



CLIMATE TRANSPARENCY REPORT 2020

KfW Bankengruppe

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-AEB173D0-2DD2-4AF6-B5F6-3EAE5B521B0/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	-	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	KfW Bankengruppe
Signatory Category	Development finance institution
Signatory Type	Asset Owner
Size	US\$ 30 - 50 billion AUM
Main Asset Class	>50% Fixed Income SEC Internally Managed
Signed PRI Initiative	2006
Region	Europe
Country	Germany
Disclosure of Voluntary Indicators	100% from 38 Voluntary indicators

KfW Bankengruppe

Reported Information

Public version

Strategy and Governance

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.

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.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
----------	---	--------	-------------	---------

SG 01.6 CC Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

In 2019, the executive board decided to develop a multidimensional sustainability concept in order to further strengthen KfW's commitment to its sustainable goals. In order to ensure an efficient process and a clear structure, the project "Roadmap Sustainable Finance" was initiated which defines five sub-projects necessary to achieve the overall goal of a conclusive and multidimensional sustainability concept. Part of the roadmap is work concerning climate risk, also in order to fulfill KfW's TCFD reporting needs. The roadmap is done on a bank-wide level. With regard to KfW's TCFD reporting 2019, no material climate-related risks were revealed.

No

SG 01.7 CC Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

At the moment, we consider the likelihood of transitional risk for a portfolio in general higher than the likelihood of physical risks. As we did not reveal any material risks (see SG 01.6 CC), there was no need to assess the likelihood further.

No

SG 01.8 CC Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

To identify and manage material climate-related risks and opportunities, different approaches are used:

- The risk-inventory process, which was conducted in 2019 also in relation to ESG-risks (such as climate risks). We found out that climate risks represent a risk factor for different risk categories such as market risks or credit risks. But climate risks does not represent an own risk category. At the moment, climate risks take primarily effect on credit risk in our organization.
- Assessment on the customer-level: Climate risks and opportunities are captured by our rating tools and in the investment process (assessing the structure of the investment such as long maturity in relation to climate risk).
- Assessment on the portfolio-level: Climate risks and opportunities are to be identified by scenario analysis or studies from our research department or the departments specialized in banking or country risk.

No

**SG 1.10
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

KfW's Sustainability Report will be published in April 2020.

- We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC

Mandatory to Report Voluntary to Disclose

Public

Descriptive

General

**SG 07.5
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

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

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.6
CC**

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Climate "issues" means for us climate-related risks and opportunities. Risk management of the risk factor "climate" is carried out in the same way as for other risk factors in our organization. Depending on materiality of an investment or an issue, the board or a committee has the duty to decide and to take the responsibility of the decision.

**SG 07.7
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Below Board level, there are three risk committees involved - depending on the risk category: Credit Risk Committee, Market Risk Committee and Committee for Operational Risks. Management is part of the Committees.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
-------	-----------	--------	-------------	-------

SG 13.1 Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

KfW considers climate risks to be risk drivers that can influence its own business and the business of its customers. As part of 'Roadmap Sustainable Finance', KfW established a working group focusing on climate risks.

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2 Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13.3 Additional information. [OPTIONAL]

KfW is not a typical institutional investor in so far 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 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
----------	---	--------	-------------	---------

SG 13.4 CC Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

The 2°-analysis did not reveal any material risk in our oil&gas-portfolio (this view refers to KfW Group and specifically to its loan business). The analysis covered all our geographies in the sector oil and gas. In the coming years, we will expand our analysis on other sectors and include more scenarios.

- Incorporation into investment analysis
- Inform active ownership
- Other

SG 13.5
CC

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

specify

Portfolio managers of KfW's loan departments

SG 13.6
CC

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

- Yes

Describe

We focused in our first analysis on transitional risks, as we assume that physical risks (above 2°) are beyond our investment time horizon at the moment.

- No

SG 13.7
CC

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

SG 13.8
CC

Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	<input checked="" type="checkbox"/> Sustainable Development Scenario (SDS)
IEA	<input type="checkbox"/> New Policy Scenario (NPS)
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)
IRENA	<input type="checkbox"/> RE Map
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	<input type="checkbox"/> BNEF reference scenario
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	<input type="checkbox"/> RPC 6
IPCC	<input type="checkbox"/> RPC 4.5
IPCC	<input type="checkbox"/> RPC 2.6
Other	<input type="checkbox"/> Other (1)
Other	<input type="checkbox"/> Other (2)
Other	<input type="checkbox"/> Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
-------	---	--------	---------------------	-------

SG 14.1 Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

Promotion of financing for German and other European SMEs

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

SG 14.2

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

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		1	585	116	000
Currency	EUR				
Assets in USD		1	747	275	423

Specify the framework or taxonomy used.

The amount indicated above refers to the KfW Green Bond Portfolio. Prior to each investment, KfW evaluates Green Bonds based on minimum criteria which are in harmony with the Green Bond Principles.

- Phase out your investments in your fossil fuel holdings
- 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 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- 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

SG 14.5

Additional information [Optional]

In 2017, a group-wide project "Roadmap Sustainable Finance" was launched under the initiative of KfW's Executive Board and is running until 2020. Goal of the project is to anchor sustainability more firmly into the bank's strategy and management. One of the working groups under the "Roadmap Sustainable Finance" is working on the management of climate risks and the possible necessary changes in the risk-relevant group's processes. The working group performs scenario analysis on a group level.

End of October 2018, KfW Group became the first German and unilateral promotional bank to officially register as a "supporter" of the TCFD.

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.

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 in the CDP.

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

KfW Group identified four megatrends on which it focuses its business activities. "Climate change and Environment" is one of these megatrends. Against this backdrop, one of the priorities of the group's promotional activities, both on the lending and investment side, is combating climate change and protecting our natural environment. In the coming years, KfW's objective is to keep dedicating roughly one-third of its new commitment volume to climate change and the environment.

As a responsible promotional bank, we develop forward-looking products which create long-term value and contribute to conserving resources and making continuous improvements to living conditions. With its Green Bond portfolio, KfW supports climate and environmental protection via the capital market.

SG 14 CC

Voluntary

Public

General

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.
-----------------------	--

Processes for climate-related risks are integrated into overall risk management

	Please describe
--	-----------------

See SG 07.6 CC

Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.
-----------------------	--

Yes

	Please describe
--	-----------------

Participation in different initiatives, e.g. Green Finance Cluster Germany / TCFD-Think-Tank.
https://www.kfw.de/KfW-Group/Newsroom/Latest-News/News-Details_493696.html

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
--------------	--	---------------	--------------------	--------------

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.
----------------	--

	%
--	---

14

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
--	------

Energy efficiency / Clean technology

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

Fixed income - SSA

Percentage of AUM (+/-5%) per asset class invested in the area

30

- Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

5

- 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 clean technology projects, e.g. energy efficiency projects and environmental friendly transportation.

- Renewable energy

Asset class invested

- Fixed income - SSA

Percentage of AUM (+/-5%) per asset class invested in the area

23

- Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

25

- Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

100

- Fixed income - Securitised

Brief description and measures of investment

With regard to KfW's Green Bond portfolio, we buy bonds which aim at financing renewable energy projects.

- Green buildings

Asset class invested

- Fixed income - SSA

Percentage of AUM (+/-5%) per asset class invested in the area

20

15

- Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

49

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

Percentage of AUM (+/-5%) per asset class invested in the area

97

Brief description and measures of investment

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

Percentage of AUM (+/-5%) per asset class invested in the area

1

- Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

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

Percentage of AUM (+/-5%) per asset class invested in the area

2

- 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

Percentage of AUM (+/-5%) per asset class invested in the area

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

Percentage of AUM (+/-5%) per asset class invested in the area

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 was to a small extent allocated to projects for affordable housing.

- Education
- Global health
- Water

Asset class invested

- Fixed income - SSA

Percentage of AUM (+/-5%) per asset class invested in the area

12

- 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
waste management, biodiversity

Asset class invested

- Fixed income - SSA

Percentage of AUM (+/-5%) per asset class invested in the area

8

- Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

20

- 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 and waste management.

No