

»» Policy statement of KfW and its subsidiaries' on human rights and on its human rights strategy

4 April 2023

Contents

1.	Introduction	1
2.	Reference framework	2
3.	Supply Chain Due Diligence Act	2
4.	KfW's contribution and responsibility	2
5.	Priority fields of action and measures taken	3
6.	Complaint procedure	6
7.	Effectiveness review	6
8.	Reporting	7

1. Introduction

As the promotional bank of the German Federal Government, KfW has the mandate to sustainably promote the economy and society. This means that KfW aims to improve economic, environmental and social living conditions worldwide. It also actively supports and accompanies ongoing transformation processes. This cannot be achieved without the effective compliance with and implementation and promotion of civil, political, economic, social and cultural human rights.

This policy statement outlines KfW's approach to compliance with and implementation and promotion of human rights. It applies to KfW and its subsidiaries KfW IPEX-Bank, DEG and KfW Capital as well as their subsidiaries (hereinafter collectively referred to as "KfW"). Building on KfW's understanding of sustainable development, it accompanies existing rules, guidelines and processes and provides guidance on their application. At the same time, it emphasises the key importance of human rights for KfW to partners and customers, suppliers, other stakeholders of KfW and the general public.

KfW's Executive Board approved this statement on 4 April 2023. It replaces the "Declaration by KfW Bankengruppe on the consideration of human rights in its business operations" from 2008.

2. Reference framework

KfW refers to human rights to protect the dignity and equality of each individual. They are universal, indivisible and inalienable. At international level, they are regulated in numerous agreements under international law and contained in numerous declarations. These include:

- the Universal Declaration of Human Rights (1948)
- the European Convention on Human Rights (ECHR) (1950)
- the International Covenant on Civil and Political Rights (Civil Covenant) and the International Covenant on Economic, Social and Cultural Rights (Social Covenant) (1966)
- the Convention on the Rights of Persons with Disabilities (CRPD) (2006)
- the UN Guiding Principles on Business and Human Rights (UNGPs) (2011) and
- the other core human rights instruments developed within the framework of the United Nations (UN)¹
- the core labour standards of the International Labour Organisation (ILO).²

The Federal Republic of Germany and the vast majority of countries around the world have committed themselves to these regulations and have integrated them into their domestic legal systems.

3. Supply Chain Due Diligence Act

The German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG), which came into force in January 2023, and the conventions on the protection of human rights set forth in the annex under numbers 1–11, as well as those set forth in numbers 12–14 on environmental protection, are relevant for KfW's internal banking operations³ and procurements.⁴

This document also represents the policy statement within the meaning of the Supply Chain Due Diligence Act (LkSG) and is intended to provide KfW employees and suppliers in particular with a picture of how KfW fulfils its due diligence obligations with regard to human rights and environmental concerns and what expectations it has of its employees and suppliers. If KfW's subsidiaries do not fall within the direct scope of application of the law, this policy statement applies equally to them. They set the same standards in their own banking operations and in procurement.

4. KfW's contribution and responsibility

Due to its registered office in the Federal Republic of Germany, KfW operates on the basis of German laws, which include the German Constitution and its human rights guarantees. As a public-law institution and bank of the Federal Government and the federal states, KfW considers itself to be particularly required to meet the state obligations arising from the above-mentioned domestic and international agreements:

- KfW protects and respects international human rights within its sphere of influence and employs appropriate procedures to exclude its participation in human rights violations.
- KfW is also committed to actively supporting the implementation of international human rights. KfW contributes to the realisation of human rights to varying degrees depending on the instruments it has in the respective business sectors. KfW also uses its influence to strengthen human rights awareness and set a good example through its own actions.

Wherever relevant, KfW also takes into account the OECD Guidelines for Multinational Enterprises, the Performance Standards of the International Finance Corporation (IFC) or the World Bank's Environmental and Social Standards, the Equator Principles, the EDFI Group's human rights principles and the diversity dimensions of the "Charta der Vielfalt".

The minimum requirement for all KfW financing is that, in addition to the Law Concerning KfW, the projects must comply in particular with the environmental, social and human rights requirements and regulations applicable in the respective investment country. If KfW's specifications and

¹ These are listed in detail here: [OHCHR | The Core International Human Rights Instruments and their monitoring bodies](#)

² A detailed overview is available at: [Conventions and Recommendations \(ilo.org\)](#)

³ KfW understands this to mean its own business area within the meaning of Section 2 para. 6 of the Supply Chain Due Diligence Act (LkSG).

⁴ <https://www.gesetze-im-internet.de/lksg/>

regulations go beyond these requirements and standards, these must also be complied with accordingly.

5. Priority fields of action and measures taken

KfW is committed to promoting human rights within the meaning of the three pillars of the UN Guiding Principles on Protection, Respect and Remedy as an integral part of its business processes, management practice and strategic decision-making. KfW respects human rights in all its internal and external actions: as an employer, in its procurements and in the development and provision of its financing and services.

Many of its corporate regulations, such as [the sustainability mission statement](#), the specific [sustainability guidelines](#) of the respective business sectors and banking operations as well as their [Code of Conduct](#) already reflect this. The promotion of human rights is an ongoing, long-term process. If conflicts of objectives become relevant over time, KfW develops solutions that are in line with its values and this statement.

5.1. Governance

All business sectors of KfW and its subsidiaries are responsible for compliance with this policy statement as part of their respective business processes. The respective Sustainability Officers can provide support; KfW's Group Sustainability Officer has a coordinating role. Overall responsibility lies with the Executive Board; responsibility for the subsidiaries lies with the respective management.

KfW has set up appropriate risk management in accordance with the German Supply Chain Due Diligence Act (LkSG), which is anchored in all relevant business processes in terms of organisation. The monitoring of risk management within the meaning of the LkSG is centrally located at KfW in the Compliance Department. There, human rights and environmental risks at KfW are monitored at an overarching level, as well as compliance with due diligence obligations in the relevant specialist divisions, and the Executive Board is notified of the relevant activities at least once a year. KfW's Executive Board has overall responsibility for compliance with the LkSG at KfW.

The core of risk management within the meaning of the LkSG is the risk analysis, which is carried out annually and on an ad hoc basis for the company's own business area and in relation to direct suppliers, as well as on an ad hoc basis in relation to indirect suppliers. The relevant environmental and human rights risks are identified, assessed and prioritised by the responsible specialist divisions of KfW and its subsidiaries and reported to Compliance. In addition, the responsible specialist divisions of KfW and its subsidiaries are responsible for taking appropriate preventive and remedial measures with regard to the identified risks or adapting existing measures accordingly.

5.2. Banking operations

Analysis of risks in KfW's own banking operations

KfW identifies the human rights and environmental risks that are potentially of particular relevance within its banking operations (in the sense of its own business area) and, on this basis, focuses on its due diligence obligations. To this end, KfW conducts an annual and ad hoc risk analysis with regard to its own banking operations and prioritises the relevant topics on this basis. The risk analysis is always updated on an ad hoc basis if there are significant process changes or if information becomes known that could have an impact on human rights and environmental risk in KfW's banking operations. Based on the identified and prioritised risks, appropriate prevention and corrective measures must be introduced or checked by the relevant specialist divisions and adapted if necessary.

Specifically, many risks such as child labour, forced labour and violations of land rights can be classified as less relevant for KfW's own banking operations because the majority of its employees are based in Germany. Environmental risks, for example from the use of toxic substances in production processes, also have low potential for KfW in its own banking operations. Possible risks such as unequal treatment of employees or the withholding of an appropriate salary are prevented by consistently ensuring compliance with the relevant laws.

KfW's due diligence procedures

As an employer, KfW stands for the group-wide implementation of human and labour rights, including the prohibition of child and forced labour, freedom of association, the right to collective bargaining, equal pay, the prohibition of discrimination in employment and occupation, and the rights to leisure and health, as well as the safety of the person. To ensure that human and labour rights are adequately taken into account, KfW has established a fair remuneration system and measures to safeguard group-wide diversity and equal opportunities for the professional development of all employees, regardless of gender, origin, ethnicity, religion, disability, age or sexual identity, as well as target quotas for women in management positions and responsible health and workplace safety management. In addition, all KfW employees are entitled to use the option of lodging a complaint as part of the ombudsperson procedure in the event of violations (see also Section 6).

KfW has established risk-based control measures to monitor compliance with KfW's human rights strategy and human rights-related requirements. If violations of human and labour rights become known, KfW shall take immediate measures to end them. KfW employees receive regular training on their rights and obligations in accordance with the German Supply Chain Due Diligence Act (LkSG).

KfW's expectations of its employees

KfW expects its employees to observe human rights aspects in their work for KfW. This expectation is addressed to KfW employees via the Code of Conduct.

5.3. Procurement

Analysis of risks in procurement

In KfW's procurement processes, an annual and ad hoc risk analysis forms the basis for the human rights and environmental risks to be prioritised and the preventative and remedial measures to be taken based on them. The risk analysis with regard to KfW's direct suppliers is based on factors such as the supplier's sector and country of domicile, any negative reports and the management systems set up by the supplier.

If violations of human rights and environmental obligations become known, including in the case of indirect suppliers within their supply chain, KfW carries out an ad hoc risk analysis and takes measures to minimise the impact of the violations and to remedy them.

Due to the fact that KfW's direct suppliers are also predominantly based in Germany or Europe, the prioritisation of risks is largely analogous to the risks in the bank's own operations listed in Section 5.2. KfW's aim here is to ensure that the human rights regulations listed in Section 2 are also observed by its suppliers.

KfW's due diligence procedures

As a promotional bank owned by the German Federal Government and the federal states, KfW bears a great deal of responsibility and is required to uphold its status as a role model when it comes to procurement. Compliance with human rights is a key concern both in its sustainability requirements for procurement and in KfW's Group Procurement Guideline. This includes the rejection of child labour and forced labour, the promotion of equal opportunities, freedom of association and the right to collective bargaining, as well as compliance with applicable law.

KfW is continuously developing its commitment in order to contribute to compliance with human rights through its procurement policy and processes. This includes, where relevant, the inclusion of environmental and social compatibility aspects as well as human rights aspects in the terms of reference, the suitability criteria, the award criteria and the execution conditions. Processes and responsibilities are therefore regularly adapted and further developed in order to guarantee responsible procurement based on identified risks in the supply chain. This also includes risk-oriented in-depth assessments of suppliers and the qualification of purchasers.

KfW's expectations of its suppliers

KfW expects its suppliers to comply in their own business area with the regulations listed above in the reference framework and the agreements listed in the annex to the German Supply Chain Due Diligence Act (LkSG). In particular cases, KfW reserves the right to request evidence of suitable management systems from its suppliers that guarantee compliance with human rights and environmental protection regulations.

In addition, KfW expects its direct suppliers to carefully select indirect suppliers as part of their activities for KfW, to set sustainability requirements and minimum human rights and environmental requirements and to monitor these. These expectations are addressed, among other things, by the sustainability requirements for KfW Group procurements and by contractual provisions for direct suppliers.

KfW's complaints procedure can also be used to submit complaints and notices that indicate violations caused by the actions of a supplier.

5.4. Banking business

Sustainable development and the protection, respect and guarantee of human rights and environmental aspects are mutually dependent. The consideration of human rights and environmental protection in KfW's business activities is therefore closely linked to its mission to support economic and social transformation with the aim of improving economic, environmental and social living conditions. KfW reflects this in its promotional products and financing.

The exclusion list valid throughout the group and the applicable sector guidelines to ensure the compatibility of financing with the Paris climate targets govern which projects can be financed by KfW under the KfW Law and under which narrowly limited conditions it is possible to deviate from it.

KfW subjects planned projects in emerging and developing countries as well as export and project finance to an environmental and social impact assessment (ESIA) in accordance with international standards. This commitment is a mandatory requirement under the sustainability guidelines issued by KfW Development Bank and KfW IPEX-Bank as well as under the DEG Environmental and Social Policy. Concerns about the protection of human rights form an integral part of this. The intent is to prevent violations of human rights standards in the best possible way and to identify and analyse potential and actual effects of KfW's actions on human rights in advance and at an early stage. Since vulnerable and disadvantaged groups such as women, indigenous communities, children and people with disabilities are often particularly affected by human rights violations, they receive special attention during risk identification and analysis.

The ESIA is carried out at KfW Development Bank, KfW IPEX-Bank and DEG in accordance with similar test procedures. The scope, focus and depth of the assessment are defined according to the specifics of the individual project. An environmental and social management plan or action plan – as a key result of the assessment – defines project-specific, appropriate and effective measures that must be implemented by the project partner or the financed company to protect people and the environment in order to avoid undesirable effects, reduce them to an acceptable level or remedy them. This is done taking into account the perspective of the parties concerned. The implementation of the measures as well as the regular reporting and review are documented.

KfW Capital's Sustainability Guideline includes the preliminary assessment of ESG management capabilities of the target funds, as there is no specific financing object that can be targeted as part of the due diligence process. A later monitoring of environmental and social aspects for funds, but also for portfolio companies, takes place as part of the annual reporting cycle.

In the Financial Markets business sector, investments are made in publicly traded bonds. Bonds from issuers in the real economy as well as bonds from issuers in emerging and developing countries are not a focus of investments. Issuers of the investable securities are regularly screened for human rights violations.

For the business sectors "SME Bank and Private Clients" and "Customised Finance and Public Clients", a separate Sustainability Guideline sets out the procedures and standards that apply in each case to deal with potential adverse impacts or risks for people and the environment of co-financed projects. All projects must meet the environmental and social requirements and standards in force in the investment country. In addition, a graduated procedure for assessing environmental and social compatibility depending on the investment location and the environmental and social risks relevant to the project (including human rights risks) applies. In the case of direct financing with a corresponding risk classification, KfW generally carries out the required assessments itself. In the case of financing with an intermediary financing partner, it is assumed that its financing partners, regardless of the location of their registered office, use appropriate procedures to take into account the potential environmental and social impacts and risks of the projects to be (co-)financed by KfW (including taking into account size, sector and investment country) according to standard banking practice. As soon as the investment location

is outside the EU or the OECD high-income countries, which is possible for individual promotional programmes, KfW assesses the project – with corresponding risk classification – itself in accordance with international standards (generally IFC performance standards) .

Insofar as projects are likely to lead to unacceptable social or environmental (including human rights) burdens or violations that cannot be prevented by appropriate measures or the extent of the violation cannot be minimised, KfW excludes them from financing.

Where potential or actual negative impacts do not arise directly from KfW's banking business, KfW will use its influence on other actors involved wherever possible to avert, mitigate or remedy them. This may also mean helping stakeholders better meet their human rights obligations. In addition to preventing human rights violations, for example, KfW Development Bank and DEG, as development aid institutions, are tasked with helping their partners to build up the necessary capacities with their products and services. The decisive factor for maintaining corresponding activities or business relationships in this process is always the interests of those whose rights could be adversely affected.

6. Complaint procedure

Despite all the measures and processes described above, adverse effects on human rights and the environment in connection with KfW or its business partners cannot be ruled out. Anyone who feels negatively affected can submit a complaint. KfW's aim is to make the relevant mechanisms accessible, fair, transparent, balanced and predictable, and to design them in accordance with international human rights standards and the requirements of the German Supply Chain Due Diligence Act (LkSG), and to grant those affected access to investigations and remedies. It shall immediately and appropriately investigate any indications of possible adverse effects on human rights and the environment in connection with the actions of KfW or its business partners. KfW also uses incoming complaints as a source of continuous learning to identify recurring problems, address weaknesses and optimise processes.

In principle, complainants have several complaint channels available to address human rights and environmental issues or complaints to KfW. These can be sent to KfW verbally, by post or via an online complaint form. Complaints relating to banking business can be addressed directly to the respective business area: [domestic credit department complaints procedure](#), [KfW Development Bank complaints procedure](#), [DEG complaints procedure](#), [KfW IPEX-Bank complaints procedure](#), [KfW Capital complaints management](#). In addition, in the event of suspicion of a criminal offence (including failure to act in accordance with the law), it is possible to report tips to the [Compliance Whistleblower System](#). To protect potential whistleblowers, reports can also be addressed anonymously to the external [ombudsperson](#). Basic questions and complaints about sustainability aspects, including human rights issues that do not relate to a specific project, can also be addressed to the mailbox nachhaltigkeit@kfw.de.

In the case of financing and projects in developing countries and emerging economies for which an ESIA is carried out in accordance with international standards, these require that general public information, the involvement of those affected on site and the handling of critical objections to projects in accordance with international standards are provided and documented accordingly. This is contractually agreed with the partners and must be followed up as part of regular monitoring.

KfW employees can contact their manager or – by hotline or email – the Compliance Department if they suspect criminal offences, violations of the LkSG or other misconduct; they can also contact the external ombudsperson confidentially on request. The contact details for all contact persons can be found in the KfW [Employee Code of Conduct](#) and other resources. A regulated process has been implemented which aims to ensure that there is consistent follow-up in all suspected cases.

7. Effectiveness review

In order to live up to its responsibility, KfW's goal is to continuously improve its human rights and environmental approach. To this end, KfW will review the effectiveness of the approach described here and the measures it has taken in this context at regular intervals and adjust them if necessary. For the activities covered by the German Supply Chain Due Diligence Act (LkSG), this means that

the effectiveness of the implemented due diligence measures is checked at least once a year or on an ad hoc basis.

In addition, KfW maintains regular, open dialogue with its stakeholders, potential affected parties and experts on human rights aspects with the aim of further developing its processes to promote human rights.

8. Reporting

To promote human rights, KfW provides the greatest possible transparency about its work. KfW reports regularly on the impact of its activities on human rights and the implementation of this statement in a transparent, comprehensible manner appropriate for the party it is addressing. Important information channels include the [Sustainability Report](#) and the [KfW sustainability portal](#), as well as the [KfW transparency portal](#) or [DEG investment-related information](#) in the area of international development finance. In addition, detailed internal reporting on KfW's risk situation to the Executive Board is provided as part of the German Supply Chain Due Diligence Act (LkSG) risk analysis, as well as external reporting on the fulfilment of due diligence obligations in accordance with the LkSG in the previous financial year, starting with financial year 2023.

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