: <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/>

The specific guidelines for the ABS promotional portfolio are defined in the mandate letter from the German Federal Ministry for Economic Affairs and Energy (BMWi) addressed to KfW as well as in the internal portfolio guidelines. They are not publicly available.

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

SG 03.2

Describe your policy on managing potential conflicts of interest in the investment process.

KfW's asset management activities are part of its bank wide treasury operations. Any conflicts of interest that might arise are addressed by KfW's overall compliance management. <https://www.kfw.de/KfW-Group/About-KfW/Verantwortung-und-Corporate-Governance/Integrität-Compliance/>

No

SG 04	Voluntary	Public	Descriptive	General
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SG 04.1

Indicate if your organisation has a process for identifying and managing incidents that occur within portfolio companies.

Yes

No

SG 04.2

Describe your process on managing incidents

Issuers of our liquidity portfolio are monitored on an on-going basis (e.g. controversies) and their ESG scores are regularly updated based on the analyses performed by the ESG research provider Sustainalytics. Hence, any new incident can be identified and reflected in the ESG score of an issuer which we use as basis for the investment decision.

Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

SG 05.2

Additional information. [Optional]

Planning regarding the three KfW's treasury portfolios is part of the bank-wide annual planning process.

With regard to sustainability activities in particular, a description of KfW's objectives with deadlines are summarized in the 2015-17 sustainability programme (<http://sustainability2015.kfw.de/reports/kfw/annual/2015/nb/English/8530/kfw-sustainability-programme-2015-2017.html>). The programme was drawn up by KfW's sustainability officers of each business division and the group-level environment and climate steering committee. Regular progress on achieving these objectives is reported in the KfW sustainability report and the interim report "Fakten-Update". For more details, please see the 2017 Fakten-Update: <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Nachhaltigkeit/Faktenupdate-Nachhaltigkeit-2017.pdf>

In addition, the impacts and performance of the liquidity portfolio, the Green Bond portfolio and the ABS promotional portfolio are measured and discussed in the context of the regular monitoring and reporting processes in KfW's treasury department.

SG 06	Voluntary	Public	Descriptive	General
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SG 06.1	List the main responsible investment objectives that your organisation set for the reporting year.
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Responsible investment processes

- Provide training on ESG incorporation
- Provide training on ESG engagement
- Improved communication of ESG activities within the organisation

Key performance indicator

Publishing Information about RI activities and awards, Green Bond portfolio, etc. in the in-house media and company website

Progress achieved

Goal achieved.

- Press release and internal news release about the extension of the promotional mandate and the increase of the targeted volume of the Green Bond portfolio to EUR 2 billion
- Press release and internal news release about the new sustainable investment approach for the liquidity portfolio
- Information about current RI initiatives during the Group Environmental and Climate Steering Committee with all sustainability officers

- Improved engagement to encourage change with regards to management of ESG issues

Key performance indicator

Individual engagement with bonds issuers

Progress achieved

Goal achieved.

In 2017, in addition to our regular annual engagement activities with all issuers of the liquidity portfolio, we had in-person meetings with issuers whose sustainability score was at the time of the engagement below our internal threshold. During the meetings, we explained our sustainable investment approach and encouraged them to get in touch with Sustainalytics and increase transparency regarding their sustainability activities.

- Improved ESG incorporation into investment decision making processes

Key performance indicator

Continued development of the sustainable Investment approach

Progress achieved

Goal achieved.

Implementation of the new best-in-class approach in February 2017.

- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Financial performance of investments

- Increase portfolio performance by consideration of ESG factors
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

ESG characteristics of investments

- Over or underweight companies based on ESG characteristics
- Improve ESG ratings of portfolio

Key performance indicator

Dialogue with ESG issuers with low ESG scores

Progress achieved

In accordance with our new best-in-class approach, we have the possibility to make our own analysis of a company and overrule the assessment of Sustainalytics. In 2017, we engaged with 4 issuers whose sustainability score was at the time of our engagement below our internal eligibility threshold. We encouraged them to get in contact with Sustainalytics. Out of these 4 companies, 2 improved their score during 2017.

- Setting carbon reduction targets for portfolio
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives

Key performance indicator

Active contribution to a RI initiative

Progress achieved

Goal achieved. KfW is active in all three German initiatives launched in 2017: founding member and financial sponsor of the initiative Green Finance Cluster Frankfurt, signatory of the "Frankfurt Declaration" of the Accelerating Sustainable Finance initiative and member of the steering committee of the Hub for Sustainable Finance.

- Encouraging others to join a RI initiative

Key performance indicator

Active participation in conferences promoting responsible investments

Progress achieved

Goal achieved. E.g.: Participation as speaker to the roundtable on sustainable investment organized by the Deutsche Pensions- & Investmentnachrichten and Financial Times, participation to the panel on Green Bonds at the ICMA Asset Management and Investor Council conference, keynote speech on sustainable finance at the Commerzbank Central Banks conference and at the OMFIF-DZ Bank roundtable "Greening Infrastructure Finance".

- Documentation of best practice case studies

Key performance indicator

Publication of case studies

Progress achieved

Contribution to the SEB Green Bond Market newsletter by providing a case study on KfW Green Bond portfolio.

- Using case studies to demonstrate engagement and ESG incorporation to clients
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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SG 07.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
senior management
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- ESG portfolio manager
- Investment analysts
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify (1)
- Other role, specify (2)

SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

The sustainability guidelines are implemented via a management system that defines responsibilities and procedures. Overall responsibility for KfW's sustainability strategy and communications rests with the Chief Executive Officer. The CEO has also been the Executive Board member for environmental issues since November 2014. Together with the respective directors and managing directors of DEG and KfW IPEX-Bank, the CEO also ensures the operational implementation of sustainability issues with regard to sustainable financing and in-house environmental protection. He is assisted by the Group Officer Environment and Sustainability (KUN). The KUN reports to the Chief Executive Officer and advises the Board member for environmental issues on all relevant matters. The KUN is supported by the in-house Environmental Protection Officer and by 15 sustainability officers from the relevant group units. The sustainability officers drive the further development of processes and new financing products, and oversee both inward and outward communication in their units.

The Steering Committee Environment and Climate (KUK) fosters group-wide interaction on financing activities in the area of climate and environmental protection, and provides impetus for the further development of procedures and standards. The KUK is headed by the Board member responsible for environmental issues. Members of the KUK include, among others, the Group Officer Environment and Sustainability as well as the sustainability representatives and the operational managers for specific areas from all market segments of the bank.

Within KfW's treasury department, a team is fully dedicated to the conception and implementation of responsible investment strategies for KfW's liquidity portfolio and Green Bond portfolio. The portfolio managers are as well responsible for the implementation of the responsible investment strategies.

The implementation of the responsible investment strategies is supported by ESG data provided by an external service provider.

SG 07.3

Indicate the number of dedicated responsible investment staff your organisation has.

Number

7

SG 08

Voluntary

Public

Additional Assessed

General

SG 08.1

Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

Board members/Board of trustees

- Responsible investment included in personal development and/or training plan
- None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Other C-level staff or head of department

senior management

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Portfolio managers

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Dedicated responsible investment staff

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

SG 08.4	Describe the level of experience board members/trustees/chief-level staff have with incorporating ESG factors into investment decision-making processes.
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The Executive Board member responsible for KfW's capital market activities and KfW's Treasurer have been overseeing the development and implementation of the responsible investment approach since KfW became signatory of the PRI in 2006. They are regularly kept informed via internal notes on specific ESG topics (e.g. feedback on the engagement activities with the issuers, results of the PRI assessment, increase of the targeted volume of the KfW Green Bond portfolio, etc.). In addition, senior management regularly holds speeches about KfW's responsible investment approach and/or participates in conferences about responsible investment.

Promoting responsible investment

SG 09	Mandatory	Public	Core Assessed	PRI 4,5
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 09.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Member of Fixed Income Advisory Committee

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AFIC – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Signatory to the CDP

- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Code for Responsible Finance in the 21st Century
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Supporting member

<https://www.kfw.de/KfW-Group/About-KfW/Verantwortung-und-Corporate-Governance/Integrität-Compliance/KfW-ist-Fördermitglied-der-EITI/index.html>

- ESG Research Australia
- EVCA – Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Member of the Executive Committee and working groups "Green Project Eligibility" and "Harmonized Framework for Impact Reporting".

- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Membership and active participation in the Finance Initiative of the UNEP FI: e.g. participation in a panel at the UNEP FI / VfU Roundtable organized on 29/30th of November 2017 in Frankfurt.

- United Nations Global Compact
- Other collaborative organisation/initiative, specify

Equator Principles Association

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Participation at the annual meeting of the Equator Principles Association in October 2017 in Brasil.

<https://www.kfw-ipex-bank.de/International-financing/KfW-IPEX-Bank/About-KfW-IPEX-Bank/Gesellschaftliche-Verantwortung/Äquator-Prinzipien/index.html>

- Other collaborative organisation/initiative, specify

Development Finance Club (IDFC)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

During the COP 23, KfW co-organized a one-day seminar "IDFC Climate Forum 2017"

https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/News/News-Details_442368.html

- Other collaborative organisation/initiative, specify

European Development Finance Institutions (EDFI)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

KfW has a regular dialogue with member of the EDFI.

Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
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- Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)
- Provided financial support for academic or industry research on responsible investment
- Provided input and/or collaborated with academia on RI related work
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry

	Description
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In our engagement letters, we encourage the issuers of our liquidity portfolio to disclose their sustainability activities in a transparent way. In addition, we also engage directly with some issuers whose ESG score is below our internal threshold on an ad-hoc basis.

	Frequency of contribution
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- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad hoc
 - Other
- Spoke publicly at events and conferences to promote responsible investment

	Description
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In 2017, KfW senior management spoke publicly at several conferences about sustainable and green finance. For instance: key note speech on sustainable finance at the DZ Central Bank conference and at the OMFIF roundtable on Greening Infrastructure finance, participation to several panels on Green Bonds and responsible Investments (e.g. Sustainable Finance Gipfel Deutschland organized by the Hub for Sustainable Finance), presentation of KfW Green Bond portfolio and KfW sustainable Investment approach at the 10th Portfolio Management Conference for Official Institutions

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Wrote and published in-house research papers on responsible investment

Description

Publication of an in-house research paper on Green Finance-Green Banking
<https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Fokus-Volkswirtschaft/Fokus-2017/Fokus-Nr.-189-Dezember-2017-Green-Finance.pdf>

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Encouraged the adoption of the PRI

Description

Our standard presentation on the KfW sustainable investment approach for the liquidity portfolio which we regularly present at conferences/events includes a dedicated slide on the PRI. The presentation is publicly available: https://www.kfw.de/nachhaltigkeit/PDF/Nachhaltiges-Investment/Sustainability-KfW-Masterpräsentation_2017-04_E.pdf

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

Description

In 2017, KfW responded to a consultation on a study "Defining "green" in the context of green finance" written by adelphi and COWI on behalf of the European Commission.

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Wrote and published articles on responsible investment in the media

Description

Publication of an article on green bonds in the KfW magazine "Chancen", contribution to the SEB Green Bond Market newsletter

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

A member of PRI advisory committees/ working groups, specify

Description

Member of the PRI Fixed Income Advisory Committee

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

Description

KfW is member of the steering committee of the German initiative Hub for Sustainable Finance. It is also founding member and financial Sponsor of the local initiative Green Finance Cluster Frankfurt.

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other
- Other, specify
- No

SG 11	Voluntary	Public	Additional Assessed	PRI 4,5,6
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SG 11.1 Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.

- Yes
 - Yes, individually
 - Yes, in collaboration with others

SG 11.2 Select the methods you have used.

- Endorsed written submissions to governments, regulators or public policy-makers developed by others
- Drafted your own written submissions to governments, regulators or public-policy markers
- Participated in face-to-face meetings with government members or officials to discuss policy
- Other, specify

SG 11.3 Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

- Yes, publicly available
- No
- No

SG 11.4 Provide a brief description of the main topics your organisation has engaged with public policy-makers or regulators on.

Meeting between one of KfW's board members and the Director-General of the Directorate General for Environment of the EU commission: one of the topic of discussions among others was "green bonds".

KfW's Treasurer held a presentation on sustainable finance and the contribution of KfW at an event organized by the German Federal Chancellor's Office.

Outsourcing to fiduciary managers and investment consultants

SG 12	Mandatory	Public	Core Assessed	PRI 4
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1	Indicate whether your organisation uses investment consultants.
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- Yes, we use investment consultants
- No, we do not use investment consultants.

ESG issues in asset allocation				
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SG 13	Mandatory	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 13.1	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.
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- We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- We execute scenario analysis which includes factors representing the investment impacts of future social trends
- We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- We consider scenario analysis that includes factors representing the investment impacts of future climate-related risks and opportunities
- We execute other scenario analysis, specify
- We do not execute such scenario analysis and/or modelling

SG 13.3	Additional information. [OPTIONAL]
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KfW is not a typical institutional investor insofar as the three portfolios which it manages have very specific requirements and objectives. As a result, we do not execute a strategic asset allocation in the classical sense of the term. The portfolios are managed in accordance with the respective portfolio guideline and/or promotional mandate. For more details on the three portfolios, please see SG 01.5.

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1	Describe the process used to identify short, medium and long-term risks and opportunities that could have a material impact on your organisation and its activities.
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The group-wide strategic objectives set by the Executive Board are reviewed annually and updated to reflect changing requirements. Assumptions regarding the future development of determining factors are made on the basis of assessments of risks and opportunities. This analysis takes into account both external factors (including market development, regulatory requirements, the competitive situation, customer behaviour) and internal factors and resources (including human and capital resources, promotional activity, etc.). Currently, KfW's promotional activities focus on three socially and economically significant megatrends: climate change and the environment, globalisation and technical progress, and demographic change.

In addition, KfW occasionally involves relevant stakeholders actively in the further development of group strategy and aligning product portfolio with market requirements. KfW creates close ties with associations, research institutions and environmental organisations by holding face to face discussions and by participating in events.

SG 14.2

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.

- Changing demographics
- Climate change and related issues

SG 14.3

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

SG 14.4

Indicate which of the following tools you use to manage emissions risks and opportunities

- Scenario analysis
- Disclosure on emissions risk to clients/trustees/management/beneficiaries
- Climate-related targets
- Encourage internal and/or external portfolio managers to monitor emissions risk
- Emissions risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

Please explain why not

KfW is a pure fixed-income investor and the majority of the bonds included in its portfolios are issued by governments and financial institutions. In our view, the existing methodologies or tools to measure CO2-emissions of these two asset classes do not allow a reliable measurement. For instance, the measurement of scope 3 emissions for financial institutions remains problematic. In addition, the existing models are suitable for equity portfolios but do not really fit with fixed-income portfolios.

Taking into account the restrictive portfolio guidelines and the specific mandate of each portfolio, the possibility for KfW to manage its three portfolios based on CO2 emissions is also very much limited. As KfW is also a buy-and-hold investor, it can sell bonds only in exceptional cases.

For these reasons, KfW currently does not measure the carbon footprint of its portfolios or use tools to manage emissions risks. However, it actively follows the development of new tools for instance via its participation to the CDP.

- Resource scarcity
- Technology developments
- Other, specify(1)

other description (1)

Promotion of financing for German and other European SMEs

- Other, specify(2)
- None of the above

SG 14.6 Additional information [Optional]

The long-term trends and issues mentioned above refer to KfW's promotional portfolios - mainly the Green Bond portfolio and the ABS promotional portfolio.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 15.1 Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

SG 15.2 Indicate the percentage of your total AUM invested in environmental and social themed areas.

%

12

SG 15.3 Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

Area

Clean technology (including renewable energy)

Asset class invested

Fixed income - SSA

	% of AUM
--	----------

43

- Fixed income - Corporate (financial)

	% of AUM
--	----------

40

- Fixed income - Corporate (non-financial)

	% of AUM
--	----------

100

- Fixed income - Securitised

	Brief description and measures of investment
--	--

With regard to KfW's Green Bond portfolio, we buy bonds that aim at financing clean technology projects, e.g. renewable energy funding, energy efficiency projects, environmental friendly transportation and waste management.

- Green buildings

	Asset class invested
--	----------------------

- Fixed income - SSA

	% of AUM
--	----------

16

- Fixed income - Corporate (financial)

	% of AUM
--	----------

58

- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

	% of AUM
--	----------

100

	Brief description and measures of investment
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With regard to KfW's Green Bond portfolio, we buy bonds that aim at financing energy efficient buildings.

- Sustainable forestry

Asset class invested

- Fixed income - SSA
- Fixed income - Corporate (financial)

% of AUM

1

- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

Brief description and measures of investment

The figure refers to a green bond issued by a bank. One of the eligible project categories is sustainable forestry. Measures include climate change mitigation projects and environmental and ecosystem improvements.

- Sustainable agriculture
- Microfinance

Asset class invested

- Fixed income - SSA

% of AUM

3

- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

Brief description and measures of investment

The figure refers to the use of proceeds of a Green Bond issued by a SSA which were partly allocated to microfinance projects.

- SME financing

Asset class invested

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

% of AUM

100

Brief description and measures of investment

SME financing refers to KfW's ABS promotional portfolio. see SG 01.4 and SG 01.5

- Social enterprise / community investing
- Affordable housing

Asset class invested

- Fixed income - SSA

% of AUM

4

- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

Brief description and measures of investment

The figure refers to the use of proceeds of a Green Bond issued by a SSA which were allocated to projects for affordable housing.

- Education
- Global health
- Water

Asset class invested

- Fixed income - SSA

% of AUM

15

- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

Brief description and measures of investment

With regard to KfW's Green Bond portfolio, we buy bonds that aim at financing water management projects.

- Other area, specify
biodiversity, sustainable management of natural resources

Asset class invested

Fixed income - SSA

% of AUM

19

- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

Brief description and measures of investment
--

With regard to KfW's Green Bond portfolio, we buy bonds that aim at financing projects referring to the protection of biodiversity, sustainable management of natural resources and inclusive finance projects.

No

Innovation

SG 18	Voluntary	Public	Descriptive	General
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SG 18.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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Yes

SG 18.2	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
---------	---

KfW's activities in the Green Bond market

The specificity of KfW's approach in the Green Bond market is that it is not only active as investor but it also actively participates to the creation of an infrastructure for financing climate and environmental protection projects on the capital market. Following two years of successful collaboration, KfW was in 2017 once again voted as an investor to the Executive Committee of the Green Bond Principles. In this context, KfW will continue to encourage the further development of market standards, particularly focusing on the topic of impact reporting.

Joint cooperation to support SME financing in Europe

As ABS investor, KfW aims at facilitating and stimulating SME financing via capital markets in Germany and Europe. In 2017, KfW participated with the European Investment Bank and the European Investment Fund (EIF) in a securitisation transaction in Poland backed by a portfolio of lease receivables contracts. The transaction is one of the largest of this type in Poland and has wider implications for the Polish leasing market. The transaction was done under the EIF-National Promotional Institutions Securitizations Initiative (ENSI), a cooperation platform between the EIF, KfW and several national promotional institutions, which aims at stimulating SME lending via the capital markets by investing in European securitizations under a harmonised and transparent framework with streamlined procedures.

No

Communication

SG 19	Mandatory	Public	Core Assessed	PRI 6
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SG 19.1 Indicate whether your organisation proactively discloses asset class specific information. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.

Fixed income

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

Disclosure to public and URL	
Disclosure to public and URL	<input type="radio"/> Broad approach to RI incorporation <input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used
Frequency	<input type="checkbox"/> Quarterly <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad hoc/when requested
URL	https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/2016_Sustainable-Investments.html
URL	https://www.kfw.de/PDF/Download-Center/Konzernthemen/Nachhaltigkeit/Faktenupdate-Nachhaltigkeit-2017.pdf

KfW Bankengruppe

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

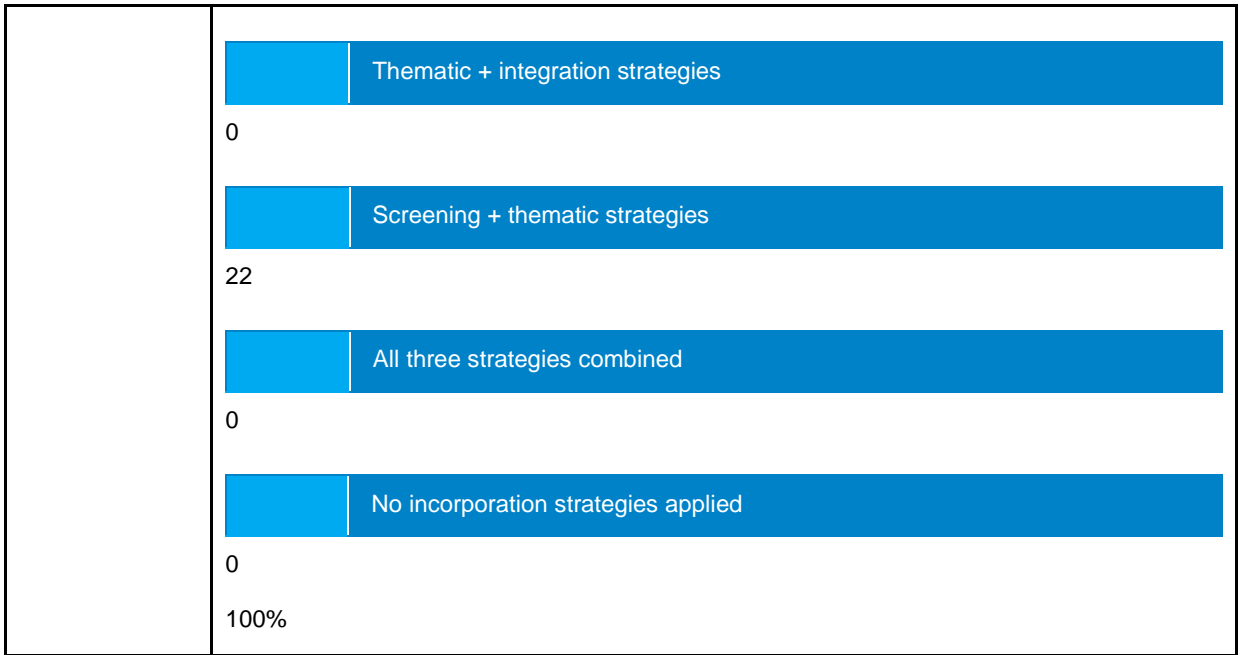
This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed fixed income

Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
FI 01.1	Indicate 1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and 2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

SSA	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>0</td> </tr> <tr> <td>Screening + integration strategies</td> <td>96</td> </tr> <tr> <td>Thematic + integration strategies</td> <td>0</td> </tr> <tr> <td>Screening + thematic strategies</td> <td>4</td> </tr> <tr> <td>All three strategies combined</td> <td>0</td> </tr> <tr> <td>No incorporation strategies applied</td> <td>0</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	0	Integration alone	0	Screening + integration strategies	96	Thematic + integration strategies	0	Screening + thematic strategies	4	All three strategies combined	0	No incorporation strategies applied	0	Total	100%
Strategy	Percentage																				
Screening alone	0																				
Thematic alone	0																				
Integration alone	0																				
Screening + integration strategies	96																				
Thematic + integration strategies	0																				
Screening + thematic strategies	4																				
All three strategies combined	0																				
No incorporation strategies applied	0																				
Total	100%																				
Corporate (financial)	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>0</td> </tr> <tr> <td>Screening + integration strategies</td> <td>78</td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	0	Integration alone	0	Screening + integration strategies	78										
Strategy	Percentage																				
Screening alone	0																				
Thematic alone	0																				
Integration alone	0																				
Screening + integration strategies	78																				



Securitized	Screening alone	0
	Thematic alone	15
	Integration alone	0
	Screening + integration strategies	84
	Thematic + integration strategies	0
	Screening + thematic strategies	1
	All three strategies combined	0
	No incorporation strategies applied	0
	100%	

FI 01.2 Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

ESG incorporation strategies for the three portfolios reflect the specific objective of each portfolio. The primary objective of KfW's liquidity portfolio is to secure liquidity across KfW Group. KfW Green Bonds promotional portfolio is committed to finance climate and environmental protection measures while ABS promotional portfolio aims at supporting access to capital markets for German and European SMEs. On this background, applying the same ESG incorporation strategy for the three is not possible. Hence, a specific approach was developed for each portfolio.

Read FI 01.3 for additional information.

FI 01.3	Additional information [Optional].
---------	------------------------------------

Liquidity portfolio: In addition to the credit assessment of the issuers, we also include their sustainability rating on the basis of ESG criteria in our investment decisions for the liquidity portfolio (ESG integration) by applying a best-in-class approach. Furthermore, we integrate exclusion criteria in the investment approach. See <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/> and <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Exclusion-Criteria/>

Green Bond portfolio: ESG incorporation for this portfolio is done in the form of environmentally themed investments (climate and environmental protection). Before purchasing a Green Bond, KfW performs its own evaluation in order to make sure that the bond complies with the requirements set in its promotional mandate (for instance, eligible use of proceeds, quality of reporting, etc.). To the extent available, the ESG score of the Green Bond issuer is taken into account. Major controversies related to the issuer are also screened. In addition, the financing of nuclear energy is prohibited. See <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfW-Green-Bond-Portfolio/>

ABS promotional portfolio: The ABS promotional portfolio has the objective to improve the access to financing for SMEs via capital market instruments (socially themed investments). To achieve this goal, we invest in ABS (Asset Backed Securities) and ABCP's (Asset Backed Commercial Papers) at market price. Basis for the investments are the promotional mandates KfW has been given by the German Federal Ministry for Economic Affairs and Energy focusing on the German and European Mittelstand. Investments aiming at European SMEs must be done in compliance with KfW's European Strategy.

For further details concerning the three portfolios, please see SG 01.4 and SG 01.5.

FI 02	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 1
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FI 02.1	Indicate which ESG factors you systematically research as part of your analysis on issuers.
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Select all that apply

	SSA	Corporate (financial)	Securitised
Environmental data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Social data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Governance data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

FI 02.2	Indicate what format your ESG information comes in and where you typically source it
---------	--

Raw ESG company data

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

specify description

Data concerning the individual transactions related to the ABS promotional portfolio are provided by the ABS sponsors/originators. Further information, see FI 02.4

- ESG factor specific analysis

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

- Issuer-level ESG analysis

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

- Sector-level ESG analysis

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

- Country-level ESG analysis

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

FI 02.3	Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.
----------------	---

Liquidity portfolio: Data concerning ESG integration and exclusion criteria: sustainability scores and ESG data at issuer-, sector- and country level are provided by an external research provider, Sustainalytics. The screening of the exclusion criteria is also performed by Sustainalytics.

Green Bond portfolio: Data concerning the "E" aspect is available via: third party opinion evaluations of specialized research providers, sustainability ratings of the Green Bond issuers provided by external research providers, sell-side research, own in-house evaluation of a Green Bond in the light of KfW's promotional mandate, in-house credit assessments. If necessary, we ask the issuer for additional information.

ABS promotional portfolio: Data and research on the ABS transactions are provided by the ABS sponsors/originators. Besides, we use sell-side research and in-house evaluations with regards to compliance with the promotional mandate (SME financing) and the internal credit rating assessment.

FI 02.4	Additional information. [Optional]
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Additional information to FI 02.2

Raw ESG company data: raw data concerning the green bond investments are obtained by the green bond issuers.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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FI 03.1	Indicate how you ensure that your ESG research process is robust:
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- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits of ESG research are undertaken in a systematic way
- ESG analysis is benchmarked for quality against other providers
- Other, specify
- None of the above

FI 03.2	Describe how your ESG information or analysis is shared among your investment team.
----------------	---

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

FI 03.3 Additional information. [Optional]

Liquidity portfolio: When assessing the ESG performance of a company, our ESG research provider Sustainalytics prepares a preliminary rating report based on publicly available information. The preliminary report is then sent to the company which has the possibility to comment on this report and provide with additional information. Based on the company's feedback, Sustainalytics finalizes its assessment. The assessments are regularly updated. In addition, every year we send a letter to all non-sovereign issuers in order to inform them on their current sustainability score and invite them to enter into dialogue with us and/or Sustainalytics.

The ESG score of the issuers are updated on a monthly basis and the investment staff can see directly in the internal limits overview whether an issuer is eligible or not.

Green Bond portfolio, ABS promotional portfolio: further details, see SG 01.5

(A) Implementation: Screening

FI 04 **Mandatory** **Public** **Gateway** **PRI 1**

FI 04.1 Indicate the type of screening you conduct.

Select all that apply

	SSA	Corporate (financial)	Securitized
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Positive/best-in-class screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Norms-based screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 04.2 Describe your approach to screening for internally managed active fixed income

Green Bond portfolio: The portfolio is screened on the exclusion of nuclear energy projects in accordance with the promotional mandate. Before purchasing a Green Bond, the ESG specialists assess the green bond framework of the issuer. One of the assessment criteria is that the use of proceeds of the green bonds are not used to finance nuclear energy projects.

Liquidity portfolio: In addition to the ESG criteria, exclusion criteria are also integrated into KfW's investment approach for the non-governmental issuers of the liquidity portfolio. The criteria have been applied since 2011 and are deemed adequate for the time being. Screening of the exclusion criteria is performed by our research provider Sustainalytics.

For more details on the exclusion criteria for the liquidity portfolio, please see FI 04.3 and FI 05.2.

FI 04.3 Additional information. [Optional]

Application of the exclusion criteria in the liquidity portfolio: If the issuers are financial services providers, the exclusion criteria are applied indirectly (for example, in the case of banks, to their relevant equity participations). Exclusion criteria are not considered for bonds of sovereign issuers.

Indirect application of exclusion criteria to:

- Shares held by financial institutions of at least 10% in an enterprise which generates at least 5% of its annual turnover on the basis of one or more of the products covered by the exclusion criteria, or
- which exhibits a controversy factor of 4 or 5 as determined by our research partner Sustainalytics. A rating of 4 or higher on a scale of 1-5 means that controversies or serious violations have been repeatedly identified in an enterprise.
- The amount of the equity participations must account for at least 0.5% of a bank's total assets.

FI 05	Mandatory	Public	Descriptive	PRI 1
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FI 05.1	Indicate why you conduct negative screening.
---------	--

SSA

	SSA
--	-----

- For legal reasons
- For non-legal reasons

Corporate (financial)

	Corporate (fin)
--	-----------------

- For legal reasons
- For non-legal reasons

Securitised

	Securitised
--	-------------

- For legal reasons
- For non-legal reasons

FI 05.2	Describe your approach to ESG-based negative screening of issuers from your investable universe.
---------	--

Applying exclusion criteria ensures that, as a matter of principle, no fund provided by KfW through the purchase of bonds for the KfW liquidity portfolio can flow into projects which, from our perspective, are likely to have unacceptable negative environmental and social impacts.

More information on KfW's website: <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Exclusion-Criteria/>

Please see FI 04.2 and FI 04.3

FI 05.3	Additional information. [Optional]
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The exclusion criteria for financial services providers are based on the "IFC Exclusion List":

- Production or activities involving harmful or exploitative forms of forced labour or child labour as defined in the ILO core labor standards.
- Production or activities involving harmful or exploitative forms of forced labour or child labour as defined in the ILO core labour standards.
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances that are subject to international bans.
- Trade in animals or animal products that are subject to the provisions of CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).
- Production of cosmetics etc. involving testing on animals.
- Commercial logging operations for use in primary tropical moist forests.
- Production of wood or wood products other than from sustainably managed forests (enterprises with less than 50% FSC-certified production are excluded, FSC - Forest Stewardship Council).
- Production or trade in controversial weapons or important components for the production of controversial weapons (anti-personnel mines, biological and chemical weapons, cluster bombs, radioactive ammunition, nuclear weapons).
- Production or trade in tobacco.
- Drift net fishing in the marine environment using nets in excess of 2.5 kilometres in length.
- Controversial forms of gambling: operation of casinos, production of devices or other equipment for casinos or betting offices or companies that generate turnover via online betting. (So-called "short odds" are defined as "controversial forms of gambling").
- Any business activity involving pornography.
- Production or distribution of racist, anti-democratic and/or neo-Nazi media.

FI 06	Voluntary	Public	Additional Assessed	PRI 1
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FI 06.1	Provide examples of how ESG factors are included in your screening criteria.
----------------	--

Example 1

Type of fixed income
<input type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (financial) <input type="checkbox"/> Securitised
ESG factors
<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Governance
Screening
<input checked="" type="checkbox"/> Negative/ exclusionary
Description of how ESG factors are used as the screening criteria
<p>Exclusion criteria are indirectly applied to banks and financial institutions. The screening is applied to the relevant equity participations in activities included in our exclusion list (see FI 04.3 and FI 05.3). Currently, one financial institution is excluded from the investment universe of the liquidity portfolio due its significant stake in an arms producing company.</p>

Example 2

Type of fixed income
<input checked="" type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Securitised
ESG factors
<input checked="" type="checkbox"/> Environmental <input type="checkbox"/> Social <input type="checkbox"/> Governance
Screening
<input checked="" type="checkbox"/> Negative/ exclusionary
Description of how ESG factors are used as the screening criteria
<p>Before purchasing a Green Bond, a screening is done to make sure that the bond's proceeds are not applied to finance nuclear energy projects.</p>

- Example 3
- Example 4
- Example 5

FI 07	Mandatory	Public	Core Assessed	PRI 1
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FI 07.1	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.
---------	---

Type of screening	Checks
Negative/exclusionary screening?	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input type="checkbox"/> We ensure that data used for the screening criteria is updated at least every 2 years. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input checked="" type="checkbox"/> Other, specify <div style="background-color: #0072bc; color: white; padding: 2px; margin-top: 5px;">other description</div> <p>Screening performed by an external Research Provider and updated monthly for the liquidity portfolio</p> <input type="checkbox"/> None of the above

Green Bond portfolio: screening of nuclear is part of the internal analysis made before investment.

Liquidity portfolio: In case an issuer does not meet one of the screening criteria, the non-eligibility of the issuer is reflected in the IT system and indicated automatically in the limits' overview used by the investment staff.

(B) Implementation: Thematic

FI 08	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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FI 08.1 Indicate what proportion of your thematic investments are:

Green funds

	%
--	---

27

- Social funds
- Sustainability bonds (combination of green and social)
- Other

	Specify
--	---------

SME

	%
--	---

73

FI 08.2 Describe your organisation's approach to thematic fixed income investing

Themed investments are executed via the KfW Green Bond portfolio and ABS promotional portfolio.

Green Bond portfolio:

Motivation: With the acquisition of green bonds, KfW complements its lending activities for environmental and climate protection measures with a capital market instrument and thereby extends its activities in the context of responsible investment. KfW wants the capital market to become more committed to climate and environmental protection issues. It sees the potential of the green bond market as an alternative capital market-based source of finance for green projects. Green bonds establish a link between the investment and the green projects. This allows fixed income investors easy access to the financing of green projects enabling them to implement sustainability strategies via this instrument. KfW sees green bonds as a suitable and transparent instrument to intensify its strategic dialogue on environmental issues with market participants.

Goal: KfW seeks to acquire green bonds with a total value of up to EUR 2 billion. Investments started in April 2015. As at year-end 2017, the KfW Green Bond portfolio amounted to EUR 910 million. Furthermore, KfW intends to promote the quality-based development of the green bond market to strengthen market participants' trust in this instrument. KfW Green Bond portfolio is supported by the Federal Ministry for the Environment, Nature conservation, Building and Nuclear Safety, which has mandated KfW accordingly.

Approach: KfW is building up a diversified and global portfolio investment in green bonds from a broad spectrum of issuers at market price. Green bonds issued by public households, supranationals, agencies and other state-owned or partially state-owned institutions, financials, corporates or green covered bonds/Pfandbriefe as well as green ABS can be acquired. KfW has defined obligatory minimum criteria for its Green Bond portfolio. These

minimum criteria are based on the Green Bond Principles (GBP, <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/green-bond-principles/>) and are intended to ensure a sufficient level of transparency and quality with regard to the use of proceeds for environmental and climate protection projects, selections process of specific projects, management of proceeds, reporting and external assurance. Along with the further development of the market it will be adapted to gradually meet higher quality standards. With its minimum criteria, KfW intends to set a quality standard for green bonds which implies discussions with issuers during their preparation and/or marketing of a green bond. Furthermore, KfW's qualitative requirements and goals are communicated for example at conferences, forums or in individual discussions in order to establish a best practice in the green bond market. They serve as a basis to intensify the dialogue with business partners and to start a strategic dialogue on environmental and climate protection with potential green bond issuers and investors as well as other market participants. KfW also takes part in committees and initiatives such as for example the GBP. Those initiatives pursue the goal to increase transparency, ensure minimum quality standards and work towards a level of harmonization to facilitate market entry and create/uphold long-term trust in green bonds. Being an active market player, both as an issuer of green bonds and as an investor in green bonds, KfW enjoys high credibility in the market.

ABS promotional portfolio:

Motivation/ goals: KfW is an active participant in the securitisation market since 2000. The establishment of the ABS promotional portfolio is based on the promotional mandate of the German Federal Ministry for Economic Affairs and Energy. As at year-end 2017, KfW's ABS promotional portfolio amounts to € 2.5 billion in ABS and ABCP, backed by leases, loans and trade receivables of German and European SMEs in order to support the diversification and stabilization of SME financing. Part of KfW investments were done in cooperation with EIF/EIB. KfW is willing to support securitisation transactions from an early stage which means that KfW may not only invest in the securitisation transaction (potentially as anchor investor) but also accompany the structuring phase from an investor's perspective.

Approach: The eligibility of ABS/ABCP in accordance with the promotional mandate is ensured by adequate reporting documents with regard to the transaction and the underlying pool, and is monitored on an ongoing basis.

An investment in the ABS promotional portfolio has to fulfill the following criteria:

- Satisfy the promotional mandate to support German/European SMEs
- Minimum level of granularity and diversification of the securitized portfolios

FI 09	Mandatory	Public	Core Assessed	PRI 1
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FI 09.1	Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles, Social Bond Principles, or Sustainability Bond Guidelines..
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- We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- Other, specify
- None of the above

FI 09.2	Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents.
----------------	--

If a green bond issuer does not use the bond's proceeds as described in the offering documents, KfW would engage with the issuer and demand corrections to the disbursement process. In case the engagement is not successful, KfW would refrain from buying further green bonds of this issuer. Ultimately, selling the bond would be considered.

FI 10	Mandatory	Public	Additional Assessed	PRI 1
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FI 10.1	Indicate how you assess the environmental or social impact of your thematic investments
----------------	---

- We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments
- We ensure independent audits are conducted on the environmental or social impact of our investments
- We have a proprietary system to measure environmental and social impact
- We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights
- Other, specify
 - We monitor the reporting of the issuers to check the conformity with our minimum requirements.
 - None of the above

FI 10.2	Additional information. [Optional]
----------------	------------------------------------

The information given in FI 10.1 refers to the KfW Green Bond portfolio.
The quality of the reporting of green bond issuers can be the basis for engagement with them.

(C) Implementation: Integration

FI 11	Mandatory	Public	Descriptive	PRI 1
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FI 11.1	Describe your approach to integrating ESG into traditional financial analysis.
----------------	--

Liquidity portfolio

The sustainable investment approach for KfW's liquidity portfolio comprises three elements:

- Integration of ESG criteria (Environmental, Social and Governance) in investment-decision making for all issuers of the portfolio's universe.
- Application of exclusion criteria for state- and partially state-owned issuers
- Engagement with issuers (excluding state- and partially state-owned issuers)

Since 2008, in addition to the credit assessment of the issuers, KfW has been including their sustainability scores established on the basis of ESG criteria in the investment decision for the liquidity portfolio. At the beginning of 2017, we have developed our approach of ESG integration further and introduced a best-in-class approach. This approach stipulates that for the liquidity portfolio, we will only invest in bonds of issuers whose sustainability score is among the best 80% of the respective sector. The sustainability assessments are provided by an external sustainability rating agency - currently, Sustainalytics. Companies are assessed based on ESG criteria which are differently weighted depending on the sector. For issuers in the financial sector, Sustainalytics applies a weighting of 30% for Environment, 32% for Social and 38% for Governance, which we also adopted. The three ESG criteria for sovereign issuers are weighted as follows: Environment 15%, Social 35% and Governance 50%. In the

context of our investments in ABS transactions, we also invest in ABS that relate to the automotive sector. The weighting of the ESG criteria for the automotive sector are as follows: Environment 45%, Social 30% and Governance 25%.

Once a year, we calculate the eligibility internal threshold for each sector represented in our portfolio (Financials, Countries and Automobiles for ABS) based on the ESG scores of all companies assessed by Sustainalytics within each respective sector. Issuers with a sustainability score below our internal threshold are not part of our investment universe. In some exceptional cases (e.g. the rating methodology of Sustainalytics is in our opinion not adapted to the business model of an issuer or the assessment is relatively old), we have the possibility to perform our own qualitative assessment of an issuer and if deemed appropriate, "override" the assessment of Sustainalytics. In such case, the issuer is part of our eligible investment universe although its ESG score is below our internal threshold. The decision for an "overruling" is performed by an ESG specialist and documented in written format.

The objective of this approach is to send a strong signal to bonds issuers by indicating that sustainability is a decisive factor in our investment decisions.

FI 11.2	Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.
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	SSA
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Please see FI 11.1. The ESG integration approach is the same for all types of issuers in the liquidity portfolio.

	Corporate (financial)
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Please see FI 11.1. The ESG integration approach is the same for all types of issuers in the liquidity portfolio.

	Securitized
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Please see FI 11.1. The ESG integration approach is the same for all types of issuers in the liquidity portfolio. For ABS, we use the ESG score of the originator.

FI 12	Mandatory	Public	Core Assessed	PRI 1
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FI 12.1	Indicate how ESG information is typically used as part of your investment process.
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Select all that apply

	SSA	Corporate (financial)	Securitised
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is integrated into security weighting decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is integrated into portfolio construction decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is a standard part of internal credit ratings or assessment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis for issuers is a standard agenda item at investment committee meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is regularly featured in internal research notes or similar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is a standard feature of ongoing portfolio monitoring	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis features in all internal issuer summaries or similar documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 12.2

Additional information [OPTIONAL]

Corporate non-financial bonds are an eligible asset class for KfW Green Bond portfolio. Currently, the exposure to corporates is very small. For those issuers, ESG analysis is also a standard part of our internal assessment.

FI 13

Mandatory

Public

Additional Assessed

PRI 1

FI 13.1

Indicate the extent to which ESG issues are reviewed in your integration process.

	Environment	Social	Governance
SSA	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Securitized	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

FI 13.2 Please provide more detail on how you review E, S and G factors in your integration process.

SSA

see FI 11.1

Corporate (financial)

see FI 11.1

Securitized

see FI 11.1

Fixed income - Engagement

FI 15	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
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FI 15.1 Indicate the proportion of your fixed income assets on which you engage. Please exclude any engagements carried out solely in your capacity as a shareholder.

Category	Proportion of assets
SSA	<p> <input type="radio"/> >50% <input checked="" type="radio"/> 26-50% <input type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5% </p> <div style="background-color: #0070C0; color: white; padding: 5px;"> FI 15.2 Indicate your motivations for conducting engagement (SSA fixed income assets). </div> <p> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above </p>
Corporate (financial)	<p> <input checked="" type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5% </p> <div style="background-color: #0070C0; color: white; padding: 5px;"> FI 15.2 Indicate your motivations for conducting engagement (Corporate, Financial fixed income assets) </div> <p> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above </p>
Securitized	<p> <input checked="" type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5% </p> <div style="background-color: #0070C0; color: white; padding: 5px;"> FI 15.2 Indicate your motivations for conducting engagement (Securitized fixed income assets). </div> <p> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure) <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity) <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above </p>

FI 15.3	Additional information.[OPTIONAL]
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Liquidity portfolio

A sustainability assessment is a relative evaluation meaning that the sustainability activities of an issuer are measured in relation to all companies within its sector. As a result, we consider it all the more important to inform issuers on our investment approach and their sustainability score. Since 2011, we write a letter to the non-state- or partially state-owned bond issuers of the liquidity portfolio on an annual basis. The templates of our engagement letters are available here:

https://www.kfw.de/nachhaltigkeit/PDF/Nachhaltiges-Investment/2017-07_Vorlage-Briefe_Wertpapier_E.pdf

https://www.kfw.de/nachhaltigkeit/PDF/Nachhaltiges-Investment/2017_Example_ABS_E.pdf

We primarily received very positive feedback to our letters. We have anecdotal evidence that they contributed to a more transparent disclosure of sustainability activities and/or an intensification of the dialogue between the issuer and the sustainability rating agency.

Green Bond portfolio

In order to ensure that the Green Bonds in which we invest meet our minimum requirements (<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfW-Green-Bond-Portfolio/>), KfW is in an active dialogue with the issuers before an investment is undertaken. Our processes require an ongoing monitoring of the Green Bond reporting of all issuers. In case the reporting does not meet our requirements, we engage with the issuers.

FI 16	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

FI 16.1	Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.)
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Select all that apply

Type of engagement	SSA	Corporate (financial)	Securitised
Individual/Internal staff engagements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Collaborative engagements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service provider engagements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 16.2	Indicate how your organisation prioritises engagements with issuers
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Select all that apply

	SSA	Corporate (financial)	Securitized
Based on potential materiality of ESG factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Based on systemic risks (e.g. low-carbon transition) to global portfolios	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Based on our exposure (holdings)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

If 'other' has been selected, please give a description

In accordance with our best-in-class approach, issuers of our portfolio's universe are put in competition with other issuers within a respective sector. Hence, it is in our view important to inform all issuers of their current sustainability score, their positioning compared to peers and the impact on our investment decision.

Following the implementation of our new best-in-class approach, we also had individual discussions with issuers whose sustainability score was below our internal threshold.

FI 16.3

Indicate when your organisation conducts engagements with issuers.

Select all that apply

	SSA	Corporate (financial)	Securitized
Engagements are conducted pre-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Engagements are conducted post-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 16.4

Indicate how your organisation conducts engagements with issuers.

Select all that apply

	SSA	Corporate (financial)	Securitized
We systematically engage prior to ESG-related divestments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We engage proactively in anticipation of specific ESG risks and/or opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We engage in reaction to ESG issues which have already affected the issuer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Investment and ESG analysts systematically conduct ESG-related engagements together	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 16.5

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

	SSA	Corporate (financial)	Securitized
We conduct engagements with individual issuers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We conduct engagements within sectors and industries.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We conduct engagements on specific ESG themes (e.g. human rights)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, describe	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

If 'other' has been selected, please give a description

With regard to investments for our Green Bond portfolio, we enter into dialogue with the issuer before and after investing. Dialogue with green bond market participants is an integral part of our mandate and we see it as an important element for the further development of the market. Important topics in our dialogue with the green bond issuers are transparency regarding the selection of projects, the allocation of the funds and the quality of their reporting. So far, we did not sell any green bonds we bought for the Green Bond portfolio. In the case of potential divestment, we would definitely engage with the issuer before selling the bond.

FI 16.6

Indicate how your organisation shares the outcomes of the engagements internally.

Select all that apply

	SSA	Corporate (financial)	Securitized
We have a systematic process to ensure the outcomes of engagements are made available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We occasionally make the outcomes of engagements available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, describe	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We do not make this information available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We do not share the outcomes of the engagements internally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If 'other' has been selected, please give a description

KfW's top management is informed on the key results of our engagement activities via internal notes.

FI 17	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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FI 17.1 Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.

Yes

FI 17.2 Please attach or provide a URL to your fixed income engagement policy document. [Optional]

URL

<https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Engagement/>

No

Outputs and outcomes

FI 18	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	General
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FI 18.1 Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance.

Select all that apply

	SSA	Corporate (financial)	Securitized
We measure whether incorporating ESG impacts funds' reputation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We measure whether incorporating ESG impacts financial returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We measure whether incorporating ESG impacts risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We measure whether incorporating ESG impacts funds' ESG performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 18.2

Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]

Liquidity portfolio: Per year-end 2017, 7 issuers with an aggregated bond limit volume of EUR 573 million were excluded from our investment universe because their sustainability score was below our internal eligibility threshold. Besides, we decided to "override" Sustainalytics' assessment of 4 issuers as of end of 2017 meaning that based on our own qualitative analysis, we decided to include these 4 issuers in our eligible investment universe although their ESG score was below our internal eligibility threshold.

One of our exclusion criteria applies to an issuer with an equity participation in company involved in nuclear weapons.

Green Bond portfolio: KfW has refrained from buying a Green Bond that did not meet its minimum criteria, in particular due to a lack of transparency regarding the use of proceeds and high reputation risk.

FI 19

Voluntary

Public

Descriptive

PRI 1,2

FI 19.1

Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.

Example 1

Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Securitised
ESG issue and explanation
Diversification of asset classes and issuers in the Green Bond market
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<ul style="list-style-type: none"> • Investment in green ABS • Dialogue with first-time green bonds issuers from Asia during their structuring phase

Example 2

Type of fixed income
<input type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (financial) <input type="checkbox"/> Securitised
ESG issue and explanation
Transparency and disclosure of sustainability data
RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement
Impact on investment decision or performance
<p>In 2017, we had individual discussions with issuers of our liquidity portfolio with a relatively low ESG score. Most of the time, the relatively low score was due to a lack of transparency and disclosure regarding the sustainability activities of the company. Following our discussions, some companies contacted pro-actively our ESG data provider, Sustainalytics, and experienced an improvement of their ESG score.</p>

Example 3

Type of fixed income
<input checked="" type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input type="checkbox"/> Securitised
ESG issue and explanation
Transparency regarding the selection of projects and use of proceeds of green bonds
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
KfW decided not to buy a green bond issued by a country due to the lack of transparency regarding the use of proceeds and hence, a reputation risk.

- Example 4
- Example 5

KfW Bankengruppe

Reported Information

Public version

Assurance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Assurance

CM1 01.1	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

CM1 01.1	Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:
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- Third party assurance over selected responses from this year's PRI Transparency Report
- Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- Third party assurance or audit of the implementation of RI processes (that have been reported to the PRI this year)
- Internal audit conducted by internal auditors of the implementation of RI processes and/or RI data that have been reported to the PRI this year)
- Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
 - Whole PRI Transparency Report has been internally verified
 - Selected data has been internally verified
- Other, specify
- None of the above

CM1 01.2 & 01.8	Mandatory	Public	Descriptive	
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CM1 01.2	Do you plan to conduct third party assurance of this year's PRI Transparency report?
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- Whole PRI Transparency Report will be assured
- Selected data will be assured
- We do not plan to assure this year's PRI Transparency report

CM1 01.3 & 01.9	Mandatory	Public	Descriptive	General
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CM1 01.3	We undertook third party assurance on last year's PRI Transparency Report
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- Whole PRI Transparency Report was assured last year
- Selected data was assured in last year's PRI Transparency Report
- We did not assure last year's PRI Transparency report, or we did not have such a report last year.

CM1 01.4, 10-12	Mandatory	Public	Descriptive	General
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CM1 01.4

We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- We adhere to an RI certification or labelling scheme
- We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ESG audit of holdings
- Other, specify
- None of the above

CM1 01.7

Mandatory

Public

Descriptive

General

CM1 01.7

Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed

Who has conducted the verification

- CEO or other Chief-Level staff
- The Board
- Investment Committee
- Compliance Function
- RI/ESG Team
- Investment Teams
- Legal Department
- Other (specify)