

KfW's Liquidity Portfolio

Approximately EUR 20 bn



ESG integration objective in 2007:

- Implement a sustainable investment approach for KfW's liquidity portfolio, starting in 2008
- Apart from credit assessments of bond issuers, sustainability aspects are also taken into consideration in investment decisions

Portfolio objective

- Ensure liquidity of KfW, return targets are of lesser importance

Liquidity Portfolio:
Implementation of
PRI since 2008

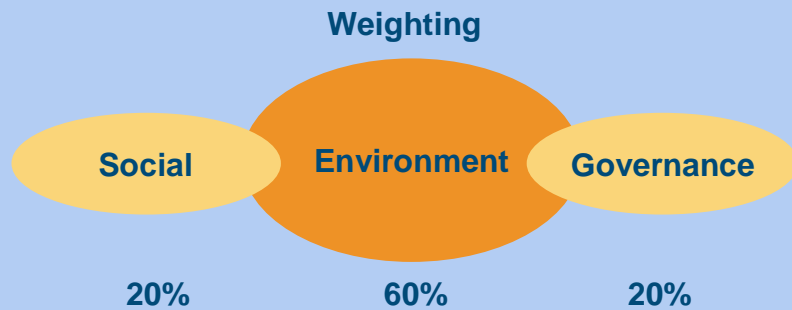
Portfolio strategy

- Pure fixed income portfolio
- Buy and Hold strategy
- Risk reduction via guidelines addressing minimum ratings, bond duration and diversification. Single issuer exposure is capped by overall limit process

Asset Mix

- Sovereigns, agencies, supnationals, covered bonds and financials

Responsible Investment Process for Non-Governmental Issuers



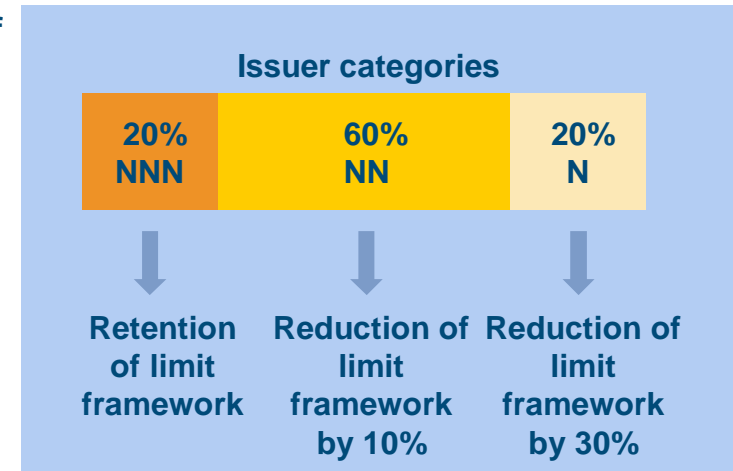
Ranking list of all issuers



Since April 2011: exclusion criteria



Communication of approach and results to issuers



Indirect Application of Exclusion Criteria According to IFC Exclusion List:

Bonds of a financial institution are not to be purchased if it possesses **10% or more** of a corporation (and this share accounts for **at least 0.5%** of its total assets), which generates **at least 5%** of its revenues with an activity mentioned on KfW's exclusion list or is the subject of a severe controversy in this regard.

