



## **KfW promotional finance offer for SMEs towards low carbon economy**

**The road to the OECD Ministerial on SMEs and  
Entrepreneurship:  
Building a robust sustainable finance  
ecosystem for SMEs**

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**Bettina Dorendorf  
Senior Sustainability Manager  
[bettina.dorendorf@kfw.de](mailto:bettina.dorendorf@kfw.de)**

# KfW at a glance

## 75 years of KfW

Financing with a public mission

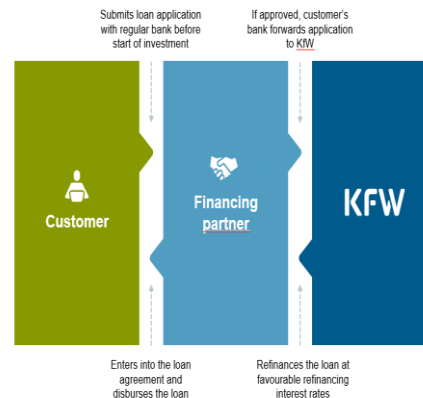
- Promotional bank of the Federal Republic of Germany
- Established in 1948 as Kreditanstalt für Wiederaufbau
- Shareholders: 80% Federal Republic, 20% federal states
- Headquarters: Frankfurt am Main  
Branches: Berlin, Bonn and Cologne
- Representative offices: about 80 offices and representations worldwide
- Balance sheet total 2022: EUR 554.6 billion
- Financing volume 2022: EUR 166.9 billion
- 8,122 employees (as of 31/12/2022)
- Top long-term rating: Aaa/AAA/AAA



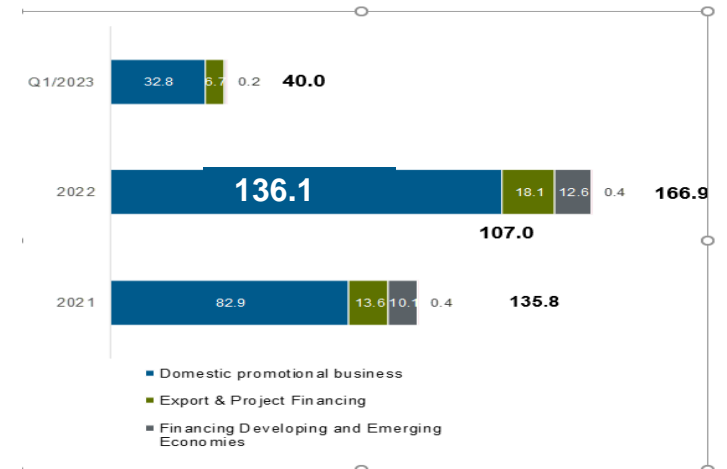
## Domestic promotion:

### Neutrality through on-lending principle in lending business

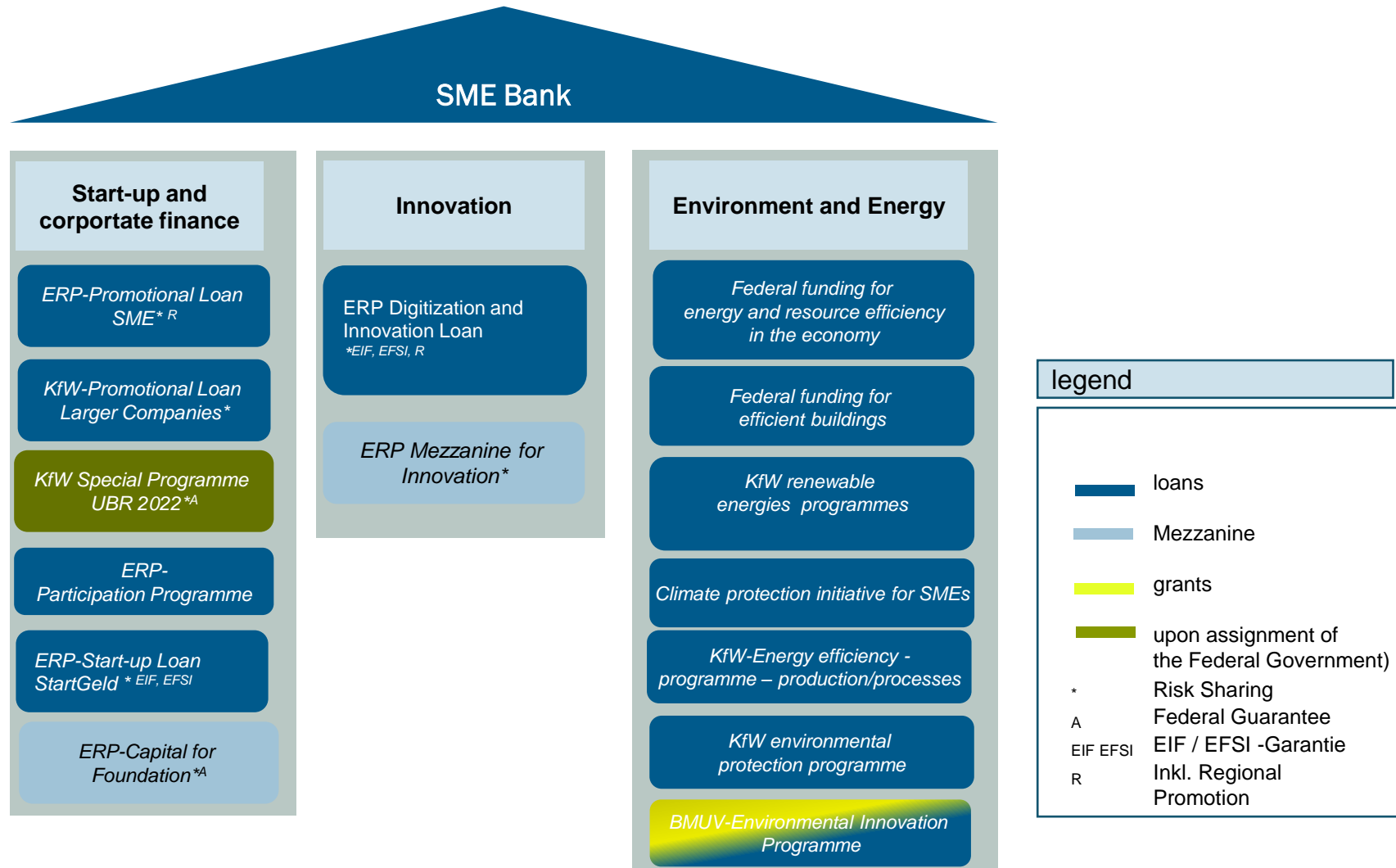
No branch network of our own



### KfW Financings (in EUR bn)



# Products of the SME-Bank



# Climate protection investments in the SME sector



KfW Research

»» KfW-Klimabarometer 2022  
Deutsche Unternehmen investieren rund 55 Mrd. EUR in den Klimaschutz – noch zu wenig für das Ziel der Klimaneutralität

**KfW-Climate Barometer 2022**  
German Corporates investing approx. EUR 55 bn in climate protection – not yet sufficient to reach climate neutrality

Bank aus Verantwortung



In the SME sector, the number of investors and the volume of climate investments are increasing



rd. **27 Mrd. EUR**  
SME investment into climate protection



**23 percent**  
of SMEs investing into climate protection

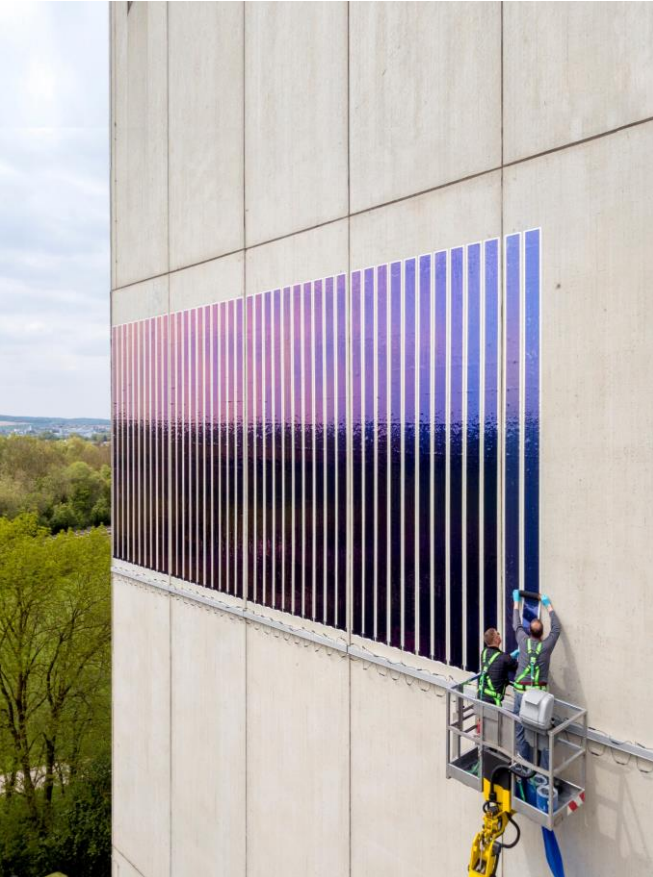


**#1**  
investment target: buildings



# KfW contribution for SMEs

## Promotional financial offer for environmental and climate protection



### Key promotional area of energy efficiency among SMEs:

**2022: EUR 18.5 billion** in new commitments to increase energy efficiency in buildings and production facilities and expand renewable energies

### Anchor offer” for SMEs:

**EUR 6.3 billion** in new commitments for financing of newly established start-ups and SMEs



### Climate Friendly Buildings

- **Federal Promotion for Energy Efficient Buildings**
- Energy Efficiency/PED-demand reduction; large scale;
- Additional focus on CO2 reduction along life-cycle
- **Blending loans and grants**; highly standardized approach („Efficiency Building“); **mandatory energy expert involvement**



### Renewable Energies

- **Fostering use of renewable energies; KfW program RE-Standard:**
- largest loan program in Germany; highly standardized, well established, open to all investor groups



### Loans for energy efficiency and climate neutral industry

- **Financial offer for energy and resource efficiency**
- Transformative and innovative technologies: Climate protection initiative for corporates (linked to EU Taxonomy)



### Loans and grants for sustainable urban quarters

- **Climate friendly infrastructure in cities and municipalities**
- Integrated concepts, support for public enterprises



### Green mobility

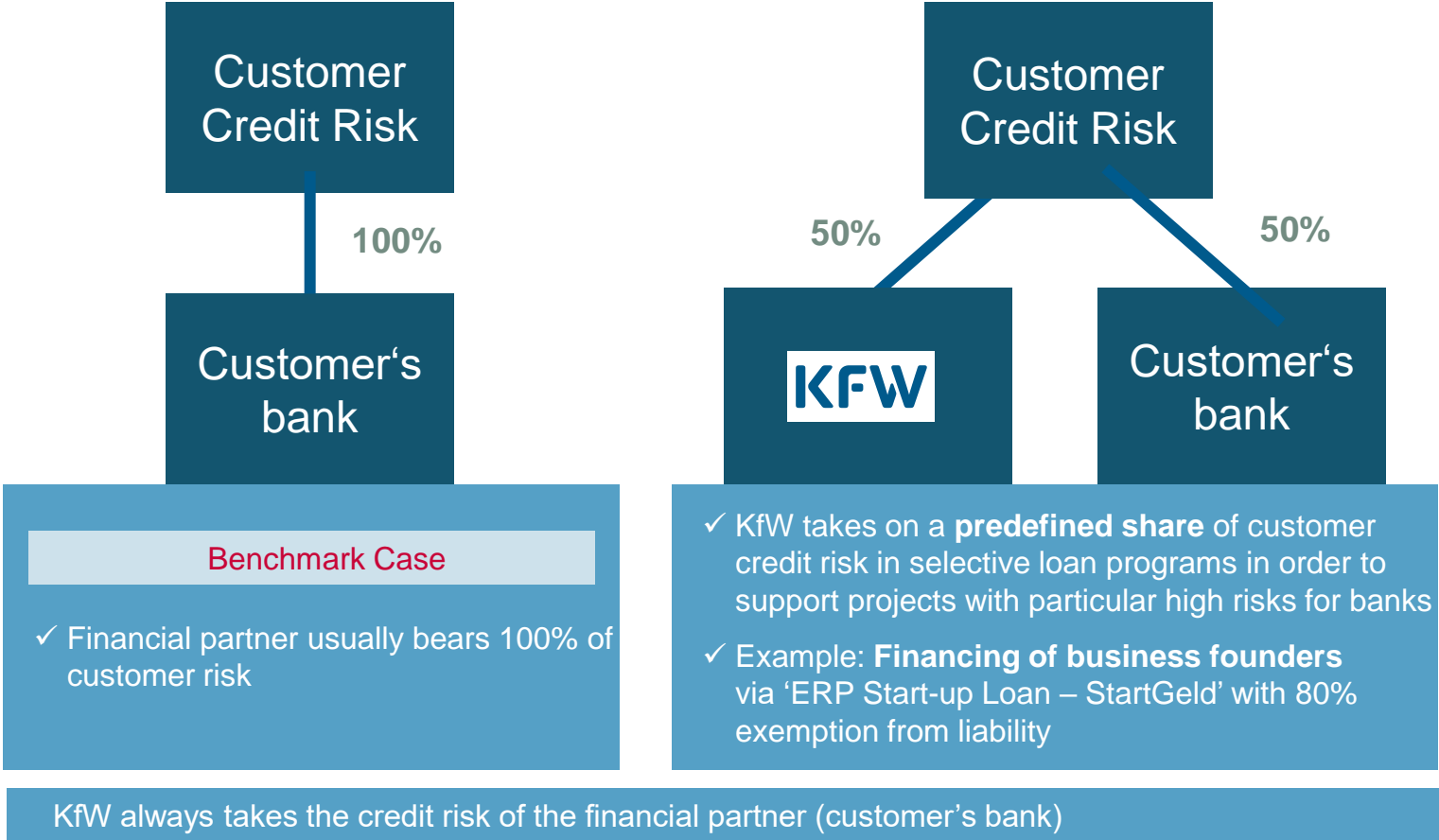
- **Infrastructure, vehicles and digitalisation to support sustainable mobility**

**>>>>** Thank you  
for your attention.



# Back-up

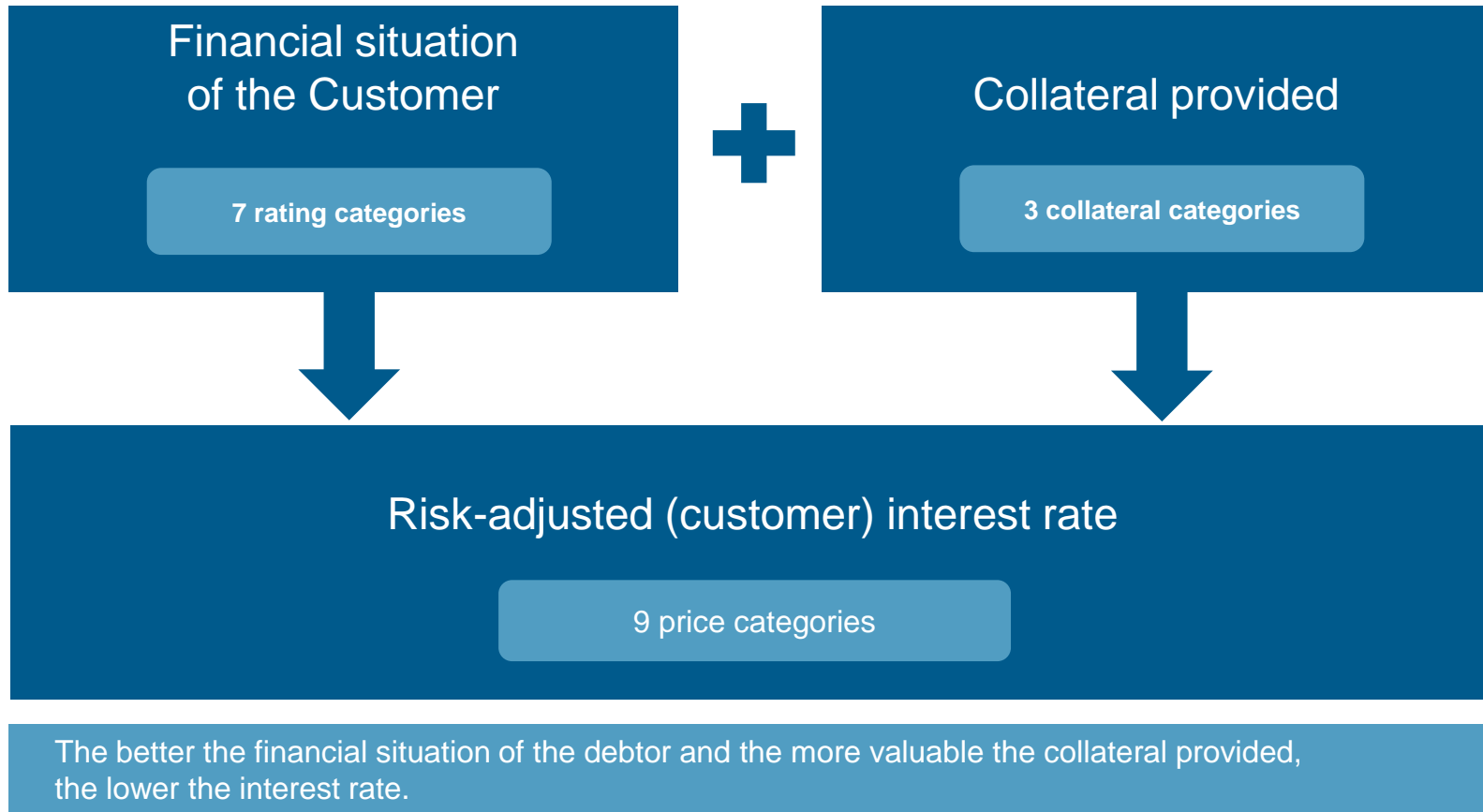
# Exemption from Liability – Customer Credit Risk Sharing





# Pricing of Loans in SME Financing

## Risk-Adjusted Interest Rate System



# »» Evolving further to become a transformative promotional bank

Effective supporter and pioneer on the way to a GHG-neutral future

## Excerpt of sustainability environment and of general guiding principles



Coalition agreement



German Sustainable Finance Strategy



Paris Agreement



SDGs



EU Action Plan:  
Financing Sustainable Growth, EU Taxonomy, EU Renewed Sustainable Finance Strategy

'KfW is evolving to become a transformative promotional bank'.

Sustainability strategy for Germany



**KfW's sustainable finance strategy**

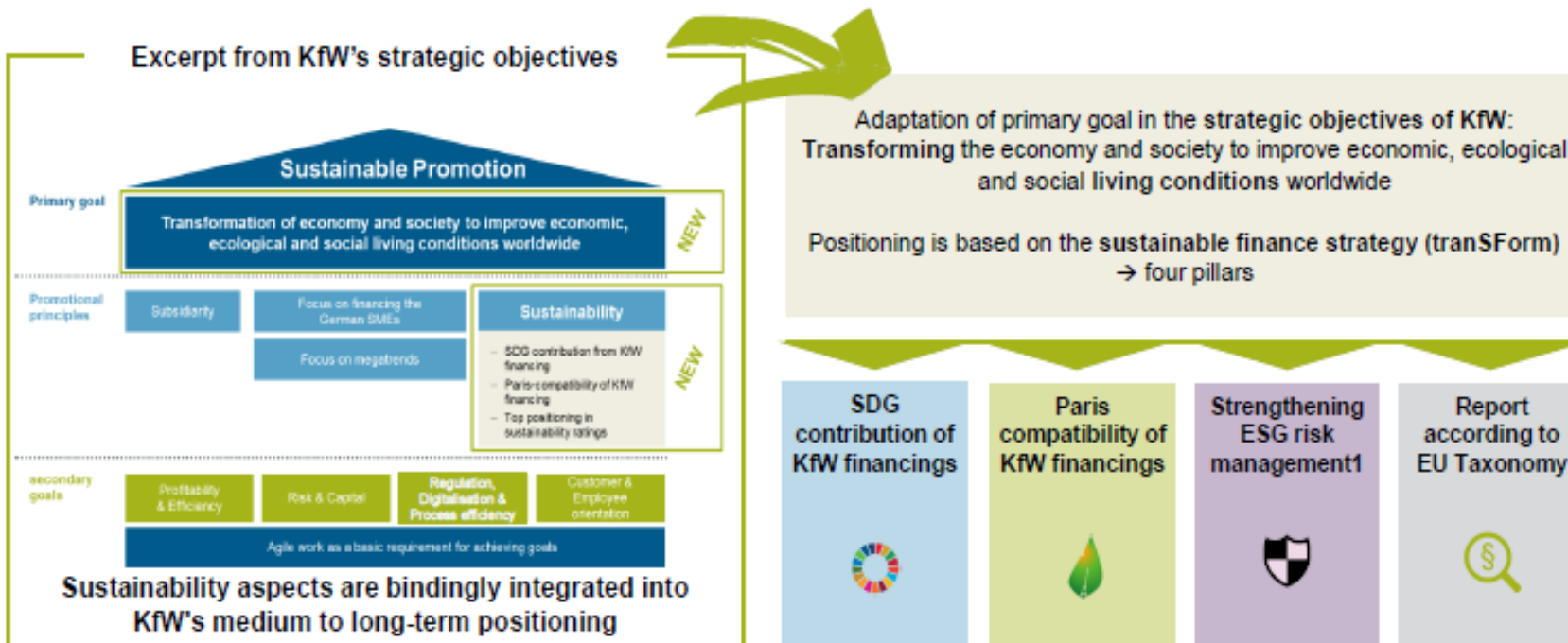


Guidance Notice on Dealing with Sustainability Risks

Law  
Concerning KfW dated 5 November 1948





# »»» KfW's sustainable finance strategy

Sustainability aspects are established in KfW Group's strategic objectives









# transForm in a nutshell

Significant implementation successes already achieved in 2021

Targets	<b>SDG contribution of KfW financings</b> 	<b>Paris compatibility of KfW financings</b> 	<b>Strengthening ESG risk management<sup>1</sup></b> 	<b>Report according to EU Taxonomy</b> 
Successful implementation	<ul style="list-style-type: none"><li>✓ KfW-wide "Theory of Change" developed</li><li>✓ Over <b>47 impact indicators</b> validated</li><li>✓ "Impact balance sheet" prototype created</li><li>✓ Group-wide <b>guiding principles</b> established</li></ul>	<ul style="list-style-type: none"><li>✓ <b>8 Paris compatible sector guidelines developed for emission-intensive sectors</b></li><li>✓ <b>GHG footprint roughly determined</b> using structured estimation methodology</li></ul>	<ul style="list-style-type: none"><li>✓ Systematic <b>screening</b> of risk types and risk management cycle</li><li>✓ Development of the <b>ESG risk profile database</b> initiated</li><li>✓ First <b>climate risk stress test</b> carried out</li><li>✓ Screening of <b>regulatory requirements</b> started</li></ul>	<ul style="list-style-type: none"><li>✓ Analysis of the legal situation</li><li>✓ Group-wide subproject initiated</li><li>✓ Analysis of the data basis as well as <b>GAP analysis</b> started together with the business areas</li></ul>
Major next milestones	<ul style="list-style-type: none"><li>▪ Development of <b>impact reporting</b> strengthens the basis for political decisions</li><li>▪ Harmonised <b>impact management</b> complements the established group management</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Sector guidelines</b> for commitment management in line with the <b>Paris climate targets</b></li><li>▪ Development of further <b>sector guidelines</b></li><li>▪ <b>Greenhouse gas accounting</b> monitors KfW's progress towards climate neutrality</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Increased integration</b> of raw ESG data</li><li>▪ Developing the ability to <b>assess physical climate risks</b></li><li>▪ Further development of <b>stress test capabilities</b>, creation of a scenario library</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Survey</b> of taxonomy eligible business 2021 for KfW</li><li>▪ Monitoring and evaluating the further development of the <b>EU-Taxonomy</b></li></ul>

# Overview of currently implemented/ planned sector guidelines

## Sector guidelines for six CO2-intensive sectors implemented in 2021

Sector	Scope	Type of control	Go-Live	Outlook
 Shipping	Commercial oceangoing / coastal vessels for the transport of people and goods	New commitments with an efficiency threshold	July 2021 ✓	<ul style="list-style-type: none"> <li>• Further sectors in development (e.g. oil/ natural gas as well as technology open general corporate financing) to increase the degree of coverage</li> <li>• Regular review of the sector guidelines to ensure that they are up to date, climate policy decisions (including Ereg) are taken into account</li> </ul>
 Automotive	Cars / light commercial vehicles (<math>\leq 3.5t</math>), their suppliers and infrastructure	New commitments with technology limitation	July 2021 ✓	
 Steel	Iron and steel manufacture	New commitments with technology limitations and efficiency thresholds	July 2021 ✓	
 Power generation	Electricity generation installations with feed into public networks	New commitments with technology limitation	Sep. 2021 ✓	
 Buildings	Residential and non-residential buildings with KfW efficiency standards as well as building energy efficiency measures	New commitments with technology limitations and efficiency thresholds	Sep. 2021 ✓	
 Aviation	Commercial aircraft for the transport of people and goods	GHG budget for new commitments	Sep. 2021 ✓	

### Overview customer impact

Primary focus on emission intensive sectors → no "big bang" but successive increase in quotas and technological requirements

Financing mix of transitional and future technologies to successfully shape the transformation towards greenhouse gas neutrality

Domestic funding programmes are gradually being converted to Paris compatibility

High pragmatism in customer interaction

# >>> Science-based approach

From the Paris Climate Agreement to Paris compatible sector management

1

Limit temperature rise to "well below 2°C"

Climate Action Programme 2030: commitment of the German Federal Government to Paris climate goals, including developing KfW further into a "transformative promotional bank for a greenhouse gas-neutral future"



United Nations Framework Convention on Climate Change

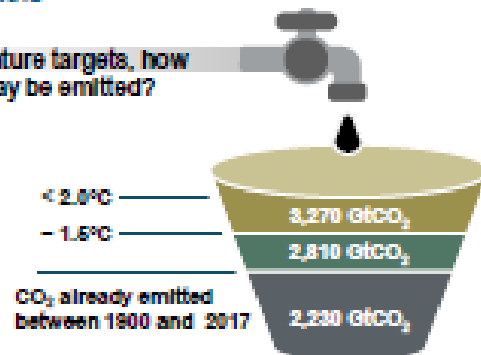


2

Science translates temperature targets into CO<sub>2</sub> budgets and reduction paths

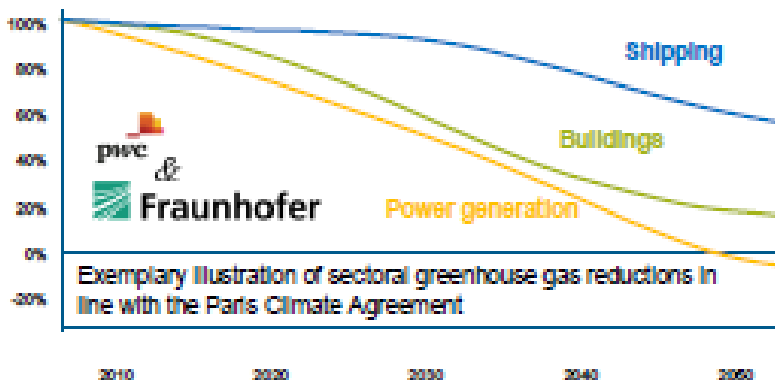
Given the temperature targets, how much total CO<sub>2</sub> may be emitted?

ipcc  
INTERNATIONAL PANEL ON CLIMATE CHANGE



3

KfW uses the IEA's climate scenario for conclusions on individual greenhouse gas-intensive sectors



4

KfW implements the derived requirements with Paris compatible sector guidelines

Sample sectors

