Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

This statement provides sustainability-related disclosures with respect to KfW Capital GmbH & Co. KG's ("KfW Capital"), LEI: 875500P85PQLPODA6T92, role as financial advisor pursuant to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector service ("SFDR").

KfW Capital implemented a sustainability policy which is published on this website (short version). The sustainability policy focuses on first, being a sustainable company and employer and second, on the integration of sustainability in the investment process.

KfW Capital aims to consider sustainability aspects alongside financial performance objectives when making investment decisions. For that reason, KfW Capital implemented the "KfW Capital ESG process", which aims to systematically assess, avoid and mitigate sustainability risks when investing in Venture Capital ("VC") funds. The process is used for the following mandates, where KfW Capital acts on its own account: KfW Capital is appointed as investment advisor and investment broker for the Wachstumsfonds Deutschland. The Wachstumsfonds Deutschland is incorporated as a venture capital fund of funds under private law consisting of two parallel investment fund companies set up as German investment limited partnerships (Investmentkommanditgesellschaft) and managed by a private capital management company (Kapitalverwaltungsgesellschaft) duly licensed under German law. This private capital management company is the product offeror for Wachstumsfonds Deutschland and responsible for its sustainability disclosure under Regulation (EU) 2019/2088.

I. Integration of sustainability risks (Article 3 SFDR)

With respect to sustainability governance, KfW Capital's managing directors oversee the sustainability strategy, promote the internal and external communication to manifest ESG in all processes and to align objectives of all stakeholders towards sustainability.

On the operative level, the following structure integrates sustainability into KfW Capital's governance:

Sustainability managers are responsible for implementing and developing sustainability strategy, processes, and documentation. Moreover, they periodically review the adequacy of criteria, processes and sustainability knowledge. One sustainability manager also ensures that sustainability criteria are considered in the investment committee.

Investment managers are required to communicate regularly with fund managers on ESG and sustainability.

Risk managers oversee the general risk strategy and provide risk focused ESG assessments for each investment.

On process level, the following criteria are used by KfW Capital's ESG process to address sustainability risks:

Due diligence:

Negative screening and minimum criteria: KfW Capital applies an exclusion list of activities and sectors. The exclusion list is an expanded version of KfW group's exclusion list. KfW Capital requires that VC funds implement a qualified policy on ESG or sustainability (or equivalents).

ESG Capabilities: KfW Capital's ESG due diligence focuses on ESG capabalities of VC funds, i.e. how VC funds set up their ESG strategies and processes properly. As part of the assessment, VC funds have to complete a standardized questionnaire which is designed to help the VCs determine their ESG status and develop their ESG strategies. It enables KfW Capital to receive a detailed picture of the VC fund's current efforts to integrate ESG criteria into its investment processes and across the company.

ESG heatmap: Most sustainability risks occur on the portfolio company level and KfW Capital undertakes fund of funds investments. Therefore, KfW Capital developed the "ESG Heatmap", which allows VC Funds to identify material ESG criteria also on the portfolio company level. Based on three "lenses"—the type of innovation, stage, and exit/end-industry —the ESG Heatmap reveals relevant ESG criteria that are reasonably likely to impact the start-up's financial condition and performance.

Action plan: Where appropriate, KfW Capital considers developing individual action plans to improve a fund manager's ESG capabilities based on weaknesses and strengths identified in the ESG Capabilities questionnaire.

Monitoring and engagement: On a yearly basis, KfW Capital will assesses a standardized set of indicators for material ESG criteria

II. No consideration of sustainability adverse impacts (Article 4 SFDR)

Article 4 SFDR provides for a framework aimed at achieving transparency about any principle adverse impacts of investment decisions on sustainability factors as defined in the SFDR.

The SFDR requires KfW Capital to make a "comply or explain" decision whether to consider the principal adverse impacts ("PAIs") of its investment decisions on sustainability factors, in accordance with a specific regime outlined in the SFDR. KfW Capital has opted not to comply with that regime, both generally and in relation to the Fund. KfW Capital will keep its decision not to comply with the PAI regime under regular review.

KfW Capital has carefully evaluated the requirements of the PAI regime in Article 4 of the SFDR, and in the draft Regulatory Technical Standards which were published in February 2021 (the "PAI regime"). KfW Capital is supportive of the policy aims of the PAI regime, to improve transparency to clients, investors and the market, as to how financial market participants integrate consideration of the adverse impacts of investment decisions on sustainability factors. However, KfW Capital is concerned about the lack of readily available data to comply with many of the reporting requirements of the PAI regime, as KfW Capital believes that companies and market data providers are not yet ready to make available all necessary data for the PAI regime. Notwithstanding KfW Capital's decision not to comply with the PAI regime, KfW Capital has implemented positive ESG-related initiatives and policies, as part of its overall commitment to ESG matters, as summarized above. For example, the heatmap and monitoring process described above does also involve adverse sustainability impacts and the "do no significantly harm" principle.

III. Remuneration policy (Article 5 SFDR)

KfW Capital has established a remuneration policy (the "Policy"). The Policy applies to all employees of KfW Capital and ensures alignment of interest by all stakeholders. The Policy has been developed with the aim of supporting KfW Capital's business strategy, corporate values and long-term interests. The key principles of the Policy include fostering appropriate risk culture (including with respect to the management of actual and potential conflicts of interest) and compliance with applicable law and regulation.

Remuneration of employees is split in a fixed and variable remuneration (short-term and long-term). The performance management and rewards framework envisioned by the Policy has been designed to promote effective risk management, including in particular:

by ensuring that assessment of performance takes full account of adherence to risk management requirements, covering all relevant types of current and future risks, including sustainability risks; and

by setting sustainable-related individual targets for executives and sustainability managers to manifest internal processes on integrating ESG.